



PT ASTRA AGRO LESTARI Tbk.



# PROGRESS REPORT ON SUSTAINABILITY

From **May 2016** to **April 2017**

# INTRODUCTION

The purpose of this update is to provide Astra Agro Lestari's stakeholders and other interested parties on the company's progress in implementing its Sustainability Policy ("Policy") announced in September 2015. This update is following up on last published update from May 2017. The progress update is planned to be posted in December 2017.

Efforts in the second and third quarter of 2017 continued to focus on stakeholder engagement to ensure broad understanding of priorities and improvements needed in the Policy implementation, and internal capacity building and establishment of internal monitoring and verification processes. This included meetings with priority business partners, buyers and suppliers, communication and workshops with employees across all operations, progress on mitigation of identified risks in AAL's operations, as well as assessing suppliers' sustainability practices at mill and group level and progress in development of grievance procedure.

AAL has also continued with significant efforts to identify and provide concrete solutions for Orang Rimba communities in Jambi.

## BACKGROUND AND CONTEXT

AAL introduced a moratorium on all plantation development two months ahead of the publication of its new Sustainability Policy in September 2015. The moratorium remains in force and there will be no further development work without undertaking High Conservation Value (HCV) and High Carbon Stock (HCS) assessments, as well as following the Free Prior and Informed (FPIC) process in all such areas.

The commitments contained in AAL's Sustainability Policy considerably exceed legal requirements, and address the concerns of stakeholders interested in environmental and social issues. Prior to introducing the Policy – which balances the interests of the environment and communities wherever AAL operates – AAL's plantation programme has been conducted in strict compliance with Indonesian law.

Key elements of the Policy include commitments to traceability of supply and responsible sourcing, no deforestation, no new development on peat and responsible management of existing peat areas, and respect for human and community rights.

In the initial stages of Policy implementation, priority activities have included:

- (1) appropriate Stakeholder Engagement to ensure a broad understanding of the Policy and its implications;
- (2) Supply Chain Transparency and Traceability Study of AAL's crude palm oil and palm kernel supply chains;
- (3) development of an understanding of mill and estate level risks and priorities for supplier engagement; and
- (4) progress toward resolution of community issues, primarily the Jambi-based Orang Rimba indigenous people. This early phase of work has primarily focused on establishing a clear base-line understanding of AAL's operations, allowing prioritization of activities in the phases to follow.

An important initial step in fulfilling the Policy was to appoint technical consultants. In April 2016, the Company appointed the Consortium of Resource Experts (CORE) to support the implementation of the Company's sustainability commitments. CORE is a partnership between Daemeter and Proforest, who are themselves able to draw on the additional expertise of other technical specialists and standards organizations as needs dictate.

## STAKEHOLDER ENGAGEMENT

AAL acknowledges the importance of working closely with non-governmental organisations as well as other key stakeholders. In developing the Sustainability Policy, AAL consulted with several important NGOs and other stakeholders including, Greenpeace, Mighty Earth, Rainforest Action Network, Rainforest Foundation Norway and Warsi amongst others. AAL recognizes that such consultation does not represent an endorsement of the Policy and that ongoing engagement with these organisations is necessary for alignment.

The Company has endeavoured to maintain contact with these organisations, as part of its commitment to transparent engagement, and will continue doing so as it implements the Policy. AAL has made significant efforts in communicating regarding the initial work following the publication of its Sustainability Policy, which has involved internal alignment, data gathering and behind-the-scenes assessment to understand its supply base and supply chain. This is vital for setting a baseline and mapping out a strategy for action plan development and implementation. The Company is now accelerating work during the implementation phase, the progress of which will be communicated to key stakeholders on an ongoing basis.



# POLICY COMMITMENT PROGRESS

## I. Responsible Sourcing and Traceability

AAL is working with support from CORE to enhance transparency and traceability systems throughout its operations and across internal and third-party palm oil supply chains.

By the end of 2016, AAL had collected comprehensive data on its own operations, which enabled CORE to support an assessment of risks for AAL's estates and mills. Since Q4 2016, AAL has also made significant progress in improving traceability to the mill for its crude palm oil (CPO) supply chains.

### AAL's operations - Risk Assessment of AAL's Estates & Mills

A robust desktop assessment of environmental and legal risks has been conducted within the estate boundaries and in the neighbourhoods surrounding mills linked to AAL in the public domain. Results of this risk assessment aided the initial prioritization of mills and estates review, providing a basis for the Company to consider internally, and with inputs from outside stakeholders, where remedial actions will be required.

An in-depth review of estate boundaries, conducted internally in 2016, revealed that most AAL-declared estates are largely free of risk factors, though many may be wrongly linked to AAL in the public domain as carrying significant risk due to the discrepancies among official AAL's concession boundaries and the data sets available in public domains. For those estates for which higher risk status have been identified, follow up actions will be taken as part of the overall implementation Action Plan.

From the desktop assessment of AAL owned mills, most are in neighbourhoods with moderately low risk in comparison to 500+ other mills in Indonesia.

### Third party CPO suppliers

By end of December 2016, AAL identified 100% of third party CPO suppliers in 2016 to AAL's two refineries, namely PT Tanjung Sarana Lestari in Mamuju Utara, West Sulawesi, and PT Kreasijaya Adhikarya located in Dumai, Riau. Necessary remedial actions have already been taken with the highest risk supplier.

## II. No Deforestation and No Development on Peat

No development of High Carbon Stock (HCS) or High Conservation Value (HCV) areas, and conservation of Peatlands

Since the publication of its Sustainability Policy in September 2015, AAL has strictly honoured its moratorium on no deforestation or new development on peatlands. An independent third party report from Chain Reaction Research entitled "2016 Sustainability Benchmark: Indonesian Palm Oil Growers" and the spatial analysis conducted for the purposes of the report confirmed that between June 2015 and mid-August 2016, AAL cleared no peatlands and there has been no deforestation for plantation development inside AAL's concessions.

### No burning

AAL has been committed to Zero Burning throughout their operations since 2007. The 2015 fire and haze that affected much of Indonesia, and the announcement of AAL's new Policy, have further reinforced the Company's commitment to strive for the prevention of fires. AAL has a robust and well-established Fire Prevention Management System, as well as a dedicated department, to ensure proper implementation and functioning of the System. More information about the AAL's Fire Prevention Management System is available online and can be found [here](#).

AAL works together with the communities and the Government on fire mitigation and prevention, and proactively engages with local governments in establishing Masyarakat Peduli Api ("MPA"), or *Communities Concerned About Fire*, an emergency response unit formed at the village level. In 2016, the Company facilitated the establishment of 48 MPA teams in the provinces of Riau, Jambi, South Kalimantan, East Kalimantan and Central Sulawesi.

### Reduce Greenhouse Gas (GHG) Emissions on existing plantations

Since 2014, AAL has applied a GHG calculation model (based on ISPO, ISCC, and IPCC methods) in 27 subsidiaries and their mills. This GHG calculation model is planned to be applied for all operational aspects of the Company's palm oil production. This will help AAL gain a fuller understanding of its GHGs and provide a basis for setting targets and indicators for how GHGs can be reduced. AAL's GHG mitigation programme has shown results of carbon emission reduction of up to 15% (CO<sub>2</sub>/ton product) from 2015 to 2016 by increasing the efficiency in fossil fuel utilization and fertilizer application.



## Conservation & Restoration

Conservation and restoration activities to maintain and repair the ecological functions of ecosystems are an integral part of conservation programmes implemented by the Company. From 2010 until 2016, a total of 432,495 hardwood tree seedlings were planted in an area of 692 hectares within 16 Districts of North Sumatra, Riau, South Kalimantan, Central Kalimantan, and West Sulawesi Provinces. In 2016, there were 42,950 seedlings planted in stages throughout the year in essential ecosystem areas such as river banks, mangroves and swamps. (For further details see AAL's 2016 Sustainability Report.) In 2016, AAL also had consultations with the Indonesian Restoration Agency (BRG) on peatland restoration, including water management system and rewetting.

## III. No Exploitation of People and Local Communities

### Indigenous Local Communities – the Orang Rimba

AAL is committed to respect and protect human rights of AAL workers and contractors, as well as indigenous people and local communities in areas near AAL operations. Based on stakeholder engagement and initial social assessments, AAL subsidiary PT Sari Aditya Loka (PT SAL), Jambi Province, and its special programme for the Orang Rimba was identified as a key social priority for AAL to demonstrate its commitment to resolve complaints, grievances and conflicts.

Over the course of 2016, AAL together with CORE conducted extensive field visits, internal staff consultations, external stakeholder meetings, interviews with key informants, literature review, and assessment of ongoing CSR activities and other relevant and existing programmes in the region. The aim of this work is to identify a set of suitable potential solutions for the Orang Rimba people living near PT SAL, to ensure sustainable land-use and livelihood in the long-term.

As a result, AAL, CORE and wider stakeholders have a much deeper understanding of the current situation and the successes and challenges of previous and existing programmes, pursued not only by AAL but also by other groups, to support the Orang Rimba. Based on lessons learnt, refinement of issues and identification of gaps in existing support provided to date, AAL is prepared to adapt and innovate the programmes to deliver lasting solutions for

Through a field study conducted in January 2017, PT SAL, CORE and local NGO Warsi verified the Orang Rimba population in the proximity to PT SAL, which will be supported by AAL's future programmes and activities. There are 5 groups divided into 12 sub-groups and consisting of 217 families living within the proximity of PT SAL within and/or outside the Bukit Duabelas National Park.

AAL recognizes that its efforts and programmes for those 5 Orang Rimba groups will bring greater impact through more intensive collaboration and coordination with other stakeholders. AAL's targets for the coming year therefore include direct government engagement and collaboration with other stakeholders to bring relevant decision makers and necessary expertise to support resolution of this complex issue. More intensive facilitated discussions with the 5 Orang Rimba groups will be also necessary at this stage.

### Facilitate the inclusion of smallholders into the supply chain

The prosperity and well-being of smallholders is important to AAL. By the end of 2016, the Company established and maintained partnerships with more than 50,000 oil palm farmers comprising more than 2,000 farmers' groups involved in cultivating more than 200,000 hectares. Various training sessions were carried out for these farmers through AAL's extension services, aiming to improve farmers' agronomy practices and developing their business acumen and other relevant skills. One of the key focuses of these extension services and training sessions is to encourage farmers to adopt better sustainable oil palm plantation practices aligned with AAL's Policy. (For more information, refer to AAL's 2016 Sustainability Report.)

## NEXT STEP

AAL is committed to building upon the solid foundations provided during the first year of implementation of its new Sustainability Policy, with special focus on the preparation of a three-year Action Plan for complete implementation of its Policy commitments. The Action Plan is scheduled to be announced in Q4 2017.

More information on AAL's progress and activities is provided in

[AAL's 2016 Sustainability Report](#)

Further inquiries can be directed to Dr Bandung Sahari, Head of Sustainability,

[bsahari@astra-agro.co.id](mailto:bsahari@astra-agro.co.id)



**PT ASTRA AGRO LESTARI Tbk**

Jakarta Head Office

Jl. Puloayang Raya Blok OR I

Kawasan Industri Pulogadung

Jakarta 13930 - Indonesia

Phone : (62-21) 4616555

Fax : (62-21) 4616682, 4616689

Email : [sustainability@astra-agro.co.id](mailto:sustainability@astra-agro.co.id)

Website : [www.astra-agro.co.id](http://www.astra-agro.co.id)