



**Bumitama Agri Ltd.**  
*Excellence Through Discipline*

# SUSTAINABILITY REPORT 2014



**A NEW CHAPTER IN SUSTAINABILITY**

---

## SCOPE OF THIS REPORT

The report covers the calendar year 2014, as well as 2012 and 2013 benchmark data as available. Data includes all our operations as of 31 December, unless otherwise noted. The report does not include detailed information on our office-based operations in Jakarta and Singapore. In addition to impacts within our own organisational boundaries, the report covers material aspects for all plasma smallholders but not independent suppliers, including smallholders.

Due to the rapid development of our sustainability performance and plans, the report contains updated information on some 2015 events, notably with regards to the planned implementation of our new sustainability policy published in August 2015, as we consider these to be of material importance to our stakeholders.

# CONTENTS

<b>2</b>	<b>Welcome</b>	
<b>4</b>	<b>Report Review: Eric Wakker</b>	
<b>6</b>	<b>Targets and Objectives</b>	
<b>8</b>	<b>About Bumitama</b>	
<b>8</b>	• Our Business in Brief	
<b>9</b>	• Financial Summary	
<b>9</b>	• Ownership Structure	
<b>10</b>	• Operations	
<b>12</b>	<b>Our Supply Chain</b>	
<b>12</b>	• Suppliers	
<b>13</b>	• Traceability	
<b>13</b>	• Customers	
<b>14</b>	<b>Approach to Sustainability</b>	
<b>15</b>	• New Sustainability Policy	
<b>20</b>	• Complaints and Grievance Mechanism	
<b>22</b>	• Sustainability Certification	
<b>24</b>	• Customer Comment: Wilmar International	
<b>25</b>	<b>Environment</b>	
<b>26</b>	• Integrating High Carbon Stock Assessments into Landscape Planning	
<b>29</b>	• Orang-utans and Endangered Species	
<b>32</b>	• Preventing Fires and Haze	
<b>34</b>	• Greenhouse Gas Accountability	
<b>35</b>	• Reducing Chemicals in Fertiliser and Pest Management	
<b>36</b>	• Water	
<b>37</b>	<b>People</b>	
<b>38</b>	• Heart to Serve – Building Strong Community Relations	
<b>42</b>	• Human Rights of Workers	
<b>44</b>	• Health and Safety	
<b>46</b>	<b>Ethics</b>	
<b>46</b>	• Legality of Concessions	
<b>47</b>	• Ethical Policies	
<b>47</b>	• Corporate Governance	
<b>48</b>	<b>Base Data &amp; Notes</b>	
<b>50</b>	<b>Global Reporting Initiative Index</b>	
<b>55</b>	<b>About the Report</b>	
<b>56</b>	<b>Glossary</b>	
<b>58</b>	<b>Contact Us</b>	

## WELCOME

**“WELCOME TO BUMITAMA AGRI’S (BUMITAMA OR THE GROUP) FIRST SUSTAINABILITY REPORT.** I am delighted that this report coincides with the launch of our new Sustainability Policy, which is supported by everyone in Bumitama from the Board level to our people on the ground. This policy is a milestone and will provide us with the guidance and direction to become a world-class palm oil producer, delivering high quality products and being an employer of choice while operating in harmony with local communities and safeguarding natural resources.”



Many of the commitments made in the policy are not new, but rather areas that we have addressed since our inception. For example, our commitment to community development has been an integral part of our expansion process since the beginning. The policy gives us a more structured way of addressing and prioritising our work in consultation with local communities. Other aspects of the policy are new and more challenging. In preparation for the launch of the policy, we have decided to disengage from a number of management contracts where legal compliance was in question. We are also working towards the elimination of Paraquat; identifying high carbon stock areas, including peat. We will be putting great efforts into working with fresh fruit bunch suppliers to ensure that they can meet the requirements of our policy.

The policy – and this report – is the culmination of a period of time where our company faced a number of complaints raised on social media and the Roundtable on Sustainable Palm Oil (RSPO) Complaints Panel. As a domestic producer, operating within the Indonesian framework, we believed that we operate in line with Indonesian regulations. However, the new policies adopted by our customers, and the increased international focus on deforestation in the Indonesian palm oil sector eventually led to our decision to improve our sustainability. In consultation with a wide range of internal stakeholders, as well as representatives from our banks, industry peers and civil society, I decided to re-affirm our commitment to RSPO and continue our path towards becoming a premium palm oil producer.

I am proud of Bumitama and our communities – I truly believe that when people make an effort to get to know us, they will come to admire the heart and dedication that can be found at every level of our company. We want to help build strong communities that benefit from oil palm and from an increasing diversity of local skills and growth capacity. Our local economic development programmes have been a tremendous success, building capabilities in cash-crop agriculture, aqua-culture and poultry farming.

We want to contribute to sustainable development. It is important to me that we solve the dilemma that sometimes exists between the need for economic development for communities on the one hand, and biodiversity conservation on the other. I am therefore excited about the work we are doing in Kalimantan to find and develop alternative livelihoods

through the harvesting of non-timber forest products in areas we have set aside for conservation.

We are not perfect. Some of the grievances raised over the past years have demonstrated that, as a young company, we did not always do a good enough job in communicating our commitments and priorities, or in engaging with our communities. And we are still facing challenges that must be resolved, such as a much stronger focus on health and safety to ensure that no serious injuries or fatalities occur in our plantations and mills.

We have sometimes been told that we are too quiet; some feel this means we are lacking in transparency. But as a company it is not in our nature to make big claims until we are 100% sure that we can meet our commitments. This is a principle that will remain with us. We must be sure that we can deliver before we make promises, whether they are to customers, financial institutions, our communities or the public at large. This inaugural sustainability report will help us demonstrate accountability and continuous improvement. It documents progress and discusses the challenges we face on our sustainability journey. By being transparent, we will be able to maintain a productive and ongoing dialogue with our commercial and civil society stakeholders, and jointly find solutions to deliver value to customers, shareholders, communities and employees while protecting our precious wildlife and biodiversity.

The work that is now starting is exciting. Some steps will be challenging, but it is a journey close to my heart: I was born in East Kalimantan and feel very connected to the forest and the people of Borneo, and it is my aspiration that Bumitama is seen as a force for good in protecting and enhancing this unique region. I am grateful to our employees who work hard every day to make this a reality, and to our friends in civil society, in our industry and in the financial community who have worked constructively over the past years to move us forward. We look forward to continuing and improving these relationships over the coming years.

**LIM GUNAWAN HARIYANTO**  
Executive Chairman & CEO  
Bumitama Agri Ltd.

## REPORT REVIEW: ERIC WAKKER

I congratulate Bumitama Agri for realising a dual milestone by publishing their first comprehensive Sustainability Report along with an ambitious “No Deforestation, No Peat, No Exploitation Policy”.

These achievements are of great significance for the transformation of the palm oil industry towards sustainability. Most of the world’s largest palm oil manufacturers and refiners have adopted strict purchasing policies today. These policies apply to their own estates and, often the bulk of their supply, their third party suppliers: the pure grower-crude palm oil producers.

Bumitama represents the first pure grower in Southeast Asia to embrace a comprehensive sustainability policy. This means that market demand for climate and human rights friendly palm oil production is being anchored where it matters most; the growers’ level.

I expect Bumitama’s forerunner position to be short-lived because the industry’s transformation towards sustainability has, in my view, already passed its tipping point. Arguably, the turn-around was sped up by the launch of Wilmar International’s purchasing policy of December 2013. The CEOs of five other palm oil refiners followed with similar commitments a month later. Crucially, this led these industry leaders to consider their core values. For some, perhaps, it was the recurring haze that blocks the view of their company board rooms in Singapore. Others may have recalled the magnificent unspoilt environment they once grew up in; a world that is under serious threat from over 30 years of unsustainable development ambition.

Admittedly, civil society organisations such as my own have been a thorn in the side of the palm oil industry by continuously highlighting this threat. Previously, such external criticism would meet with awkward defence. Aidenvironment and Bumitama too have had their scuffles. We consider it a fair fight that brought both parties together. It was Bumitama who sent their staff to frequent our office. At the point where our office was close to running out of coffee, we agreed to a joint field visit to a new development in Kalimantan. Right after, we were able to report to Mr. Gunawan in Jakarta in the presence of the RSPO, Rabobank and Wilmar International.

It was at this meeting that we highlighted a common phenomenon in the palm oil industry; there were gaps in the “chain-of-command” that resulted in situations on the ground that were contrary to published management

statements. During the joint field visit, it was confirmed that such had indeed occurred. Realising its significance, Mr. Gunawan reaffirmed the CSR Department’s mandate on the spot, and requested us to help resolve the company’s challenges. Aidenvironment committed to do so on a partnership basis.

Over the course of 2014, the CSR Department stepped up its leadership role internally, working to address pending complaints and problem cases that NGO’s had raised the year before. In early September, the Group firmly declared to put an end to deforestation and peat land development. They also announced the divestment from several legally problematic management contracts. Towards the end of the year, the Group received its first two RSPO certificates.

This represents meaningful progress.

Jointly, we have begun to face important questions regarding the scope of the company’s responsibilities and abilities. For plantation companies today, tropical forests, peat and valuable community land have effectively become stranded assets. Does this imply that such areas are to be abandoned, likely to wither away?

For Bumitama, the answer is no. I applaud the company for committing to secure some level of management control over approximately 8,500 hectares of forest and peat that it will not convert into oil palm. Jointly, we will be exploring landscape approaches that include village planning and co-management options including the promotion of Non-Timber Forest Products (NTFP). Similarly, the company’s CSR team proactively reaches out to rubber farmers in one of its concessions, offering agronomic extension to help improve latex productivity and market access after the Free, Prior and Informed Consent process led these farmers to decline to adopt oil palm.

I wish to highlight a novel article in the company’s new Sustainability Policy, which advises its executive directors to embrace a policy comparable to Bumitama’s when investing in palm oil companies outside the listed Group. The ‘director’s article’ helps ensure that the listed Group and its management represent one face, that of responsible practice.

Of course, there are limits to what can be expected from a plantation business in supporting conservation and development activities that are intrinsic to its mission

but not its core business. It is for this reason that other stakeholders, notably local government and communities, academics and civil society organisations need to step forward to help develop and implement visions for sustainability in their local landscapes.

Taking into account that this is the Group's first Sustainability Report that is anchored in its newly launched sustainability policy, the report is deemed adequately responsive and complete in addressing materiality.

The report appropriately acknowledges how the need to improve on sustainability performance emerged and presents the priority interventions to be taken, along with initial description of the baseline for other less contested sustainability themes. Reported progress in relation to complaint and grievance resolution is responsive but remains somewhat one-dimensional. Future reporting should elaborate in more detail how resolution between parties is achieved.

Substantive stakeholder input to the new sustainability policy was received in the final stage of completion. Key comments were adopted in the policy or otherwise mostly addressed in the Sustainability Report. The input received highlights the need for the company to continue and broaden stakeholder dialogue to advance specific policy themes, particularly landscape conservation and compensation, labour and human rights and smallholder relations. Future reporting needs to address progress in these fields.

**ERIC WAKKER**

4 August 2015

**ABOUT THE REVIEWER**

*Eric Wakker is senior consultant at Aidenvironment Asia. He was involved in various NGO studies covering Bumitama Agri. Aidenvironment partnered up with Bumitama in April 2014, among other, to assist the Group in developing its sustainability policy.*



# TARGETS AND OBJECTIVES

## WHAT WE WANT TO ACHIEVE

## OUR TARGET (YEAR-END)



No expansion without Free, Prior and Informed Consent from local communities<sup>†</sup>

Immediate



No new developments without HCV and HCS approach assessments<sup>†</sup>

Immediate



New Business Ethics Policy socialised with staff and made publicly available

2015



Zero fatalities

2016



Eliminate use of Paraquat in all plantations and plasma schemes

2016



Develop partnership with reputable orang-utan organisation to protect and increase orang-utan population in Kalimantan

2016

## WHAT WE WANT TO ACHIEVE

## OUR TARGET (YEAR-END)



Reduce accident rates by 40%

2017



Complete survey and mapping of independent smallholders that supply FFB

2017



Measure and publish our carbon footprint and develop a reduction strategy

2017



FFB processed by our mills is traceable to our own estates and plasma smallholders

2017



All FFB purchased can be documented to originate from legal and responsible sources

2017



All mills and plasma smallholder schemes RSPO certified\*

2020

† These commitments are ongoing. We will report on compliance in future sustainability reports

\* Or one year from Hak Guna Usaha and relevant permits approved if not before 2020

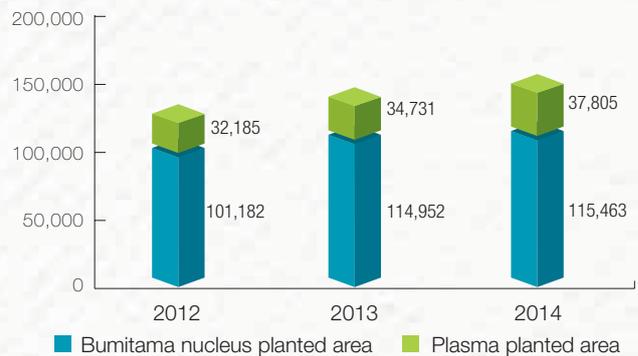
# ABOUT BUMITAMA

## OUR BUSINESS IN BRIEF

Bumitama Agri Ltd. (Bumitama) is a young crude palm oil (CPO) and palm kernel (PK) producer with oil palm plantations in Indonesia with almost 32,000 employees.

Bumitama has a total planted area of 153,268 hectares in three provinces, including around 25% plasma (smallholder) area in Central Kalimantan, West Kalimantan and Riau. We also own and operate ten CPO mills with a total capacity of 3.42 million tonnes of FFB annually. In 2014, just over 75% of FFB processed were produced by our plantations and plasma schemes and approximately 25% was sourced from independent outgrowers and smallholders.

### PLANTED AREA\* (HECTARES/HA)



\* The planted area as at end of 2014 still included PT Hatiprima Agro (PT HPA) which we divested in the beginning of January 2015, transferring all assets to PT Langgeng Makmur Sejahtera, a company unrelated to Bumitama or its directors.



## FINANCIAL SUMMARY

In 2014, our revenue increased by 41.7% to IDR 5,757 billion (IDR 4,063 billion in FY2013), and 46.4% higher profits of IDR 2,342 billion, as compared to IDR 1,600 billion in FY2013. These successful results were due to higher production of both CPO and PK, as well as improved selling prices of both CPO and PK.

## OWNERSHIP STRUCTURE

We are listed on the Singapore Exchange. At year-end 2014, 50.93% of the share was held by companies controlled by the Lim family. A further 31.41% is controlled by IOI Corporation and its majority shareholders, the Lee family.

### FINANCIAL OVERVIEW (IDR BILLION)



# ABOUT BUMITAMA

## OPERATIONS

We have a total land bank of just under 200,000 hectares located in the Indonesian provinces of Central Kalimantan, West Kalimantan and Riau. Through our nine plantation operations which comprise 115,463 hectares of nucleus estates and 37,805 hectares of plasma area we produced just over 2 million tonnes of FFB in 2014.

With the commissioning of two additional mills in Central Kalimantan in 2014, we now operate ten mills across nine plantation units, spread across Central Kalimantan, West Kalimantan and Riau and with a combined capacity of 3.42 MT CPO/Year. The majority of fruit processed comes from our own plantations and associated plasma areas, but we buy approximately 24.7% from nearby independent smallholders and outgrowers.

- 1 RIAU 2,309 HA PLANTED OIL PALM, 1 MILL
- 2 WEST KALIMANTAN 47,772 HA PLANTED OIL PALM, 4 MILLS
- 3 CENTRAL KALIMANTAN (EXCL HPA) 98,978 HA PLANTED OIL PALM, 5 MILLS



## PRODUCTION (METRIC TONNE/MT)



We believe that an integral part of sustainable agriculture is the need to enhance the productivity of our land through improvements in yields and extraction rates. Our agronomists are working together with the Research, Quality Control and Engineering department on various areas of improvement inclusive of yield, oil content and bunch weight improvement. We are not using any genetically modified planting materials, but look to high-yielding seed for productivity improvement.

## PRODUCTIVITY



We have seen considerable improvements in our productivity in the past years, and are pleased that our yields and extraction rates are now significantly outperforming the Indonesia average.

## CPO YIELD PER HECTARE



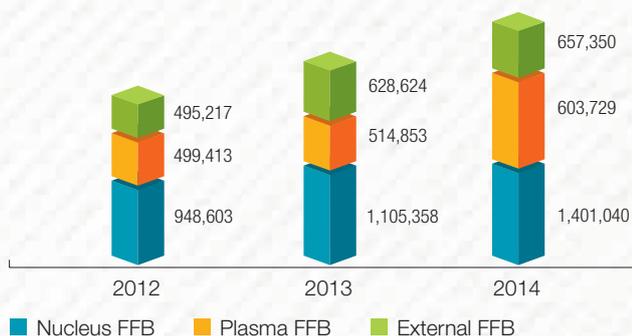
## OUR SUPPLY CHAIN

### SUPPLIERS

As an exclusive upstream producer, our main suppliers are FFB suppliers, delivering fruit to our mills.

There are three types of fruit suppliers; associated smallholders under a plasma scheme, larger outgrowers without a mill of their own or with excess fruit, and independent smallholders (defined as growers with less than 50 hectares of plantings). Most external fruit is delivered directly by the smallholders and outgrowers, with a small proportion through FFB traders.

#### FFB Processed (METRIC TONNE/MT)



### PLASMA SCHEMES

Approximately 25% of our concessions are set aside for plasma schemes. Under Indonesian government regulations, plantation companies are required to develop and operate a plantation area near its plantation covering a minimum of 20% of the total plantation area which is operated by the plantation company for the local communities. This development is either through the implementation of credit, grant or profit-sharing scheme.

Plasma schemes are mutually beneficial to both members of the plasma programme and plantation companies. The members who participate in schemes through cooperatives benefit socially and economically from increasing incomes and better welfare such as training and education in oil palm cultivation. Plantation companies are able to enjoy a steady supply of FFB at the prevailing price set by a price committee established by the District Regional Government,

with appropriate adjustments for the quality of the FFB. This price is based on the current CPO and PK prices, adjusted for costs and a profit margin for the locals participating in the scheme.

Under the partnership scheme, we entered into cooperation agreements with plasma member who participate in the Plasma Programme and are managed by their representatives. Pursuant to these agreements, we help to develop the land and manage the plasma plantations. We allocate at least 20% of our total planted area to members of the plasma plantations. The development costs of the plasma plantations are funded by bank loans. Plasma members enjoy a share in the profits of the plasma plantations, after deducting interest and loan instalments, plantation costs and a management fee.

Our current arrangement under the Plasma Programme lasts for 25 years or until the end of the current planting cycle (whichever is earlier), and we intend to renew it at the next replanting phase. Today, we have over 19,000 associated smallholders.

Since we provide direct agricultural assistance to plasma smallholders and have exclusivity of their fruit, we can guide implementation of our policies and assist in ensuring that they receive RSPO certification and associated benefits within three years of certification of the nucleus, or when all relevant permits are in place.

### INDEPENDENT SMALLHOLDERS AND OUTGROWERS

Most fruit received from independent smallholders and outgrowers is bought through third-party traders, and the origin of fruit changes daily, making traceability complex. We therefore have little control over suppliers. In some cases we have concerns over the legality of fruit, due to the occurrence of plantings in conservation areas or areas without appropriate environmental permits. This is one of the key issues we will seek to resolve through commitments in our new Sustainability Policy, in partnership with other mills in the region.

## TRACEABILITY

As part of our no deforestation commitment, we are launching a programme to achieve full traceability of all FFB processed to estate level. This will ensure that we are able to identify and exclude FFB supplies sourced from the illegally planted areas.

We will be investing in the latest technology in satellite imagery (GIS) and will be combining smartphone, GPS and on-the ground compliance teams to ensure that land development activity in sensitive areas is tracked and monitored in real time.

To ensure that traders and independent outgrowers understand the process and how they can ensure that their fruit remains acceptable to us, we are building a team to socialise and explain our policies to FFB suppliers.

## CUSTOMERS

All of our oil is sold domestically to refineries who convert our CPO into a vast variety of refined products used in foods, oleo-chemicals and biofuels. Our mills do not have kernel crushers, so we sell our palm kernels to local crushing plants, who process them into palm kernel oil, which is primarily used for personal care, household and confectionary products.

Currently, we trade our RSPO-certified oil through the RSPO GreenPalm certificate trading system, but are certified for Mass Balance. As the proportion of our RSPO certified CPO increase, we will consider setting up segregated mills.





## APPROACH TO SUSTAINABILITY

Our vision is to be a world class palm oil producer in terms of product quality, productivity and sustainability. Our mission is to seamlessly integrate sustainability into all aspects of plantation management and our long-term business strategy (4P: People, Planet, Product and Profit).

Operating principally as a grower in Indonesia, we appreciate that the palm oil industry can and must deliver on sustainability beyond the legal minimum in order to address legitimate concerns over the linkage between oil palm and deforestation, climate change and social injustice.

## NEW SUSTAINABILITY POLICY

We realised that our policies and practices on sustainability did not meet stakeholders' expectations when in 2013 and 2014 we were faced with a number of formal complaints and grievances from civil society. We had been through a period of reflection and decided to re-affirm our commitment to the goals of the RSPO at Group level and have explored how to ensure that our operations meet the world-class standards to which we aspire. In August 2015, this culminated in the launch of the Bumitama Sustainability Policy – which expresses our commitment to avoid deforestation, exploitation and development on peat. This policy, along with third-party certification, now forms the backbone of our approach to sustainability.

Our policy covers four areas:

- **Forest Conservation and Sustainable Land Use:** No peat, protection of High Conservation Values (HCV) and High Carbon Stock (HCS) landscapes, reduction of chemical fertiliser and pesticide usage, elimination of Paraquat and prevention of fire.
- **Respect for Local Community Rights:** Recognition of Free, Prior and Informed Consent (FPIC), efforts towards sustainable economic development models, and fair, transparent and accountable partnership with plasma smallholders.
- **Respect for Workplace Human Rights:** Recognition of International Labour Organisation (ILO) core conventions and the United Nations (UN) Universal Declaration on Human Rights, including a ban on forced and child labour, elimination of discrimination, provision of fair wages and working hours, and respect for freedom of association. Provision of a healthy and safe working environment, ethical conduct and efforts to eliminate corruption.



- **Traceability and Responsible Sourcing:** Tracking and monitoring land development in sensitive areas, ensuring that FFB processed is traceable to our own estates, plasma smallholders, local traders and independent smallholders, and ensuring that FFB is purchased from legal and responsible sources.

### LANDSCAPE APPROACH

Operating in Indonesia, a country with a stunning and unique natural environment, coupled with widespread rural poverty, we believe that we need to develop a strong integrated landscape approach to ensure that natural habitats are protected whilst not depriving local populations from meeting their development needs. The most central aspect of our sustainability policy is therefore a holistic landscape approach which provides for the protection, restoration, compensation and/or

# APPROACH TO SUSTAINABILITY

co-management of forests and other areas identified as having HCV and HCS<sup>1</sup>. We are trialling participatory landscape approaches within and around the boundaries of our plantation lease areas to promote conservation and sustainable use of forest, peat and agroforestry with oil palm plantations to promote diverse landscapes that contribute to long term food and income security. These trials seek to identify appropriate conservation and sustainable use models for forest and peatland set-asides on the basis of FPIC. Our exploration of options places the village level at the centre of decision-making.

## DEVELOPMENT PROCESS

Our revised sustainability policy was launched in August 2015 after six months in development.

Our policy was developed based on our initial baseline studies and trials to cover all the key areas highlighted by our financial stakeholders, government and intergovernmental agencies, customers and NGO campaigns in 2012-2014. Although we recognise that the sustainability agenda is constantly shifting, it was important to us to ensure that the policy is reasonably future-proof. Socialising the policy internally and with communities and suppliers is likely to be a lengthy process and once launched and communicated we wanted to ensure that there would be no material changes within the foreseeable future. We have therefore benchmarked the policy against other frameworks which build on the RSPO, such as Wilmar's Integrated Policy and the Palm Oil Innovation Group Charter, both of which were launched in late 2013. We believe that these frameworks represent current best practice.

We were assisted by Aidenvironment, a Dutch consultancy, who also assessed our operations and helped us identify performance gaps and areas for improvement to ensure our policy was robust and that we understood the implications of each new commitment. Aidenvironment also supported us in consultation with civil society stakeholders, who were given opportunities to query and provide suggestions for clarifying or strengthening key aspects. Our internal sustainability team engaged extensively with employees, management and the Board of Directors to ensure buy-in and to ground-truth the policy and adjust it to the practical realities of the Group.

Stakeholders	Consultation Input
Financial institutions	<ul style="list-style-type: none"> <li>• RSPO membership critical</li> <li>• Importance of certification to demonstrate sustainability</li> <li>• Increase stakeholder engagement</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Engagement and constant communication needed</li> <li>• Exhibit commitment towards customer's sustainability policy</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>• Transparency in operations</li> <li>• Communication and engagement with stakeholders</li> <li>• Demonstrate not deforesting, do not exploit communities, is a member of RSPO and complying to customer's policy</li> </ul>
Employees and management	<ul style="list-style-type: none"> <li>• Need to balance interests of different sets of stakeholders</li> <li>• Consistency in policies, standards and requirements</li> <li>• Cost efficiency</li> </ul>

## SUSTAINABILITY TEAM STRUCTURE

We believe that sustainability has to be embedded in all business operations, but we also understand that expertise is needed to get the implementation right. We have therefore significantly expanded our sustainability team to include top-level professionals in the area of Sustainability, conservation, GIS, certification, financial management, CSR and civil society engagement.

The Director of Corporate Affairs and Sustainability leads the strategic direction of Bumitama's sustainability performance. He heads a team which reports to the Board on major sustainability related risks at each Board meeting. We have also changed our practical processes so that the sustainability team is brought in at the very beginning of any major project such as expansion or the commission of new mills. This ensures that sustainability issues can be mapped up front and avoid patch-work solutions. This is underscored by a restructure of management. The Director of Corporate Affairs and Sustainability now also heads the legal department and the teams responsible for permits and licensing, as well government relations. This ensures that sustainability is an integral part of concession permits and planning decisions.

<sup>1</sup> As defined in the High Carbon Stock Approach Toolkit

## SUSTAINABILITY TEAM STRUCTURE



Our primary policy development and implementation partner is Aidenvironment, as we believe they have a very strong record, particularly in developing inclusive processes with local community partners. In areas which require a high level of specialist expertise, we are identifying a range of civil society partners and networks who can help us in the implementation process. For example, for HCS-related work, we are following the Toolkit developed by the HCS Approach Steering Group as we understand this to have the broadest stakeholder backing and also has a significant body of practical implementation experience. Likewise, as we are developing our orang-utan protection programmes, we will be engaging with a variety of conservation organisations focusing on orang-utans in order to ensure that we follow best management practice.

## ROADMAP FOR IMPLEMENTATION

While the policy sets out the direction and aspirations of Bumitama, we will need a detailed roadmap to ensure that we deliver on our commitments.

We will be developing a series of detailed policies and/or Standard Operating Procedures and clear assessment procedures to determine our own and suppliers' performance. We will be socialising the new policy throughout the organisation and will conduct regular communication with our suppliers, and provide technical assistance and support both for our own teams and for those of our suppliers to assist them in achieving compliance with this policy.

# APPROACH TO SUSTAINABILITY

Our roadmap started with building of a baseline – undertaking a series of mapping exercises and ensuring that we have the relevant data to monitor improvements. This work will be ongoing until the end of 2015 and early 2016. The next steps are to develop improvement plans to effectively protect and manage strategic areas such as peat, HCV and HCS as well as economic development programmes and Greenhouse Gas reduction. Some of these improvement plans are already being implemented as described throughout this report and we are setting

time-bound and quantitative targets to ensure that progress is being tracked (see page 6 and 7). To provide a structure to our sustainability performance, we are embracing certification schemes, starting with the RSPO, ISPO (Indonesia Sustainable Palm Oil system), and ISCC (International Sustainability and Carbon Certification), but also reviewing the need to comply with subject specific standards such as OSHA for Health and Safety. Finally, we understand that many of our commitments require innovation and leadership, so we will be investing in

## BUILDING BLOCKS OF SUSTAINABILITY POLICY IMPLEMENTATION





a range of new technologies and tools to ensure that we can achieve our goal to be a world-class palm oil producer. We know that our license to operate, and our success in implementing our roadmap depends entirely on the support and buy-in of communities, so we will involve them at every step of the way, through participatory and consultative practices.

Our enhanced grievance mechanism includes a complaints procedure (see next page) and a whistle-blowing procedure will be made available to stakeholders. Significant non-compliance of this policy will be monitored and reported to the company's Board. The corrective measures taken, where appropriate, will be reported.

## MONITORING, TRANSPARENCY AND REPORTING

We understand that the launch of a policy is just the beginning of an ongoing improvement process, which needs to be monitored to ensure that we are achieving our goals. Parallel to the sustainability policy being developed we have therefore also begun a sustainability reporting process. The first step in this process is the publication of this sustainability report, which provides a baseline and targets for further improvement over time. As part of the reporting process we will also use our website more proactively to provide access to information about our land, mills and suppliers and publish information on major sustainability milestones online and in our annual report.

## APPROACH TO SUSTAINABILITY



## COMPLAINTS AND GRIEVANCE MECHANISM

An effective grievance and whistle-blowing mechanism is critical for our ability to operate without disruption and to ensure that our policies and commitments are safeguarded. Following on from the public complaints and grievances we were faced with in previous years, we decided to review our process to ensure that stakeholders had clear access to remedy. In early 2015, we rolled out our new complaints process, which allocates clear organisational responsibility to ensure that all complaints are being reported and addressed at group-level.

		2014	2013	2012
<b>RSPO Complaint Cases</b>	Total number of new cases	4	4	1
	Active	1*	4	1
	Closed for monitoring	3	0	0

\*At the time of publication of this report, all RSPO complaints cases have been closed for monitoring

The goal of the system is to enable our stakeholders to approach us first with any complaints, grievances and questions prior to raising external complaints, e.g. with the RSPO. Should we not be able to settle or correct through bilateral means then both parties will be free to escalate the case to the external procedure.



**Special Team** (Cross-functional)

- Corporate Affairs
- Corporate Sustainability
- Operation: GM/Assistant GM

**Ad Hoc Investigation Team**

- Corporate Sustainability
  - Sustainability System Development & Mitigation
  - Sustainability Officer
- CSR (for social conflicts)
- Operations: Assistant GM/Manager
- Direct engagement and consultation with stakeholders

Bumitama Complaint Flow Chart

# APPROACH TO SUSTAINABILITY

## SUSTAINABILITY CERTIFICATION

We have been members of the RSPO since 2007, were registered at Group level in 2014 and have a time-bound plan to complete RSPO certification of all of our mills and plasma smallholders by year-end 2020 where Land Use

Rights Permit (HGU) has been issued. For others (should new management units be acquired), full certification will be realised within one year after the issuance of HGU and plasma schemes will be audited once all permits are complete and legal requirements are met.

In 2014, we successfully achieved certification of two of our mills and we completed successful audits of two further mills in May 2015.

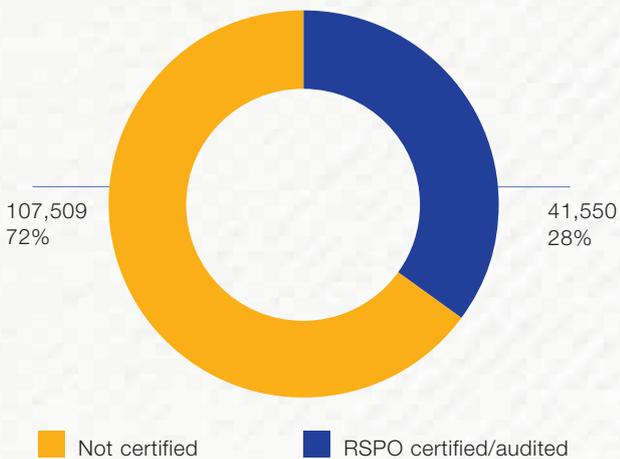
Our timebound plan:

Mill	Management unit	Hectares (Nucleus)	Location	Target Audit Date	Plasma Audit Date
Pundu Nabatindo	PT Windu Nabatindo Lestari (WNL)	11,550*	Central Kalimantan	Certified 2014	2016
Gunung Makmur	PT. Karya Makmur Bahagia (KMB)	15,056**	Central Kalimantan	Certified 2014	2016
Katari Agro	PT Windu Nabatindo Lestari (WNL)	*	Central Kalimantan	Audit completed May 2015	2018
Kendawangan	PT Gunajaya Karya Gemilang (GKG) and PT Gunajaya Ketapang Sentosa (GKS)	14,928	West Kalimantan	Audit completed May 2015	2018
Pembangunan Raya	PT Agro Sejahtera Manunggal (ASM)	5,630	West Kalimantan	2016	2019
Selucing Agro	PT Windu Nabatindo Abadi (WNA)	7,797	Central Kalimantan	2018	2020
Bukit Makmur	PT. Karya Makmur Bahagia (KMB)	**	Central Kalimantan	2018	2020
Suka Damai	PT Rohul Sawit Industri and PT. Masuba Citra Mandiri (MCM)	2,854	Riau	2020	2020
Kotawaringin	PT Bumitama Gunajaya Abadi (BGB)	5,632	Central Kalimantan	2020	2020
Bukit Tunggal Jaya	PT Ladang Sawit Mas (LSM)	6,450	West Kalimantan	2020	2020

\* and \*\* combined figures



**BUMITAMA PLANTED HECTARES RSPO CERTIFIED (INCLUDING COMPLETED AUDIT)**



Note: Inclusive of plasma planted area.

The Indonesian Sustainable Palm Oil certification scheme was launched as a mandatory scheme for Indonesian palm oil growers in 2012. We have completed first stage audits for six plantations and second stage audits for 2 of plantations respectively, and KMB was awarded an ISPO certificate in September 2014.

We are currently preparing for certification against the ISCC EU certification scheme. This scheme allows CPO producers to export CPO for biofuels purposes to the European market under the RED (Renewable Energy Directives) scheme. We expect to complete our first certification by 2016.

## APPROACH TO SUSTAINABILITY

### CUSTOMER COMMENT: WILMAR INTERNATIONAL

On 5 December 2013, Wilmar International Limited (Wilmar) made a landmark announcement on its commitment to a “No Deforestation, No Peat and No Exploitation Policy (Integrated Policy) that aims to delink our entire value chain, including those of our third-party suppliers, from deforestation and human rights abuses by end 2015.

Recognising that fulfilling this commitment requires the strong support of our palm oil suppliers, an intensive supplier outreach programme to socialise our Integrated Policy was immediately undertaken following its announcement. We received mixed reactions on our Integrated Policy. Suppliers who had already committed to RSPO certification, particularly those with little or no plans for further expansion, readily agreed to comply with our Policy. Others, who had relatively large land banks yet to be developed, were concerned that they would not be able to maximise the value of their land if they choose to subject it to assessments which are not required by law, such as the High Carbon Stock (HCS) forest assessment.

Wilmar, being involved in the plantation business ourselves, fully appreciates and shares these concerns. We assuaged our suppliers’ concerns by explaining the rationale behind our Integrated Policy to them.

With visible environmental damage, climate change, and persistent smear campaigns targeting the palm oil industry, consumers globally are increasingly demanding for sustainably produced commodities. The palm oil industry must therefore adjust to meet market needs and expectations in order to remain competitive. Sustained conflict between the palm oil industry and green lobby groups will tarnish the reputation of palm oil, with implications on demand and price. Therefore, we firmly

believe that sustainable palm oil production will pay off in the long-run, even if production costs may initially be higher.

Like many of our suppliers, Bumitama was apprehensive about our Integrated Policy initially. Despite this, they were willing to engage in open and honest discussions on their concerns and challenges with us. Together, we were able to find solutions to some of the challenges they face in supporting our Integrated Policy. This was especially significant given that Bumitama was dealing with a variety of issues, including undergoing the RSPO Grievance Procedure at that time. The strong leadership and resolve of Mr. Lim Gunawan Hariyanto, Bumitama’s Executive Chairman and CEO, was evident when he chose to join Wilmar on this sustainability journey during what was certainly a trying time for Bumitama.

We congratulate Bumitama on their sustainability achievements, especially on this first Sustainability Report. We would also like to take this opportunity to extend our appreciation to Bumitama for their continuous support in our relentless pursuit of responsible palm oil sourcing.



**JEREMY GOON**

Chief Sustainability Officer  
Wilmar International Limited



## ENVIRONMENT

### INTEGRATING HIGH CARBON STOCK ASSESSMENTS INTO LANDSCAPE PLANNING

#### RAPID HCS ASSESSMENT

Our Sustainability Policy is to ensure that our new developments do not contribute to deforestation or plantings on peat. We seek to achieve this through a robust process in which High Conservation Values (HCVs), peat soil, and or areas with High Carbon Stock (HCS) are identified and set aside from new plantings.

In April 2014, we commenced work on piloting a Rapid HCS Assessment in response to the changing global trend on sustainability as well as to provide practical experiences towards the development of our new Sustainability Policy. The HCS Assessment included engagement with a wide range of stakeholders and the process was guided by PT Ata Marie (Ata Marie) and Aidenvironment.

The Rapid HCS Assessment was conducted for five of our plantations in Kalimantan, covering just over 56,000 hectares. In addition, peat soil boundary delineation and land use change time series tasks were also carried out for selected plantations.

The HCS Assessment by Ata Marie involved estimation of vegetation types according to estimated carbon stock stratification with a focus on identification and subsequent conservation of areas of natural forest holding high carbon stocks. The broad objective of the HCS Assessment programme is to achieve the development of more balanced land use planning in new plantation development, and in particular to identify high carbon stock natural forest areas that should be retained.

The results of the Rapid HCS Assessment were used to revise land development programmes in individual oil palm plantation companies to ensure it is in line with our no deforestation commitment.

The complete HCS assessment involves two phases: Phase 1 works through a process to stratify the vegetation within the development area to determine potential HCS areas. Phase 2 takes the results of phase 1 and defines those patches of potential HCS to conserve. Currently,



we have completed phase 1 as well as selected patch analyses which are currently being socialised with communities.

The key phases of the Rapid HCS Assessment were:

- Preliminary land cover stratification using satellite imagery.
- Field inventory to measure HCS plots and develop estimates of above ground carbon content of tree vegetation for forest land cover classes.
- Revision of the preliminary land cover stratification based on the results of the field inventory in a format ready for future processing under the HCS patch analysis procedure.

In addition the boundaries of peat land that should not be developed were mapped.

Aidenvironment surveyed the 16,700 ha in PT Karya Makmur Langgeng which is part of 4 other subsidiaries using unmanned aerial vehicle (UAV). This high resolution imagery (10cm) enables very precise mapping of potential “go” and “no-go” areas. The aerial work complemented with field verification and participatory mapping was then fed into the HCS mapping.

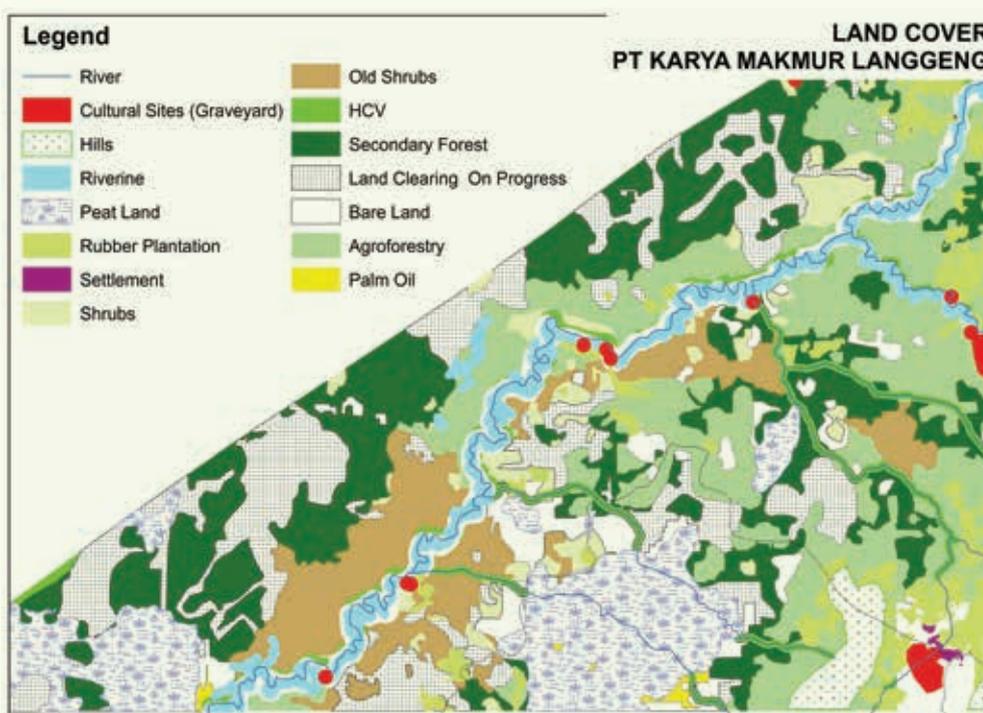
**SUMMARY OF HCS ASSESSMENT**

	PT Andalan Sukses Makmur (in ha)	4 Other subsidiaries (in ha)	Total (in ha)	In percentage
Area	7,000	48,190	55,190	100%
HCV	94*	4,595	4,689	8.5%
HCS**	2,469	5,990	8,459	15.3%
Peat***	1,756	926	2,682	4.9%
Agroforestry	–	16,567	16,567	30.0%
Total developed & potential development area****	4,437	37,605	42,042	76.2%

- \* Excludes 809 ha of Tanjung Harapan
- \*\* HCS consists of HK (Hutan Kerapatan) and BT (Belukar Tua), HK and BT which overlap with the High Conservation Area (“HCV”) are taken to be HCV and not repeated in HCS in this report
- \*\*\* Overlaps with the HCS
- \*\*\*\* Includes Agroforestry, shrub, open area and others; Agroforestry can be released through a Free Prior Informed Consent process

**PARTICIPATORY MAP OVERLAID WITH DEMARCATION OF PEAT, HCS STRATIFICATION AND HCV**

*Proposed landscape map of PT Karya Makmur Langgeng*



# ENVIRONMENT



The outcome of this initial work in five subsidiaries was the proposed set-aside of HCV and HCS areas of about 13,148 ha (23.8%) for conservation and sustainable forest use. In addition we also gained good insights into a number of opportunities for wildlife conservation which had not been picked up by previous HCV assessments. The Ata Marie team discovered the presence of orang-utan habitats in one area in Central Kalimantan, and we are assessing how best to ensure that the populations in those areas are protected.

## INTEGRATING HCS, HCV AND FPIC

Whilst HCV assessment methodologies are fairly well established, identification of HCS and peat are still being developed and trialled. At the same time, it is clear that each of these processes require full consultation with communities, since they may be affected by decisions to plant or not to plant. It is our policy to consult and engage the local community in our landscape planning as they have a critical voice and we know their insights are invaluable in assisting in the identification of cultural HCVs and local biodiversity.

Over the coming year, we are looking to advance a model and experimental site of an integrated landscape approach of HCS and HCV areas, managed together with oil palm plantation on 50 hectares of land in Central Kalimantan as part of learning and risk mitigation. The approach will also incorporate participation from the community and collaboration and consultation with other stakeholders.

We are also following the developments of different platforms that seek to further develop these methodologies, such as the High Carbon Stock Approach Steering Group, the Sustainable Palm Oil Manifesto, various RSPO working groups and ISPO.

## PEAT

We have made a clear commitment to exclude any peat from new plantation developments, to restore peatland where possible and apply best management practice in existing plantings. Our R&D department are currently reviewing our soil maps as we have found that our current data is very weak and inadequately substantiated. We will publish our findings once this work is completed and finalised.

## ORANG-UTANS AND ENDANGERED SPECIES

Some of our operations in Central Kalimantan are in close proximity to high biodiversity areas and populations of Bornean orang-utans, proboscis monkeys and a number of other vulnerable and threatened species. Over the past year, we have strengthened our monitoring and conservation work considerably to ensure that our operations do not pose further threats to wildlife and established a series of programmes to enhance and enrich habitats of endangered animal populations.

In 2013, we were faced with three separate complaints raised by a number of international NGOs filed with the RSPO Complaints Panel, alleging that our subsidiaries PT LSM, PT Andalan Sukses Makmur and PT Nabatindo Karya Utama had cleared extensive areas of orang-utan habitat and that several orang-utans had been rescued from areas under our control. Our management ordered a stop on all land clearing pending independent audit and HCS study.

The complaints highlighted flaws in our New Plantings Procedure (NPP) and we undertook to do a more extensive HCV assessment, stepped up mitigation and developed

an action and monitoring plan. We have undertaken more detailed surveys for areas covered with natural vegetation for orang-utans, and we will take necessary actions according to best management practice and enlarge the riparian buffer zones in unplanted areas for the purpose of future wildlife corridor to connect areas outside our license area.

Although all outstanding RSPO complaints are now closed for monitoring, the cases made us aware that we needed to take a more proactive approach to conservation and biodiversity protection. We need to ensure that all of our ground teams are sufficiently trained to manage any wildlife conflicts, and also seek to address illegal logging within our HCV reserves. Over the past six months, we have therefore made extensive changes to our Standard Operating Procedures on HCV monitoring and NPP processes, and are using satellite imagery and deploying patrols to monitor illegal activity in HCV areas. We have also initiated a programme to enhance biodiversity in and around our estates, developing and planting indigenous seedlings. We submit detailed quarterly reports to the RSPO and these are made publicly available<sup>2</sup>, so stakeholders can follow our initiatives and progress.

**HCV and Orang-utan Monitoring**

Spatial Monitoring and Reporting Tool (SMART) patrol activity at the HCV Area

<sup>2</sup> <http://www.rspo.org/members/complaints/status-of-complaints>

# ENVIRONMENT



## ENDANGERED FAUNA IN THE REGIONS WHERE WE OPERATE

IUCN Status	West Kalimantan and Riau	Central Kalimantan
<b>CRITICALLY ENDANGERED</b>		
<i>Manis javanica</i> (Sunda Pangolin)	V	V
<b>ENDANGERED</b>	V	
<i>Ciconia stormi</i> (Storm's Stork)	V	
<i>Heosemys spinosa</i> (Spiny Turtle)	V	
<i>Hylobates agilis</i> (Agile Gibbon)	V	V
<i>Hylobates Muelleri</i> (Mueller's Bornean Gibbon)	V	
<i>Nasalis larvatus</i> (Proboscis Monkey)	V	V
<i>Pongo pygmaeus</i> (Bornean Orang-utan)	V	V
<i>Presbytis melalophos</i> (Mitre langur)	V	
<i>Symphalangus syndactylus</i> (Siamang)	V	



Note: The list includes fauna in the most endangered categories. For a complete list of other IUCN red list species, please contact our Sustainability team.



## ENDANGERED FAUNA IN THE REGIONS WHERE WE OPERATE

IUCN Status	West Kalimantan and Riau	Central Kalimantan
<b>VULNERABLE</b>		
<i>Ducula pickeringii</i> (Grey Imperial Pigeon)	V	V
<i>Helarctos malayanus</i> (Sun Bear)	V	V
<i>Leptoptilos javanicus</i> (Lesser Adjutant)	V	V
<i>Lophura bulweri</i> (Bulwer's Pheasant)	V	
<i>Lophura erythrophthalma</i> (Crestless Fireback)	V	
<i>Lutra perspicillata</i> (Smooth-coated Otter)	V	V
<i>Macaca nemestrina</i> (Southern Pig-tailed Macaque)	V	V
<i>Neofelis nebulosi</i> (Clouded Leopard)		V
<i>Numenius arquata</i> (Eurasian Curlew)		V
<i>Nycticebus coucang/Nycticebus brachycephalus</i> (Sunda Slow Loris)		V
<i>Ophiophagus Hannah</i> (King Cobra)	V	V
<i>Pardofelis marmorata</i> (Marbled Cat)		V
<i>Presbytis cristata</i> (Silvered Leaf-monkey)		V
<i>Presbytis frontata</i> (White-fronted Surili)	V	V
<i>Presbytis hosei</i> (Hose's Langur)	V	V
<i>Prionailurus bengalensis/Felis bengalensis</i> (Leopard Cat)		V
<i>Pycnonotus zeylanicus</i> (Strawheaded Bulbul)	V	V
<i>Rheithrosciurus macrotis</i> (Tufted Ground Squirrel)		V
<i>Rusa timorensis</i> (Javan Rusa/Sunda Sambar)	V	
<i>Rusa unicolor</i> (Sambar Deer)	V	V
<i>Sus barbatus</i> (Bornean Bearded Pig)	V	V
<i>Tarsius bancanus</i> (Horsfield's Tarsier)		V
<i>Tomistoma schlegelii</i> (False Gharial)	V	V
<i>Treron capellei</i> (Large Green Pigeon)	V	V

Note: The list includes fauna in the most endangered categories. For a complete list of other IUCN red list species, please contact our Sustainability team.

# ENVIRONMENT

## PREVENTING FIRES AND HAZE

We are highly aware of the regional concerns surrounding GHG emissions and haze resulting from land burning in Kalimantan and Sumatra, and are taking proactive measures to ensure that we are part of the solution to this issue which has high environmental and public health costs. From our inception, we adopted a strict zero-burning policy – which bans all use of fire for land clearing and waste disposal within our plantations and plasma developments. As part of our sustainability policy implementation, we are exploring further ways to develop more robust fire prevention measures.

We have established a Hotspot Forecast and Fire Alert mechanism within the Group by making use of intelligence of NASA and Badan Meteorologi, Klimatologi dan Geofisika (BMKG) in order to acquire weekly forecast of weather, especially during drought season of Indonesia, and distribute alerts to management units so as to ensure proactive actions are to prevent fires. We are also using real-time NASA hotspots location maps for fire monitoring and updating the RSPO on fire, if any, within and surrounding the Bumitama estates.

We have also enhanced the Group's capacity in fire control through a series of internalisation and training programmes including simulation exercise on fire fighting to dedicated emergency response teams, and establishing guidelines on fire prevention and management decision-making to deal with fire in emergency situations.

Precautionary measures such as mapping of concession areas based on the level of the potential risks of each section area by land cover types (peat or mineral, clear and or scrub, areas along the boundary neighboring community farm, forest conservation, and water sources) to give special attention to fire-prone areas. We have established command control center for effective communication and instructions; carried out routine patrol activities by prioritising areas with potential hazards or area with a high degree of vulnerability; created ponds water conservation by planting vegetation that can maintain the availability of water (to prevent excessive evaporation and saves water reserves in the ground) such as bamboo trees and to improve accessibility to water sources.

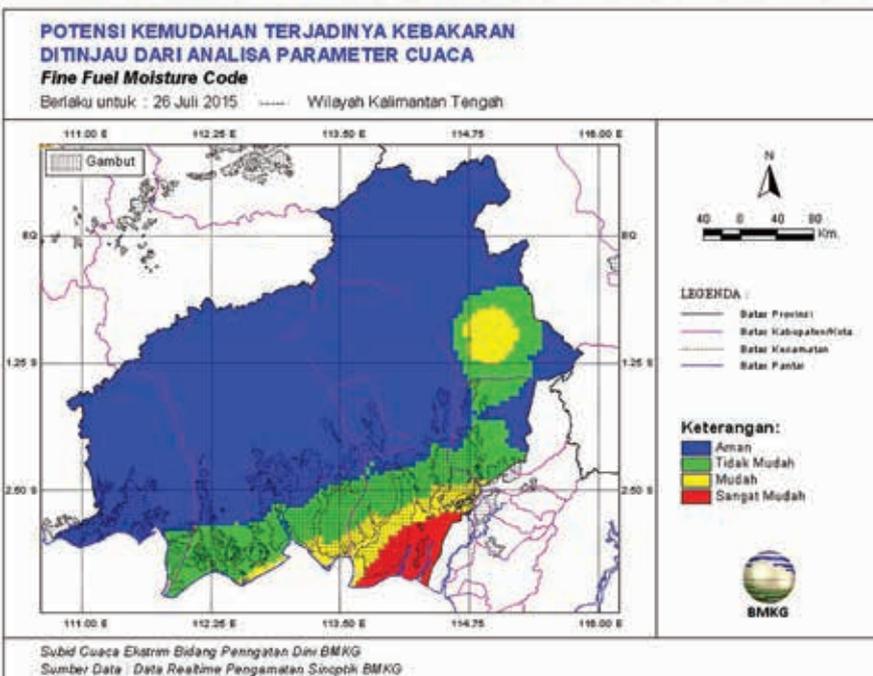


Nasa Real Time Hot Spot Map

Beyond internal enhancement programmes, the Group has extended its efforts to involve external parties, such as the local communities and local government through programmes and Memorandum of Understanding in fire training, prevention and control. We have developed partnerships with a number of governmental agencies on forest fire prevention activities. In 2014, we conducted three training sessions to impart techniques on how to control land and forest fires during the dry season and El Niño for both employees and communities. Additionally, we collaborated with Taman Nasional Tanjung Puting in constructing a 10 meter tall fire watchtower, and are planning two more towers in 2015.

We also cooperated with Manggala Agni in training and socialisation programme for employees and local communities; worked the local villages to prevent illegal logging by the local villagers; and continuously building a harmonious relationship with the surrounding society through CSR programmes to discourage land clearing using fire, and identifying alternative livelihood sources in tandem with efforts to prevent illegal logging and forest fire.

Despite these measures, occasional fires do occur in the vicinity of our plantations and we work proactively in working with the RSPO and the World Resources Institute online fire monitoring tool to assist in identifying fire hot spots and continuously improve our measures in fire prevention and control.



## ENVIRONMENT



## GREENHOUSE GAS ACCOUNTABILITY

The issue of climate change is one of extreme concern to man-kind and for the agriculture sector, and we recognise that the palm oil industry has a large role to play in reducing greenhouse gas emissions in Indonesia. For palm oil producers, by far the biggest contribution is land use change, particularly clearance of drainage of peat soils and forest areas. In addition, the release of methane from palm oil mill effluent (POME) contributes significantly to the carbon footprint of the palm oil industry.

Our first step – to be completed in 2015 as a baseline – is to measure our GHG emissions using the RSPO PalmGHG reporting tool. We started this year by calculating our emissions from POME and estimate approximately

MT 415,000 per year for our ten mills. The next step is to complete Greenhouse Gas calculation using RSPO PalmGHG tool to allow us to benchmark our performance against our industry peers.

Together with our work on identifying high carbon stock, we are looking for reductions in our production processes which we currently have. We are planning to commission two methane capture biogas plants by year-end 2016, and target to complete three by the end of 2017. Once we have completed plans as well as the initial baseline measures we will develop and report on emissions reduction targets.

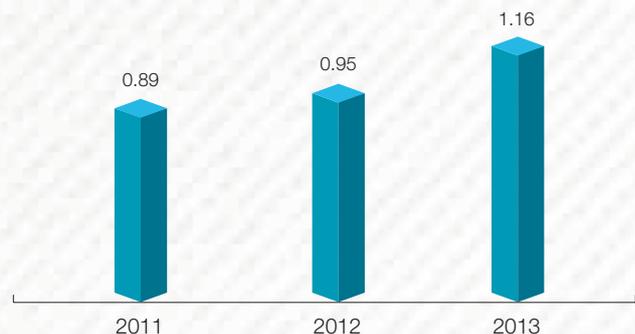
## REDUCING CHEMICALS IN FERTILISER AND PEST MANAGEMENT

Integrated pest management is an essential part of our agricultural practices and we are careful to minimise and mitigate the impact of chemical pesticides on the environment. Our preferred method is to deploy biological controls. We use beneficial plants, natural predators and pathogens or bacteria, and handpicking or mechanical traps.

As part of our policy review in 2014-15, we made a commitment to eliminate highly toxic, bio-accumulative and/or persistent pesticides and to phase out the use of Paraquat, which is a highly efficient contact herbicide. However, many stakeholders have long been critical of its use, due to its relatively high toxicity levels and hence potential health risks associated with mishandling or lack of protective equipment. We have ceased purchasing of Paraquat as of June 2015 and are using the remaining stock. We will have eliminated all application of Paraquat by year-end 2016. As part of our renewed focus on chemicals reductions, we will also start measuring toxicity levels per hectare, and will seek to include these as improvement indicators in our next sustainability report.

We have also adopted a “zero waste management” policy for CPO production waste to reduce our reliance on inorganic fertiliser through the recycling of empty fruit bunches as ground cover material and organic fertiliser and for composting with palm oil mill effluent in the plantations. However, fertiliser usage is highly dependent on age profile of plantations – with younger plantings requiring a higher nutrient input. Hence, we are currently seeing a spike in inorganic fertiliser usage which we would expect to see reduce as our plantings profile becomes more mature.

### INORGANIC FERTILISER USAGE (MT PER PLANTED HECTARE)



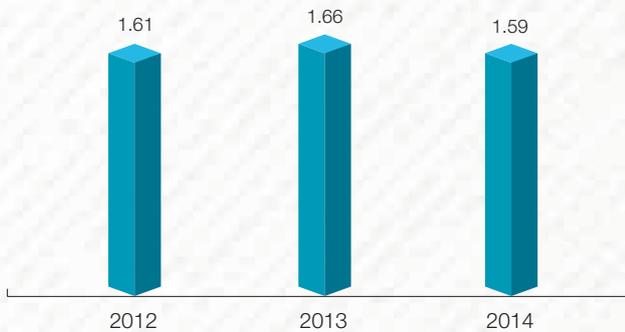
# ENVIRONMENT

## WATER

Good quality water is vital for our palm oil mills, employees and local communities. Minimising the risk of surface water or ground water from contamination by fertiliser use and other field practices is a top priority to ensure a clean environment and hence this has been included as a priority area in our Sustainability Policy.

In 2014, we extracted approximately 3.2 million m<sup>3</sup> of river water for use in processing mills, which we believe to be on par with our peers in Indonesia. The rainwater is harvested for use in housing areas, communities and operational use and stored in ponds constructed near our plantations.

### M<sup>3</sup> WATER/MT FFB (MILLS ONLY)

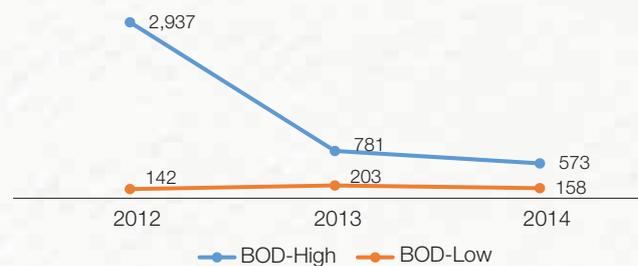


We monitor our palm oil mill effluent at the environmental impact point based on the following parameters: Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), Ammoniacal Nitrogen, Nitrate, pH, Total Dissolved Solids and Total Suspended Solids. Over the past three years, we have gradually reduced BOD levels. Our effluent is not discharged into waterways, but used for land application as a source of organic fertiliser subject to a maximum concentration of 5,000 ppm.

At the moment, we do not have any detailed data on water risks in and around our concessions. However, over the coming year, we will develop plans to ensure minimal impact of our operations on surface and ground water quality and availability through documenting, monitoring and mitigation of our activities.



### BIOLOGICAL OXYGEN DEMAND (PPM)





## PEOPLE

### HEART TO SERVE – BUILDING STRONG COMMUNITY RELATIONS

#### FREE, PRIOR AND INFORMED CONSENT OF COMMUNITIES

A critical aspect of our revised Sustainability Policy is the reaffirmation of our commitment to obtain the free, prior and informed consent of communities with customary claims to the land impacted or overlapping with our concessions. We identify local communities' tenure and user rights through participatory Social Impact Assessment and engage in fair and informed negotiations over access rights to land and other natural resources.

In 2014, we had two relatively minor disputes with communities and smallholders in Central Kalimantan:

In February, smallholders in the plasma scheme linked to our subsidiary PT Windu Nabatindo Lestari threatened to occupy 3,500 ha of land, accusing the company of embezzling IDR 7 billion that should have been paid to the plasma farmers. The accusation was made by the former chairman of a sub-unit of the cooperative, who was replaced by the majority votes of the members of the co-operative because of suspicions of fraud occurring during his tenure. The new chairman and its members had requested PT WNL to withhold the payment until the legal proceedings over the alleged fraud had concluded. On 10 September 2013, the Sampit District Court had issued its verdict which declared the former chairman of a sub-unit of the cooperative guilty of fraudulent act and sentenced him to 7 months imprisonment. This decision was re-affirmed by the Palangkaraya High Court on 7 February 2014 and Supreme Court of the Republic of Indonesia on 1 September 2014. Following these decisions, the Company released the funds to the plasma farmers.



In May, farmers from three villages near our PT Bumitama Gunajaya Abadi (BGB) subsidiary threatened to block road access and reclaim 3,000 ha of village land planted by the company. The protesters alleged that we had yet to release smallholder lots to 1,500 families who are expecting to receive two hectares each in early 2013. The case began when the local government set the boundary within BGB's plasma area. This stipulated boundary by the local government was rejected by one village, who were subsequently joined by other villages in challenging the boundary stipulation set by the local government. The local government has facilitated discussion on this matter, and most villages have reached mutual agreement on the Plasma scheme with BGB, except for two villages where the discussion is still in progress with the taskforce of local government at the time of reporting. Once consensus has been reached, PT BGB will extend the smallholder scheme to the respective villages.

## CONSERVATION AND IMPACTS ON COMMUNITIES

We are conscious that our commitment to set aside thousands of hectares deemed to contain high conservation values or high carbon stock prevents communities in those areas from potential plasma income, or other income linked to palm oil development. This may pose a risk to conservation areas as communities may choose to encroach on the forest to harvest timber or hunt wildlife to sustain their livelihood. We have already experienced some concern from villagers around our PT KML subsidiary on this issue, and know that this will be a general concern for communities in and around our operations as we expand our HCS assessments.

To address this potential dilemma, we are now exploring opportunities for livelihoods by means of the extraction of non-timber forest products which can be collected, processed and marketed without impacting forests or biodiversity. We have engaged a specialist to look at options in collaboration with affected communities, and identified a range of raw materials which can be marketed to niche buyers. So far, we have identified a number of viable options ranging from bamboo and pandan leaves, to be used for weaving, to honey and medicinal herbs.



We are working with the consultants and the communities to prioritise the products most suitable for extraction and sale in the immediate, medium and long term and expect to begin programme implementation at the end of 2015. We have already supported training for weavers and will be expanding the programme further and look forward to working with local experts to enhance the initiative.



## PEOPLE

### FOOD SECURITY

Whilst plasma smallholder programmes can bring cash benefits to communities, we also want to ensure that these communities have access to alternative livelihoods. An integral aspect of our CSR Programme is the ongoing effort to help the community in and surrounding our plantations to achieve economic progress and improved standards of living via our Local Economic Empowerment Programme. We are mindful that such empowerment programmes may involve a shift in social norms embedded within the community's living culture, and we have taken efforts and will continue our efforts to build acceptance and encourage participation. We will conduct surveys and suggest programmes that fit into the local context, enhancing existing community activities e.g. through training and guidance on financial and business planning.

To help the community start their business, we provide capital, in form and/or in kind, for various entrepreneurial activities such as aquaculture, poultry and vegetable farming. We observed that this 'joint-venture' approach brings about higher level of participation from the community. We continually provide mentoring guidance to the local community groups on the development of knowledge and conduct training programmes on how to increase productivity. We also provide support in sourcing for marketplaces and/or commercial buyers for the harvested crops and farmed fishes. To further boost local business development, the Group also employs the services and manpower of local contractors when possible.

Our gradual change of approach, from sporadic to a systematic and coordinated, is yielding encouraging responses from the community as well as credible financial returns for the community that participated in this economic programme. Some of these results can be seen below:

- **Aquaculture fish-farming:** This programme began in 2012 and has seen support from the local community, gaining visible traction in just two years and growing from one seed community group in 2012 to 23 groups in 2014.



- **Vegetable farming:** Efforts in promoting integrated farming to the locals has yielded encouraging results. Bumitama's agriculture cultivation programme, first introduced in 2011 with a single participating group, is reaching out to 16 groups of farmers today.
- **Poultry farming:** We have expanded our activities to encourage livestock farming, mainly chicken and duck, and supported the programmes in the form of chicks and business mentoring assistance to aspiring smallholders across our community in 2014.

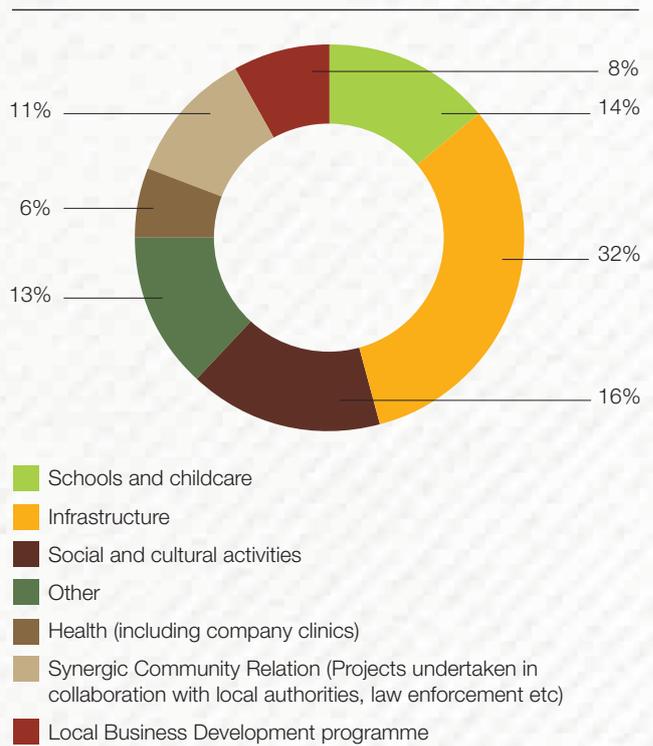
This newly implemented programme has seen initial success, with four community groups signing up. A total of IDR 0.7 billion was spent in 2014 on activities and projects to develop the local economy as part of our Local Economic Empowerment Programme.

### ACCESS TO EDUCATION AND CHILD CARE

Our plantations are largely located in remote areas with limited access to school and child care facilities. We are therefore putting tremendous effort and financial resources into a comprehensive educational programme. We now operate 35 schools, employ 256 teachers and provide education from kindergarten to junior high school to over 4,000 children. In 2014, we also launched child care facilities for younger children, with almost 1,500 children now enrolled.

In addition to our belief that children should have access to a quality education, this also helps in preventing children being brought into the field for casual work – a common occurrence in the palm oil sector and an issue which is difficult to address without the provision of alternative means of child care.

### CSR EXPENDITURE (TOTAL IDR 8.7 BILLION)



## PEOPLE



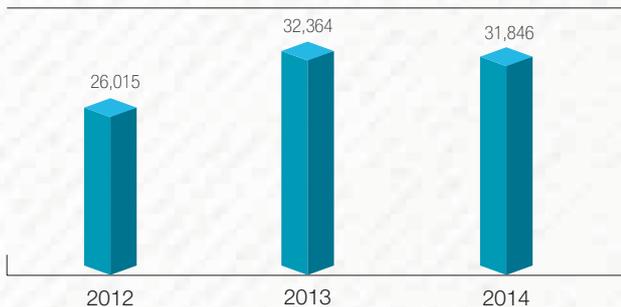
## HUMAN RIGHTS OF WORKERS

The palm oil sector is a highly competitive labour market and we have always strived to be an employer of choice for both manual workers and professional staff and management. As such, we believe that we provide decent and competitive conditions for all our 31,846 employees.

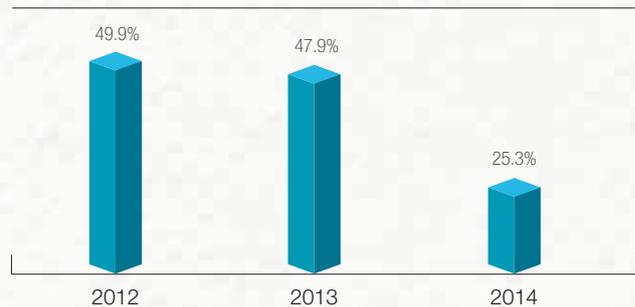
With the introduction of our new Sustainability Policy, we have reaffirmed this commitment with explicit reference to the ILO Core Conventions and the Universal Declaration for Human Rights. These frameworks provide for minimum standards for fair and decent working conditions with no exploitative workplace practices allowed.

We employ workers on a permanent or a daily or casual basis. Our preference is to retain employees on a permanent basis, but we also need flexibility as the need for manual work is highly seasonal. As our plantations mature, work becomes more regular and hence we are seeing a gradual increase in workers on permanent contracts from 48% in 2012 to 55% in 2014.

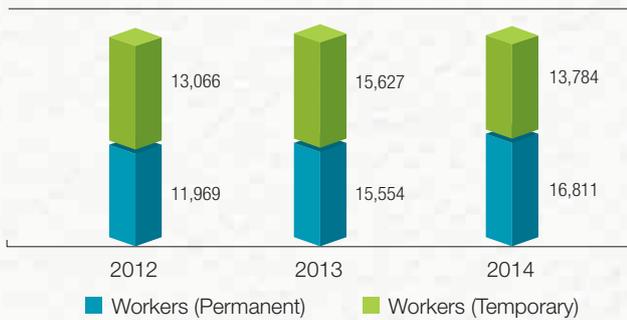
### TOTAL NUMBER OF EMPLOYEES



### EMPLOYEE TURNOVER (PERMANENT STAFF & WORKERS)



### WORKERS BY CONTRACT TYPE



### NON-DISCRIMINATION AND GENDER DIVERSITY

Our policy explicitly prohibits any form of discrimination in recruitment or working conditions. Women and men earn the same wage or salary for equal work.

While our field staff has a gender-balance representative of the Indonesian labour pool, we recognise that we have misbalance in terms of women represented at professional staff and management. We believe this is partially an industry-wide issue, with very few women wishing to work in remote locations such as Kalimantan and Riau.

### GENDER DISTRIBUTION



### FAIR WAGES

In a competitive labour market with a highly mobile labour pool, we are aware that we need to offer great working conditions, housing and of course wages which are attractive and fair at all levels from a novice manual workers to experienced senior management.

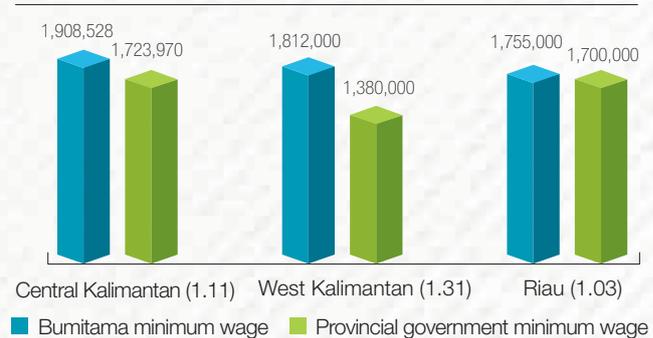
The provinces in which we operate have seen tremendous wage increases over the past three years ranging from 29% in Riau to 53% in West Kalimantan, and considerably above inflation of around 22% of inflation in the consumer price index from 2012-2014<sup>1</sup>. Our average minimum starting wages has been adjusted accordingly, seeing a group average increase of just above 30% over 3 years.

<sup>1</sup> <http://fxtop.com/en/inflation-calculator.php?A=100&C1=IDR&INDICE=IDCP1969&DD1=01&MM1=01&YYYY1=2012&DD2=31&MM2=12&YYYY2=2014&btnOK=Compute+actual+value>

In addition to wages, plantation staff and workers are also provided with free housing and utilities.

### MINIMUM WAGE

(Ratio in exceeding mandatory wage in brackets)



### FREEDOM OF ASSOCIATION

As part of our commitment to the ILO Core conventions, and in line with both the RSPO P&C and Indonesian legalisation, we fully respect the right of all employees to form and join unions of their own choosing. Currently, there are no active unions in our operations. Over the past two years, we have not experienced labour disputes or industrial actions.

### BONDED OR FORCED LABOUR

Our policy strictly prohibits the use of bonded or forced labour, and is not considered as a material risk for our operations. All of our workers are Indonesian nationals and are free to travel and leave employment with us at will. We do not require deposits or withhold identity documents. We do require apprentices to remain in our service for a minimum of two years, failing which the value of the training must be repaid.

### CHILD LABOUR

We prohibit the employment of children under the age of 18, with the exception of structured apprenticeships for over 16-year-olds as allowed by Indonesian law. All prospective employees are subject to age checks, for example through school records. Although we supply a high standard of education, designed to keep local children in school, we do recognise that employees and smallholders sometimes bring their children to the field during high harvesting seasons to assist in loose fruit collection. This is strictly against our regulations as the field is considered a hazardous work environment for children and all supervisors are required to enforce this regulation without exception.

# PEOPLE

## HEALTH AND SAFETY

Our occupational health and safety policy stresses the importance of ensuring safety and security of work environment/place for our employees and visitors. As our employees are the key to our success, we are dedicated to creating a safe and healthy working environment through regular training programmes and safety campaigns; and ensuring that all members adhere to the health and safety regulations and standards.

In 2014, we developed and implemented series of both internal and external safety training programmes. The internal safety training programmes were conducted internally by qualified personnel with an aim to instil awareness and refresh the knowledge of employees and workers on health and safety, including training on the Hazard Identification Risk Assessment and Control, Basic Fire and First Aid.

Regular field inspections and scheduled visits by the Corporate Sustainability personnel were also conducted in collaboration with the BGA's training centre in both the Central Kalimantan and West Kalimantan.

We also introduced external training programmes, conducted periodically in the form of public training or professional certification training. The Corporate Sustainability team worked with the Human Capital Group Department in identifying training needs, selection of training service providers, and engaging professional training companies that are officially designated by the government as a Service Company Occupational Health and Safety. Public training programmes have been conducted to prepare relevant personnel and workers in safety awareness that complies with the laws and regulations and to drive health & safety programmes for medical personnel and operators.



In addition, we have enhanced safety awareness among technical operators through professional certification or work-specific training programmes, including training for welders, electricians and operators of pressure vessels.

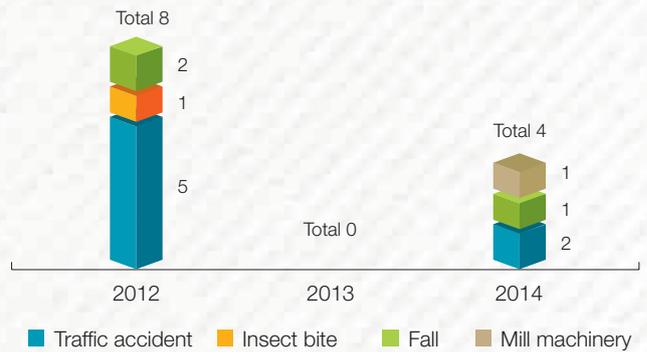
Through these initiatives, we are seeking to eliminate preventable accidents and have set a reduction target of 40% within three years against the 2014 levels.

Indicator	2014	2013	2012
Number of lost days (not including fatalities)	423	423	423
Lost time accident rate (Frequency Rate/FR) – (recordable injuries* 1,000,000/working hours)	21.6	19.4	21.8

### FATALITIES

Sadly, we recorded a number of fatal accidents in 2012 and 2014. The two major issues we have faced have been traffic accidents caused by unsafe driving or transport practices and accidents which occurred due to missing or incorrect use of personal protective equipment. We recognise that the fast growth in the company and our activities may have contributed to a lapse in focus on safety at field and mill level. We record and investigate each accident and are focused on eliminating fatal accidents from our operations.

### FATALITIES



# ETHICS

## LEGALITY OF CONCESSIONS

We operate in a legal land allocation framework which is often complex with overlapping concessions and competing claims. This is particularly the case in Central Kalimantan, where spatial zoning area has not been determined yet. As a relatively young company, we have been on a steep learning curve as we have discovered a number of irregularities related to land development permits, zoning regulations as well as the RSPO New Plantings procedure. Over the course of 2013-2014, we were faced with several severe controversies relating to unclear legal status of some of our landbank as well as that of one of our managed plantation operations.

Although we felt that some of the claims made by our critics of illegal land clearing were unsubstantiated, we recognised the need to strengthen our land acquisition and development procedures. We are investing significantly in GIS technology and other monitoring tools to avoid similar cases in the future. We are also enhancing Standard Operating Procedure on the RSPO New Plantings Procedure, strengthening environmental and social mapping processes and are reviewing all our legal and environmental permits to ensure full legal compliance going forward. Following an organisational restructuring, legal, licensing and permits departments are now led by the Director of Corporate Affairs and Sustainability to further safeguard both legal compliance and adherence to our Sustainability Policy.

### THE GY CASE

With effect from August 2014, Bumitama formally terminated our management contract with oil palm plantation company PT Gemilang Makmur Subur (GMS, formerly known as PT Golden Youth or GY Plantation Indonesia). We had managed the company's 4,310 ha of cultivated land in return for a management fee since 2011, but as significant concerns were raised over the environmental and legal permits relating to the land, we decided to withdraw from the agreement.

The case was raised with us by several international NGOs and our financial institutions as it was discovered that most of the GY concession area was located on Production Forest, a forestland category that cannot be legally occupied by oil palm companies unless its status is changed by the Ministry of Forestry. The accusation of illegality was raised as GY had conducted land clearing before it obtained the permission from the Ministry of Forestry.

In December 2013, the cultivated area was re-designated into non-forestry area/ Other Land Use (APL) through Ministry of Forestry decision which enabled GY to reapply for the revoked permits. However, given the complexity of the land in question, our Board of Directors decided to end the management contract and avoid further controversy or liability.

### PT HATIPRIMA AGRO

In January 2015, we divested all assets in our subsidiary PT Hatiprima Agro (HPA) in Central Kalimantan with a land bank of 4,810 ha. The concession had previously been subject to a court case as well as a RSPO complaint, due to the revocation of relevant permits from the Indonesian Ministry of Forestry. We initially successfully challenged the revocation of the forestland release permit and location permit and the State Administrative High Court affirmed the lower court's ruling in May 2013. However, the Indonesian Ministry of Forestry pursued legal action by appeal, and in July 2014 the Supreme Court ruled in its favour. Following the Supreme Court Decision, HPA had to sell all of its assets to the new license holder, namely PT Langgeng Makmur Sejahtera (LMS). One of the conditions of the sale is that LMS will continue to maintain the plasma programme with the existing Cooperatives initiated by HPA, and HPA has committed to assist the new owner on the outstanding social issues during the transition period.

## ETHICAL POLICIES

We understand that transparent and ethical conduct is the foundation for building trust with our commercial partners, civil society and other stakeholders.

As a company listed on the Singapore Stock Exchange – ranked one of the world’s least corrupt economies, we have an obligation to uphold the highest standards in eliminating all forms of bribery from our operations and supply chains.

We work in Indonesia, where our recent experience shows that legal compliance in relation to land acquisition and development is littered with grey areas, where even the best-intentioned can find difficult to navigate.

We do not condone bribery as legal compliance is critical to our operational stability, our organisational culture, our reputation and our stakeholder relations. As part of our sustainability policy we have therefore made a commitment to develop and roll out a comprehensive code of conduct/ethic policy, with clear and practical guidance to our employees and Board of Directors, as well as to our upstream and downstream commercial partners. The policy was completed in early 2015, and is currently being rolled out to all staff in our operations. In addition this policy has been included as part of our orientation and training programmes as well as internal audit procedures.

## CORPORATE GOVERNANCE

The Board of Directors of Bumitama is the highest decision-making body of the company and is responsible for setting the strategic direction and guiding the senior management team.

The Board of Directors recognises the importance of, and is committed to, observing and attaining high standards of corporate governance set out in the SGX Code of Corporate Governance 2012 (the “Code”) and in keeping with the Group’s cultural pillar of morality, capability and integrity. The Board constantly reviews the Group’s corporate governance practices and seeks to align its practices with the development and changes in the Code of Corporate Governance.

### BOARD COMPOSITION

The Board consists of five members with extensive experience and a strong track record in the plantations industry. The Chairman Mr Lim Gunawan Hariyanto holds the combined role as Chairman and CEO. In addition, there are three Independent Directors and one non-executive director. Two directors are Singaporean citizens, two are Malaysian citizens and Mr Lim is a citizen of Indonesia. There are currently no female board members.

### BOARD COMMITTEES

To facilitate effective management and assist the Board in discharging its responsibilities, certain functions have been delegated to various board committees namely: Audit Committee (to oversee financial accountability), Remuneration Committee (to review executive pay), Nominating Committee (to review top management recruitment) and Conflicts Resolution Committee (to review board members’ potential conflicts of interest). Each operates under clearly defined terms of reference and is chaired by an Independent Director and all members are Independent Directors. Each Board Committee has the authority to examine any issue that arises in their specific areas and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

### BOARD INVOLVEMENT IN SUSTAINABILITY STRATEGY

Sustainability strategy features strongly on the board agenda and is an integral part of the strategic review. The Board played a critical role in the development of our Sustainability Policy, which specifically states that Executive Directors are advised to embrace a comparable “No Deforestation, No Peat and No Exploitation” policy in their investment into palm oil plantation companies.

For detailed information relating to shareholdings and corporate governance, see the 2014 Bumitama Annual Report (link to <http://ir.bumitama-agri.com/annuals.cfm>).

# BASE DATA & NOTES

Category	Indicator	Measurement unit	31.12.2014	31.12.2013	31.12.2012
<b>ECONOMIC</b>					
	Revenue	IDR billion	5,757	4,063	3,526
	Profit before tax	IDR billion	1,805	1,268	1,164
	EBITDA	IDR billion	2,145	1,468	1,285
	Basic earning per share	IDR per share	656	487	448
<b>LAND/PLANTATION</b>					
Total land area	Group (Incl PT HPA)	Hectares	199,000	200,000	198,000
Planted areas	Group (Incl PT HPA)	Hectares	153,268	149,683	133,367
	Mature area	Hectares	105,869	90,483	75,420
	Immature	Hectares	47,399	59,200	57,947
Nucleus planted area	Group (Incl PT HPA)	Hectares	115,463	114,952	101,182
	Mature area	Hectares	77,177	63,677	51,532
	Immature	Hectares	38,286	51,275	49,650
Plasma planted area	Group	Hectares	37,805	34,731	32,185
	Mature area	Hectares	28,692	26,806	23,888
	Immature	Hectares	9,113	7,925	8,297
Average age		Years	6.0	5.4	5.0
Trend & Ratios	% of Plasma area (against total planted area)	% by Hectares	24.7%	23.2%	24.1%
<b>PRODUCTION</b>					
Fresh fruit bunches (FFB)	Total FFB	Tonnes	2,004,769	1,620,211	1,448,016
	Nucleus	Tonnes	1,401,040	1,105,358	948,603
	Plasma	Tonnes	603,729	514,853	499,413
Crude palm oil		Tonnes	618,665	522,743	462,291
Palm kernel		Tonnes	115,431	99,397	87,252
Extraction rate	Crude palm oil	Percentage	23.2	23.3	23.8
	Palm kernel	Percentage	4.3	4.4	4.5
Average FFB yield	Group: FFB yield per mature hectare	Tonnes/hectare	18.40	17.40	18.80
Average CPO Yield	Group: CPO yield per mature hectare	Tonnes/hectare	4.3	4.1	4.5
	Indonesian Industry	Tonnes/hectare	3.8	3.7	4.1
<b>EMPLOYEES</b>					
Employee Categories	Total Number of employees	persons	31,846	32,364	26,015
	Employee turnover (Permanent staff & workers)		25.3%	47.9%	49.9%
	Employee turnover (incl permanent & casual staff & workers)		36.1%	81.3%	83.2%
	Manager and above	persons	160	141	113
	Staff	persons	1,091	1,042	867
	Workers	persons	30,595	31,181	25,035

Category	Indicator	Measurement unit	31.12.2014	31.12.2013	31.12.2012
<b>EMPLOYEES</b>					
Gender	Management	No. of Male	150	131	106
		No. of Female	10	10	7
	Staff	No. of Male	949	915	760
		No. of Female	142	127	107
	Workers	No. of Male	20,854	21,638	17,202
		No. of Female	9,741	9,543	7,833
<b>LABOUR STANDARDS</b>					
Minimum starting wage	Group	IDR per month	1,812,000	1,623,302	1,384,956
	Central Kalimantan	IDR per month	1,908,528	1,688,960	1,456,000
	West Kalimantan	IDR per month	1,812,000	1,578,000	1,260,000
	Riau	IDR per month	1,755,000	1,509,000	1,389,450
Minimum wage ratio: Company vs. National Requirements by Province	Central Kalimantan	Ratio by IDR	1.11	1.09	1.10
	West Kalimantan	Ratio by IDR	1.31	1.49	1.40
	Riau	Ratio by IDR	1.03	1.08	1.12
<b>HEALTH AND SAFETY</b>					
Lost Time Accident Rate	Lost time accident rate (Frequency Rate/FR) – (recordable injuries*1,000,000/ working hours)	Incidents per 1,000,000 working hours	21.6	19.4	21.8
<b>COMMUNITY AND CSR</b>					
Cooperative	No. of Cooperative Members	Number (estimate)	19,000	17,000	14,500
Charitable contributions	Total	IDR in billion	8.7	n/a	n/a
School & Education	No. of Schools	unit	35	29	24
	No. of Teachers	Persons	256	207	177
	No. of Students	Persons	4,067	3,602	3,012
Childcare	Childcare centre	Persons	78	n/a	n/a
	No. of Children	Persons	1,483	n/a	n/a
Healthcare & Clinics	No. of Central Clinics	unit	5	5	4
	No. of Branch Clinics	unit	41	27	24
	No. of Ambulance	unit	14	13	12
	No. of Doctors	Persons	5	6	5
	No. of Paramedics	unit	101	72	62
<b>ENVIRONMENT</b>					
Emission	CO <sub>2</sub> -eq/mt FFB	CO <sub>2</sub> -eq/mt FFB	0.688	n/a	n/a
	Methane from POME	CO <sub>2</sub> -eq mt	414,945	n/a	n/a
Chemical Usage	Fertiliser usage per hectare	Mt/ha	1.16	0.95	0.89
	Herbicide usage per hectare	Litres/ha	1.75	n/a	n/a
Water Usage	Total water usage (mills only)	Mt/mt FFB	1.59	1.66	1.61
Waste Management	BOD level – new mill	PPM	158-573	203-781	142-2937

# GLOBAL REPORTING INITIATIVE INDEX

GENERAL STANDARD DISCLOSURES			
GENERAL STANDARD DISCLOSURES		PAGE NO.	COMMENTS
<b>STRATEGY AND ANALYSIS</b>			
<b>G4-1</b>	Statement from the most senior decision-maker of the organisation	2-3	–
<b>ORGANISATIONAL PROFILE</b>			
<b>G4-3</b>	Name of the organisation	8	–
<b>G4-4</b>	Primary brands, products and services	8	–
<b>G4-5</b>	Headquarters location	58	–
<b>G4-6</b>	Countries of operation	8, 10	–
<b>G4-7</b>	Nature of ownership and legal form	9	–
<b>G4-8</b>	Markets served	13	–
<b>G4-9</b>	Scale of the organisation	8-9	–
<b>G4-10</b>	Organisation's workforce	42	–
<b>G4-11</b>	Total employees covered by collective bargaining agreements	43	–
<b>G4-12</b>	Organisation's supply chain	12	–
<b>G4-13</b>	Significant changes during the reporting period regarding size, structure, ownership or its supply chain	–	This is the first report
<b>G4-14</b>	Explanation of whether and how the precautionary approach or principles is addressed by the organisation	15, 32	–
<b>G4-15</b>	Externally developed economic, environmental and social charters, principles or other initiatives	22	–
<b>G4-16</b>	Memberships of associations and national/international advocacy organisations	15, 22	–
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
<b>G4-17</b>	Entities included in the organisation's consolidated financial statements or equivalent documents	9	Annual Report 2014 for more details
<b>G4-18</b>	Process for defining report content and the Aspect Boundaries	55	–
<b>G4-19</b>	Material Aspects identified in the process for defining report content	55	–
<b>G4-20</b>	Aspect Boundary within the organisation	Inner front cover	–
<b>G4-21</b>	Aspect Boundary outside the organisation	Inner front cover	–
<b>G4-22</b>	Restatements of information provided in previous reports	–	This is the first report
<b>G4-23</b>	Significant changes from previous reporting in the Scope and Aspect Boundaries	–	This is the first report

<b>GENERAL STANDARD DISCLOSURES</b>			
GENERAL STANDARD DISCLOSURES		PAGE NO.	COMMENTS
<b>STAKEHOLDER ENGAGEMENT</b>			
<b>G4-24</b>	List of stakeholder groups engaged by the organisation	15-16	–
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	15-16	Site specific & project basis according to needs
<b>G4-26</b>	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	15	Site specific & project basis according to needs
<b>G4-27</b>	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through it reporting	16	–
<b>REPORT PROFILE</b>			
<b>G4-28</b>	Reporting period	Inner front cover	–
<b>G4-29</b>	Date of most recent previous report	–	This is the first report
<b>G4-30</b>	Reporting cycle	55	–
<b>G4-31</b>	Contact point	58	–
<b>G4-32</b>	GRI content index	50	GRI index
<b>G4-33</b>	External assurance	55	–
<b>GOVERNANCE</b>			
<b>G4-34</b>	Organisation's governance structure	17	–
<b>ETHICS AND INTEGRITY</b>			
<b>G4-56</b>	Organisation's values, principles, standards and norms of behaviours	15-16	–

# GLOBAL REPORTING INITIATIVE INDEX

SPECIFIC STANDARD DISCLOSURES				
MATERIAL ASPECTS	DMA AND INDICATORS		PAGE NO.	COMMENTS
<b>GENERIC DISCLOSURES ON MANAGEMENT APPROACH</b>				
<b>Disclosures on Management Approach</b>	G4-DMA		2-3, 15-22, 46-47	–
<b>ECONOMIC</b>				
<b>Economic performance</b>	G4-EC1	Direct economic value generated and distributed	9, 48	–
<b>Market presence</b>	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operations	43, 49	No difference between men and women
<b>Indirect economic impacts</b>	G4-EC7	Development and impact of infrastructure investments and services supported	39	–
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	39-41	–
<b>Procurement practices</b>	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	12	Partial only
<b>ENVIRONMENTAL</b>				
<b>Materials</b>	G4-EN1	Materials used by weight or volume	8-12, 48-49	–
<b>Water</b>	G4-EN8	Total withdrawal by source	36, 49	–
	G4-EN9	Water sources significantly affected by withdrawal of water	36	–
<b>ENVIRONMENTAL</b>				
<b>Biodiversity</b>	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	26-31	–
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	26-31	–
	G4-EN13	Habitats protected or restored	29-31	–
	G4-EN14	Total numbers of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	30-31	–

<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>MATERIAL ASPECTS</b>	<b>DMA AND INDICATORS</b>		<b>PAGE NO.</b>	<b>COMMENTS</b>
<b>Emissions</b>	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	34, 49	GHG emissions measurement to be completed in 2015 using the RSPO PalmGHG reporting tool
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	34, 49	GHG emissions measurement to be completed in 2015 using the RSPO PalmGHG reporting tool
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	34, 49	GHG emissions measurement to be completed in 2015 using the RSPO PalmGHG reporting tool
<b>Effluents and waste</b>	G4-EN22	Total water discharge by quality and destination	36	–
	G4-EN23	Total weight of waste by type and disposal method	35, 49	–
<b>Environmental grievance mechanisms</b>	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	20	–
<b>SOCIAL</b>				
<b>LABOUR PRACTICES AND DECENT WORK</b>				
<b>Employment</b>	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	42-43	–
<b>Occupational health and safety</b>	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	45, 47	–
<b>Diversity and equal opportunity</b>	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	42-43, 49	–
<b>Supplier assessment for labour practices</b>	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	42	–

# GLOBAL REPORTING INITIATIVE INDEX

SPECIFIC STANDARD DISCLOSURES				
MATERIAL ASPECTS	DMA AND INDICATORS		PAGE NO.	COMMENTS
<b>HUMAN RIGHTS</b>				
<b>Investment</b>	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	38	–
<b>Freedom of association and collective bargaining</b>	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	43	–
<b>Child labour</b>	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	43	–
<b>Forced or compulsory labour</b>	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	43	–
<b>Human rights grievance mechanisms</b>	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	20	–
<b>SOCIETY</b>				
<b>Local communities</b>	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	38-41, 49	–
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	38-41, 49	–
<b>Anti-corruption</b>	G4-SO4	Communication and training on anti-corruption policies and procedures	47	–
<b>Grievance mechanisms for impacts on society</b>	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	20	–

# ABOUT THE REPORT

## MATERIALITY, STAKEHOLDER INCLUSIVENESS AND SUSTAINABILITY CONTEXT

Report content has been determined based on ongoing stakeholder dialogue and a review of issues that are critical to the Bumitama. The Bumitama sustainability team has worked closely with Aidenvironment, a sustainability consultancy with close links to civil society to help identify critical issues and expectations of Bumitama. In developing our report content, we have worked with Helikonika, a consultancy with extensive experience in palm oil disclosure. Together, we have reviewed NGO and investor reports, as well as social media coverage. We have also benchmarked our report content against disclosure platforms such as the Palm Oil Transparency Toolkit by Zoological Society of London and the Forest 500 ranking, as we see these as a proxy to understand the indicators expected by a broad range of stakeholders. Finally, we have looked to peers in the industry and strive to ensure that our report content meets best practice as compared to the sector leaders.

In April 2015, the Senior Management team of Bumitama participated in a two-hour workshop to prioritise the areas most material to the group, which were collated into a materiality matrix. Unless specifically noted, boundaries were considered to be Bumitama's organisational boundaries.

Throughout the report we seek to provide an appropriate context for our performance, particularly in relation to the unique social and environmental landscapes in Kalimantan and Riau, Indonesia.

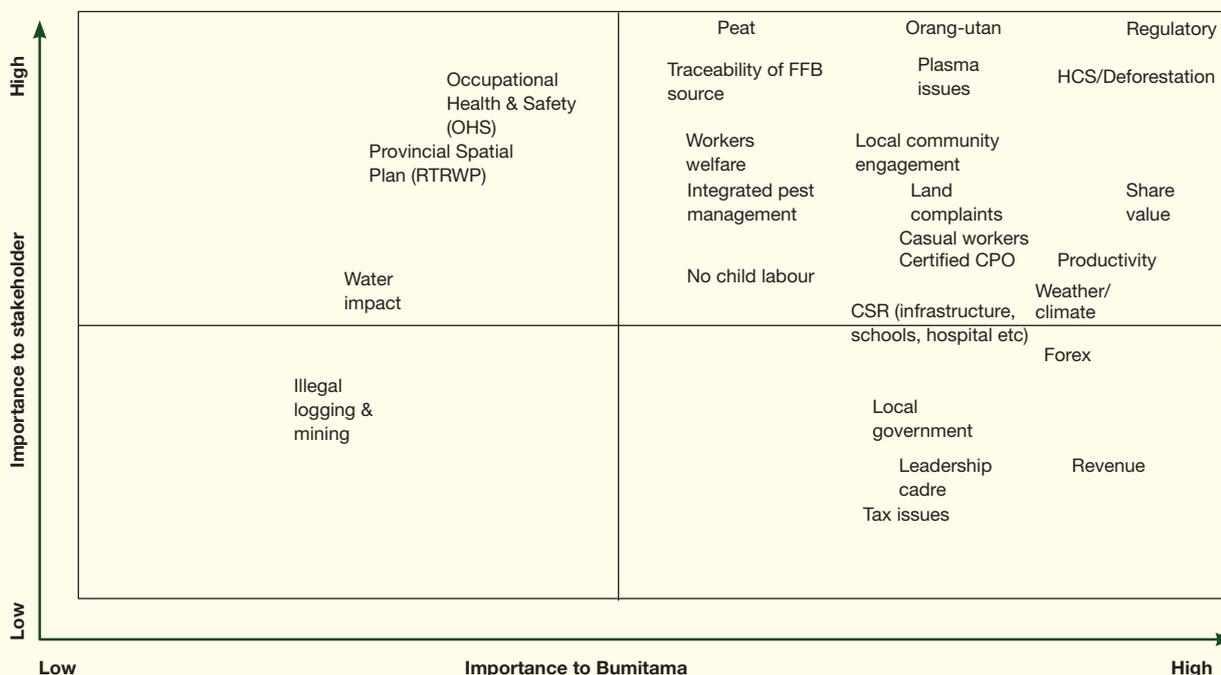
## REPORTING CYCLE AND APPROACH TO ASSURANCE

We expect to publish a sustainability report every two years. In addition, stakeholders can review our progress annually via our RSPO annual communications of progress published each year in Q3 on <http://www.rspo.org/members/2551/BUMITAMA-AGRI-LTD>

For our inaugural report, we have not engaged third party assurance. We believe that our multiple certification audit provides adequate assurance on our performance to our stakeholders at this stage. The majority of content is documented in our RSPO audit reports, which are prepared by PT Mutuagung Lestari and which can be downloaded from [http://www.rspo.org/en/principles\\_and\\_criteria\\_assessment\\_progress](http://www.rspo.org/en/principles_and_criteria_assessment_progress)

However, we will collate feedback from stakeholders on whether third-party assurance is a priority area.

## BUMITAMA'S MATERIALITY MATRIX



# GLOSSARY

---

## BIODIVERSITY

The diversity (number and variety of species) of plant and animal life within a region.

---

## BIOLOGICAL OXYGEN DEMAND (BOD)

The amount of oxygen used when organic matter undergoes decomposition by micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.

---

## CO<sub>2</sub> EQUIVALENTS

Carbon dioxide equivalents (CO<sub>2</sub>eq) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

---

## EFFLUENTS

Water discharged from one source into a separate body of water, such as mill processed water.

---

## EXTRACTION RATE

The amount of oil extracted from oil palm fruit at a mill. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) from the nut.

---

## FRESH FRUIT BUNCH (FFB)

Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depending on the size and age.

---

## GLOBAL REPORTING INITIATIVE (GRI)

A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

---

## GREENPALM

A book-and-claim supply chain system commonly known as GreenPalm after the name of the company managing the system for the RSPO. It is a certificate trading system separate from the physical trade in palm oil. The palm oil buyer purchases palm oil from an established supplier, along with a certificate for each tonne of palm oil being used. A payment from each certificate goes directly to the producer of RSPO certified palm oil.

---

## HIGH CONSERVATION VALUES (HCV)

The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their ninth principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic and cultural biodiversity and landscape value.

---

## HIGH CARBON STOCK (HCS) APPROACH

The HCS Approach is a methodology to avoid deforestation in land development, initially developed in a partnership between Greenpeace, TFT and Golden Agri-Resources. The approach stratifies the vegetation on an area of land into different classes using analyses of satellite images and field plot measurements. Each vegetation class is validated through calibrating it with carbon stock estimates in the above-ground tree biomass.

---

## INTERNATIONAL LABOUR ORGANIZATION (ILO)

Is a tripartite world body representative of labour, management and government, and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.

---

## INDEPENDENT DIRECTOR

According to the Listing Manual of SGX, an independent director is one who has no relationship with the company, its related corporations (i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary), its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company.

---

## INTEGRATED PEST MANAGEMENT (IPM)

IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimise risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.

---

**IUCN RED LIST**

Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every nation.

---

**MASS BALANCE**

The Mass Balance system allows for mixing of RSPO certified and non-certified palm oil at any stage in the supply chain provided that overall company quantities are controlled. The mass balance model is constructed in such a way that volumes of RSPO certified product shipped will never exceed volumes received by the end-user

---

**NON-EXECUTIVE DIRECTOR**

A board director who does not currently hold other employment with the company. Unlike an independent director, a non-executive can have significant financial interests or close personal ties to the company.

---

**NON-GOVERNMENTAL ORGANISATION (NGO)**

Is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.

---

**PALM OIL MILL EFFLUENT (POME)**

By-product of processed fresh fruit bunch (FFB).

---

**PEAT**

Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

---

**PLASMA SCHEMES**

A programme initiated by the Indonesian government to encourage the development of smallholders' plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).

---

**ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)**

A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

---

**SEGREGATION**

The Segregation supply chain model assures that RSPO-certified palm oil and its derivatives delivered to the end-user come only from RSPO certified sources. It permits the mixing of RSPO-certified palm oil from a variety of sources.

---

**STAKEHOLDERS**

Any group or individual who are affected by or can affect a company's operations.

---

**SUSTAINABILITY**

A term expressing a long-term balance between social, economic and environmental objectives. Often linked to sustainable development, which is defined as "development that meets the need of current generations without compromising the needs of future generations".

---

**UN GUIDING PRINCIPLES ON HUMAN RIGHTS**

The guiding principles, also known as the Ruggie Principles, are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. Its three pillars outlining how states and businesses should implement the framework: The state duty to protect human rights, corporate responsibility to respect human rights, and access to remedy for victims of business-related abuses.

---

## CONTACT US

We are always interested in receiving feedback from our stakeholders. Questions or comments on this report and our performance can be sent to:

Bumitama Agri Ltd  
Jl. Melawai Raya No. 10  
Kebayoran Baru  
Jakarta 12160  
Indonesia  
Tel : +62 21 278 38200  
Fax : +62 21 727 98665

Att.: Lim Sian Choo, Head of Corporate Secretarial Services and CSR  
[lim.sian.choo@bumitama.com](mailto:lim.sian.choo@bumitama.com)

This page has been intentionally left blank

This page has been intentionally left blank





**Bumitama Agri Ltd.**

**Principal Office**

Jl. Melawai Raya | No. 10, Kebayoran Baru  
Jakarta 12160 | Indonesia

**Registered Office**

10 Anson Road | #11-19, International Plaza  
Singapore 079903  
Tel: (65) 6222 1332  
Fax: (65) 6222 1336

**[www.bumitama-agri.com](http://www.bumitama-agri.com)**

