



PT Astra Agro Lestari Tbk



PROGRESS REPORT ON SUSTAINABILITY

FIRST QUARTER UPDATE
2019

INTRODUCTION

In this report, we will be focusing on responsible sourcing, fire prevention update, and progress of the Orang Rimba program.

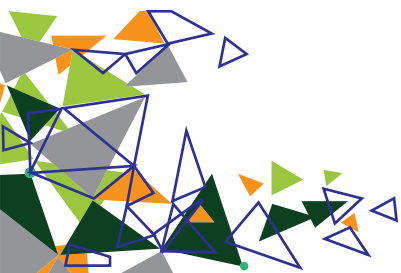
ENVIRONMENTAL MANAGEMENT

Our periodic monitoring showed that no signs of deforestation had occurred in our concession throughout Q1 2019.

Peatland Management



We continued our engagement with KLHK (Ministry of Environmental and Forestry) for peatland management system, and we are actively involved with various activities provided by KLHK, one of which is training to enhance our knowledge concerning water management related issues.



We also engaged with BRG (Peatland Restoration Agency), and conducted field evaluation in order to improve our practices on the ground. A field visit was conducted in one of our subsidiaries in South Kalimantan in March. This supervisory activity results showed that our existing system has fulfilled all required standards but they also encourage us to adopt innovative practices that are developed by BRG. They plan to visit our subsidiary in the coming semester to provide inputs and comments to our progress.

Fire Prevention Program

For the first three months of this year, we can confirm that no hotspots and/or fire spots were detected within our concession by our fire monitoring apparatus.

In Q1 2019, we improved our fire prevention program through the optimization of drone utilization to increase the accuracy of drone-captured imagery concerning the inter-connectedness between our plantations and the surrounding area. To support this endeavor, we conducted in-house training for six (6) field PIC (Persons in Charge) for drone usage on the field.



For the first quarter of 2019, we have formed five new additional MPAs for two of our subsidiaries hence totaling 75 MPA groups. In addition to forming these new groups, we have also taken the liberty of training and providing them with the equipment necessary to actively fight fires on the ground.



RESPONSIBLE CPO SOURCING



We can confirm that we have achieved 100% traceability to mill for the period of January - March 2019. There are currently 80 mills (15 internal mills and 65 external mills) in our supply chain in total, of which four companies are new suppliers in our supply chain.

Supplier Monitoring

We have analyzed these 80 companies and identified eight of them as being high risk due to a number of issues such as negative media reporting and hotspot indications. After reaching out to these companies, they proved the alleged incidents did not happen after providing us with evidence supporting their position.

Our key stakeholders assisted in compiling a list of various suppliers that have been identified as high risk. On this list, the subsidiary of a group company in our supply chain was identified as high risk due to alleged deforestation in East Kalimantan, but the subsidiary in question is not our supplier. They have provided us with evidence that prove the allegations against this company to be untrue. The details of this case can be further viewed via this link to our website: <http://www.astra-agro.co.id/sustainability/complaint>

Develop Capacity Building and Outreach Programs for Suppliers

In Q1 2019, we held a Supplier Workshop in Pekanbaru with the theme of *"Traceability and Smallholder Engagement"* from 20 – 21 March. In attendance were 27 invited group companies (57 participants) supplying our refineries and trading.





The main focus of our workshop was an intensive discussion regarding the most efficient way of tracing FFB back to the plantation and how to include smallholders into our supply chain through our partnership programs. We also elaborated on the importance of utilizing SAT-AAL to evaluate a supplier's compliance towards a company's NDPE Policy. In keeping with our workshop format, this event also included a field visit to Astra Agro's subsidiary to interact directly with farmer groups and a dealer to obtain information on how the partnership program is implemented, the management of the farmer groups, the benefits that have been reaped as a result of their strong relations with the Company, and the traceability process on the ground. During this workshop, our suppliers were able to absorb a wealth of knowledge based on the results of our pre and post-tests. We hope they will be able to implement these lessons learned under their own management.

FBB SOURCING & SMALLHOLDERS

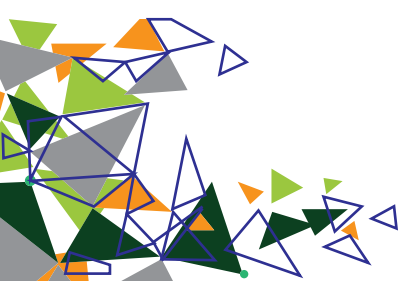
Update on Traceability

By the end of Q1 2019, traceability to plantation at the DO holder level is at 100% in all of Astra Agro's mills. The smallholder traceability progress of our two pilot projects in Riau have now reached 100% and 87% at the farmer level respectively. In the second quarter, we will be implementing our smallholder traceability program in four additional mills at the farmer level.



Smallholders Capacity Building

Continuing our efforts to increase the capacity of our smallholders, we have disseminated our Policy to four additional priority mills located in Riau and West Sulawesi. For the socialization sessions in this quarter, a total of 125 participants consisting of FFB suppliers at the DO Holder level, attended the workshop. In similar fashion to our efforts in the second semester of 2018, we used this workshop as a chance to explain to the attendees the details of our Sustainability Policy, initiate open discussions, and activity evaluation sessions. We expect these sessions to allow us to gain the perspectives of our smallholders and identify the types of assistance they may require from us in complying with our Sustainability Policy.



PROTECTING WORKERS FROM HAZARDOUS CHEMICALS

For Q1 2019, in collaboration with FMC (Food Machinery Corporation), we continued our training program to better socialize and educate our workers on the proper use of pesticide and the necessary safety precautions needed when using said pesticide. This ranges from proper use of safety equipment and the proper application of pesticide against pests. This quarter's iteration of our training program was attended by 68 participants from our subsidiary in Kalimantan.

INDIGENOUS LOCAL COMMUNITIES (Orang Rimba)

Food for Starvation Alleviation

Food continues to be provided to the Orang Rimba as part of our efforts to ensure the food fulfilment for Orang Rimba . As March 2019, 12.27 tons of rice and 894 staple food packages have been distributed to 217 families covering 1,082 people. Continuous evaluation of the program is conducted to improve our efforts.

Orang Rimba Education

In one of our collaborations with Bukit Dua Belas National Park (BDNP), we provide scholarships for Orang Rimba students to continue their education at SMK Kehutanan Pekanbaru (Pekanbaru Vocational School of Forestry) in which the students will be presented the opportunity to work for the BDNP after they graduate. At this time, one student from Nangkus group has been awarded with this opportunity and is currently undergoing the student selection process at this very school.

As for the total number of Orang Rimba students receiving educational services, as of March 2019, there are currently 266 students who have received these services out of a total of 453 school-aged children. For Q1 2019, there are a total of 221 students enrolled in our PAUD and PLS (Outside of School Education), 40 students awarded with scholarships, and five additional children enrolled in Madu Rimbo.



In reference to our two previous reports from 2018, the students who were provided scholarships for schooling in Yogyakarta at the Muja Muju Trade (Vocational) School are now undertaking six month internships to increase their knowledge and competencies as well as to adapt themselves to new environments and mingle with students from different cultures.

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