

PROGRESS REPORT ON SUSTAINABILITY

SECOND & THIRD
QUARTER
UPDATE 2019



PT Astra Agro Lestari Tbk

INTRODUCTION

For the second and third quarters of this year, this report will explore our priorities as it pertains to our continued effort to achieve the targets of our three-year action plan. This report combines the second and third quarters due to the fact that our activities during this two quarter period were very cohesive and interconnected.

This report will focus on the activities targeted in our three-year action plan. However, we will stress our focus more on fire prevention due to having experienced a long dry season in the last semester. This report will discuss more about the challenges faced by our team and how our progress is achieved.

FIRE PREVENTION AND MITIGATION PROGRAM

For second and third quarters of 2019, our activities on fire prevention were mostly focused both on accomplishing the targets stated in our three year action plan and effectively adapting to the turbulent situation on the ground throughout the long dry season. There are five main aspects which can be read below:

1. Comparative Study and Benchmarking of Other Companies' Fire Prevention Systems

Our goal for this study and benchmarking process was to evaluate our system and absorb inputs for needed improvements. We conducted comparative studies with two different companies based on their respective successful fire management systems.

The studies were conducted using cross learning methods through intensive discussions and a field visit. It was through this process that we were able to share and analyze the strengths and weaknesses of one



another's systems so as to compare and provide inputs for gaps that may exist.

The results that we gathered from the comparative study showed that the existing land fire prevention system implemented in all of Astra Agro's subsidiaries share similar values as the two aforementioned companies. The key aspects shared mostly by all three companies' systems are structured organization, early warning systems, safeguard equipment, and partnerships with surrounding communities.

2. Regular Internal Evaluation

In parallel and to ensure that our system is well applied in all targeted subsidiaries, we annually perform self-auditing operations toward our fire prevention system (please see:

<https://www.astra-agro.co.id/wp-content/uploads/2018/09/Fire-prevention.pdf>). In the 2nd quarter of 2019, we completed a fire management system audit of 26 subsidiaries (focusing on subsidiaries with several levels of priority in relation to fire prevention issues). We identified that 11 priority subsidiaries have met our set standards and that the other 15 subsidiaries, while not relatively considered to be of high risk, still need to reach the same level of standards as the priority subsidiaries.



3. Fire Fighting Efforts

Throughout the Q2-Q3 dry season, our satellite monitoring showed that the total number of hot spots found during this period was 43 with eight fire spots having occurred in a local community enclave that was quickly extinguished in less than two hours. Meanwhile, firefighting efforts outside of our concession are performed through a multi-stakeholder approach involving the local communities, local law enforcement, and local governments. (Please have a look at the following news):

*<https://jakartaglobe.id/love-palm-oil/astra-agro-works-closely-with-govt-to-prevent-forest-fires-in-riau/>

*<https://kalselpos.com/2019/08/pt-tbm-bersama-masyarakat-antisipasi-karhutla/>

*<http://m.riauterkini.com/isi.php?arr=144228&judul=PT-SLS-Terjunksan-50-Anggota-RPK-Padamkan-Karhutla-di-Kerumutan--Pelalawan>

*<https://m.halloriau.com/read-117997-2019-08-13-pt-ktu-turunkan-tim-bantu-atasi-karhutla.html>

Our energy has mostly been directed toward this area due to the fact that the complexities presented by problems outside of the concession are not as easy to handle because of the socio-economic aspects involved. The lessons learned from this situation can be generated as follow:

- a.** Fire prevention in local community areas not only encompasses the technical aspects involved, but tends to lean more towards socio-economic related issues. Large scale landscapes lacking in supervision and intensive programs are prone to fires due to various activities (such as land clearing through the use of fire for economic purposes), triggering land fires during long dry seasons. We also identified that the land fires were not only related to local peoples inhabiting the area in question, but it was also discovered that many intruders are known to frequent the area and burn surrounding vegetation so as to easily open pathways to collect fish during the dry season.



b. One fire occurred in the area as a result of no supervision and the fire had already grown quite large when it was discovered. With a long dry season and windy weather, it is easy for fires to spread to neighboring areas including concessions.

c. A landscape approach involving a wider range of stakeholders is a must. The company alone is not enough to handle fire-related issues at the landscape level.

4. Community Cares about Fires: Challenges and lesson learned

The involvement of local communities in conjunction with the Company has played a major role in evading and combating fire incidents at the landscape level. Understanding this situation, we enlarged our scope of community engagement by establishing five more MPA groups (Masyarakat Peduli Api/Community Cares about Fires). In total, we have now established 80 MPA groups as targeted in our three-year action plan. These aforementioned MPAs are scattered in areas that are known for being fire prone.



Establishing MPA groups is a long term investment and a very complicated process as this often involves interacting with people of various cultural and ethnic backgrounds and occupations ranging from farmers, fishermen, and lumberjacks that make up the members of the MPA who are all active in fire prone areas.

Lessons learned from the process can be summarized into the following key findings: (1) identification of the root causes for fires in surrounding villages as well as identifying the sort of activities that may cause fires and the people responsible for them. (2) How to facilitate a conducive atmosphere for local communities to share, discuss, and understand their problems and how to develop solutions. This can be done through routine meetings to gather everyone's thoughts and align themselves with the outlined fire prevention objectives and how they will voluntarily work together to minimize fire accidents. Once these community-based fire prevention groups have been established, further steps will focus on how to equip them with the proper skills, technologies, and knowledge.

5. Multi-stakeholder Approach

Land fire issues are complex and are not only entrenched in the technical aspects that one would expect, but also covers various aspects related to socio-economic issues and should be handled through locally specific approaches. The involvement of various stakeholders in combating this issue is very important and is key to making this effort effective and to determine the bottom line of the issue. The company alone will not be effective in combatting this problem.

In order to implement this strategy, we engage with various related stakeholders. With regard to local communities, we reached out and consulted with the BRG (Peat Restoration Body) who has already established similar programs such as Community Cares about Peat in many areas across Indonesia.



The first meeting with the BRG to discuss this further was held in June to find common ground regarding the collaborative work on strengthening this community program. We agreed to follow up this meeting with more cross learning activities.

Astra Agro, in collaboration with GAPKI (Indonesian Palm Oil Association), took the initiative to invite like-minded companies, local governments, and local law enforcement as well as the communities who have joined the MPA in preparation for facing the dry season through the Fire Readiness Ceremony. This activity was conducted in Siak Sri Indrapura District in Riau, Paser District in East Kalimantan, and Hulu Sungai Utara District in South Kalimantan in the months of August and September 2019. (Please have a look at the following news):

*<https://www.beritasatu.com/ekonomi/569860/astra-agropemerintah-bersinergi-siaga-cegah-karhutla>

*<https://daerah.sindonews.com/read/1434711/174/kembangkan-sistem-deteksi-dini-astra-agro-sukses-tekan-karhutla-di-paser-1567081986>

*<https://kalsel.antaranews.com/berita/117304/antisipasi-karhutla-pt-pdl>

In a broader fire prevention effort, Astra Agro has joined a cluster-based Fire Prevention and Control Alliance. This system was developed by the Coordinating Ministry for Economic Affairs involving plantation companies, forestry companies, and local government elements.

For this Q3 period, Astra Agro was actively involved together with other plantation companies and forestry companies in developing cluster-based forestry prevention and control methods in the East Kutai Regency - East Kalimantan. This activity was facilitated by Independent Research & Advisory Indonesia (IRAI). To date, the results achieved have been used to determine the coverage of the first phase cluster area of +/- 331,000 hectares and the preparation of a Memorandum of Understanding (MoU) for Cluster members.



PEATLAND MANAGEMENT

Our activities during Q2 and Q3 are in line with our three year action plan that focuses more on the following steps:

1. Verification of Peatland

Our work on mapping peatland in our concession is still being conducted in collaboration with the Ministry of Agriculture and now we have achieved 92% of the total field work. This peatland mapping is very exhausting field work involving transect walks in large scale areas. When this work is completed, the next step will be verification by the Ministry of Environment and Forestry. All peatland work must be done in accordance with regulations. Until today, the ministry has checked the documents and/or field verification for nine plantations and the map has been submitted to the Ministry.

2. Best Practice for Peatland Management

These activities should be in line with Government regulations. Intensive consultations have been conducted with the Ministry of Environment and Forestry and also with the BRG. A number of our subsidiaries are under intensive monitoring by the Ministry while others are still undergoing document submission and discussion. On top of that, we have been actively consulting with various experts including Gajah Mada University (GMU) and Center for Research and Development of Water Resources (CRDWR) for technical assistance to improve our peatland management system. These consultations were also used by Astra Agro to improve the indicators of its existing sustainable peat management.



3. Skills Improvement

In order to increase our team capacity in running best management practices we conducted in house training by inviting experts from GMU and CRDWR. We also sent our team members to attend training of facilitators hosted by BRG in Palangkaraya which consisted of both class and field training through the observation of peat restoration areas, nurseries, and community empowerment. Following this training, representatives from Astra Agro have followed the peatland management benchmark in Finland together with BRG and representatives of local government officials.



RESPONSIBLE CPO SOURCING

As of September 2019, 100% traceability to mill continues to be maintained. Entering the third quarter, sixteen new suppliers passed our due diligent process and entered into our supply chain bringing the total number of suppliers to 129 companies (22 internal and 107 external) and can be viewed in greater detail via this link: <https://astra-agro.co.id/sustainability/register/visitor>.

Supplier Monitoring

To ensure that our supply chain is in line with the parameters set in our NDPE Policy and three-year action plan, we routinely monitor our suppliers and our results have identified 51 cases from 29 group companies with hotspot indications and deforestation within their concessions. Out of these 51 cases, 39 cases have been closed with the remainder still under verification.

We also received a grievance from one of our stakeholders concerning allegations that 7 of our indirect suppliers were conducting deforestation activities. For further information on our grievance handling, please follow this link: <http://www.astra-agro.co.id/sustainability/complaint>.

FFB SOURCING & SMALLHOLDERS

Update on Traceability

In Q2 – Q3, we continue to maintain 100 % traceability to plantation at the DO holder in all subsidiaries. Along with collecting data on the traceability levels of DO Holders, pertaining to the targets set out in our three-year action plan, we conducted 6 pilot projects for traceability to plantation at the smallholder level (for further information of the project please see this link: <https://www.astra-agro.co.id/wp-content/uploads/2019/12/Progress-traceability-Jan-Sep-2019-low.pdf>).



FFB Supplier Capacity Building



In continuation of our previously established program for increasing the capacity of DO Holders so as to better implement Astra Agro's sustainability policy, we have implemented the same program in 11 other mills in Riau, Aceh, and West Sulawesi from 2018 until Q1 2019 with a total of 305 partnered DO Holders. In Q2 – Q3 2019, we have carried out socialization to an additional one mill in West Sulawesi, five in Central Kalimantan, two in Central Sulawesi, and one in Aceh with a total of 232 partnered DO Holders. During this process, we discovered that the level of understanding towards our sustainability policy is still relatively low amongst these DO Holders due to the fact that they are far more concerned with generating maximum profit instead of complying with the Company's sustainability policy. It is because of this that our guidance and assistance program must be disseminated more thoroughly and in a manner that will encourage our DO Holders to invest their time and passion in the implementation of proper NDPE guidelines. Once the DO Holders have become fully invested, we expect them to be able to influence smallholders to comply with our policy in the same capacity.



Assisting Smallholders for ISPO Certification

Last year, we successfully assisted two smallholder groups (KUD Karya Mukti in Bungo Regency, Jambi & KUD Sumber Rezeki in Rokan Hulu Regency, Riau) in obtaining ISPO certification for their plantations. For the second and third quarters of this year, Astra Agro assisted these same two smallholder groups during the surveillance auditing phase by the ISPO consultant and the results showed that these two smallholder groups continue to be in compliance with ISPO Principals & Criteria. Furthermore, Astra Agro continues to provide assistance to smallholder groups by way of gradual socialization and internal assessments in order to accelerate the ISPO certification process as part of government sanctioned regulations.



INDIGENOUS LOCAL COMMUNITIES (ORANG RIMBA)

The Company has always been committed to assisting the Orang Rimba communities living around its concession so as to obtain access to the three key pillars for better livelihood: Education, Economic opportunities, and Healthcare. Details of the program have been reported in our previous progress updates. For this report, we are updating our ongoing progress with regard to our activities as well as the challenges we faced and the strategies we developed to overcome those difficulties:

Livelihood

The details covering livelihood is complex and it encompasses various aspects of life including culture, daily behavior, and needs. We concentrate our work on the following issues:

(1) **Starvation alleviation**

The distribution of staple foods continues into this quarter so as to ensure that the nutritional needs of the Orang Rimba are fulfilled. Our ground team has distributed 23.4 tons of rice and 1,490 food packages to more than 217 families comprised of 1,082 people during the period of Q2 and Q3. Learning from the past (the problems raised from food distribution have been explained in our previous progress update), we are now in the process of improving our services and methods in distributing the food packages to the Orang Rimba that we hope will be more comfortable for both the recipients and PT SAL. We consulted intensively with the Orang Rimba to find a solution suitable for both the Orang Rimba and PT SAL and this resulted in the creation of the "Suluh Rimbo Card", a card which details the holder's identity, the number of dependents as well as the family members' names which will enable a far more efficient food distribution process.



(2) **Agricultural learning center (Suluh Rimbo)**

The purpose of the Suluh Rimbo plantation is to assist the Orang Rimba in learning and implementing the concept of self-sustaining food production as a result of best agricultural practices through the planting of various crops. This program was first started a year ago and for Q3, is now entering its second season. The yields harvested from this program were divided equally among more than 30 Orang Rimba families by community leaders. The harvests from this quarter will serve as food stock supplies for the following month. Fortunately, the Orang Rimba are fast learners and have been quick in adopting this concept of agriculture. This can be seen in their plantations where they have also begun to plant fruits and vegetables. All of these results were achieved through a very long journey of trial and error filled with obstacles and challenges. However, it was through strategies developed from routine meetings, focus group discussions, and intensive engagements that we were able to share our values and objectives and produce encouraging and promising results for both the Orang Rimba and PT SAL.



In the case of other groups and learning from the successes of previous experiences, we have attempted to repeat what was accomplished by the first group by establishing another plantation albeit of much larger size. During the beginning, we exercised by planting 24.000 tubers and cassava. In addition, we also planted bananas, coconuts, and areca nuts (pinang).

Education

Details on our education program have been explained in our first quarter report of 2019. As of September 2019, 304 school-age children have received benefits from education programs facilitated by PT SAL. This number continues to grow because in the previous report we were only able to persuade and recruit 266 students out of a total of 453 school-aged children. Through intensive engagement and consultations conducted by our teachers, we have increased the number of children from Orang Rimba community joining our schools. Below are the details on our program's progress with particular focus on a number of activities:

(1) **Schools for Children**

Currently there are 261 students who are studying at schools facilitated by PT SAL. In total 11 schools have been made available for the Orang Rimba to gain access to educational benefits. PT SAL alone operates 7 schools, two other schools are operated together by PT SAL and the National Park, while the rest are operated by PT SAL and the government. Last year, there were only 10 schools and fortunately, for this year we have seen the addition of another school through the establishment of the "Rimba Sako Selensing School" as requested by the Orang Rimba themselves. This school is managed by the National Park and PT SAL.

(2) **Provision of Scholarship**

PT SAL has also provided 37 scholarships and enrolled six students in its Madu Rimbo Boarding School. In the previous report (Q1 2019), a total number of 40 students were awarded with scholarships. For this year, four students have stepped away from their scholarships and chose not to continue due to familial obligations with regard to marriage and were unable to continue their education. Despite the loss of these four students, the Company awarded one other student with a scholarship during the second quarter of this year bringing the total number of students to 37. These 37 students are currently spread across five formal schools.



The Madu Rimbo Dormitory Program is currently accommodating 6 students who are studying at schools in the local Merangin area. In addition to social interactions at school, the Madu Rimbo students are also taught to engage with local residents through social activities such as sports and among others.



(3) **Long Distance School Program**

Based on the result of intensive consultations with the Orang Rimba, we have found there is a need to provide education for children who reside far from the nearest school facilities. In this Q2 and Q3, we established long distance schools for 28 Orang Rimba students for the purpose of facilitating education through the teaching staff provided by PT SAL. There are 28 students who are currently studying through “Kelas Jauh Program” (Long distance schooling program) facilitated by PT SAL. This class serves as a solution for Orang Rimba who have limited access to formal schools because of the relatively far distance of their homes. During a one week period, students will take turns studying at schools provided by the Company and formal schools provided by the Government. The students from this program are also provided with uniforms, allowances, and transportation by the Company.



Health Access

The Company's health services program for the Orang Rimba has been explained in detail in the previous update. During Q2 and Q3, our health service program emphasized following aspects:

(1) **Medical Services for the Orang Rimba**

A total of 658 people or almost 60% of all residents have received our medical services including routine treatment, and the provision of medicine. This number is much higher compared to last year which only reached 442 people. These services are just some of the activities we use to identify grievances that the Orang Rimba may have related to their health and overall physical wellbeing. In addition to identifying illnesses and diseases, our medical staff also provides consumable medicinal aid. If a patient does not show improvement because of the aid we have provided or that our facilities are limited in how we can treat them, we will immediately refer and accompany them to the nearest hospital.



Medical services for Orang Rimba who have difficulty accessing PT SAL's healthcare facilities



(2) **Promoting a Healthy Lifestyle**

Based on our previous update on the Orang Rimba in our Q4 2018 report, the Company continues to facilitate toiletry and clean water to aid the Orang Rimba in their daily lives. Our healthy lifestyle program was rolled out in response to the needs that the 81 Orang Rimba families expressed during our consultations. At this current time our modern toiletry units and clean water facilities have served to benefit 81 Orang Rimba families. Compared to other Orang Rimba who have already been provided with toiletry and clean water by the government, these targeted 81 Orang Rimba families had yet to receive such amenities and so made a request to PT SAL to provide it for them. One of the biggest challenges we continue to face is encouraging the Orang Rimba to maintain and look after these facilities so as to ensure the facilities' longevity and to show the Orang Rimba the health benefits to oneself when keeping their toiletry clean.

Citizenship Card for Orang Rimba

Identification cards signifying citizenship is important for Indonesians to access all facilities and benefits provided by the Government.

Unfortunately, many Orang Rimba have yet to receive such ID cards due to the fact that their names and residency are not in the national database. Another complication that has arisen is that for regular application and before receiving an ID card, there are a number of documentation and administrative requirements that must be met. Unfortunately, the Orang Rimba are limited by their means when meeting these requirements since many of them can neither read nor write properly.

The Company is fully aware of this and we made it a point to assist the Orang Rimba in obtaining ID cards by compiling the necessary documents and accompanying them during the registration process at the Office of Demographic Affairs and Civil Registration. This initiative has been in force since the end of 2018 and now there are 288 Orang Rimba who are in possession of ID cards.



Intensive Continuous Consultation with Orang Rimba

Continuous consultations with the Orang Rimba in order to understand their needs, aspirations, and complaints have always been our main priority. This activity plays a key role in formulating our continuous support so as to be more effective in addressing the needs of the Orang Rimba. Our team on the ground routinely visits and conducts focus group discussions with the Orang Rimba.

Complaints/grievances/aspirations/needs were conveyed directly in a face-to-face manner by the Orang Rimba to the facilitators while mothers may also directly engage with teachers and healthcare providers (nurses, midwives, doctor) who interact almost daily with them without any restriction.

Multi-stakeholder Approach

As we have explained in the previous update (Q3-Q4 2018), a multi-stakeholder approach is very important in comprehensively tackling the Orang Rimba issue. In the past, we have always communicated and coordinated our programs to not only with the Orang Rimba, but also with other stakeholders especially the government. We are pleased that our efforts have borne fruit. Astra Agro were involved in a series of stakeholder meetings initiated by the local government in June 2019. These series of meetings involved various stakeholders not only at the local level, but also those who are supported by the Central Government in Jakarta who took the time to come and join the meetings. These meetings also saw the involvement of Orang Rimba leaders living around the National Park including the Orang Rimba that Astra Agro are partnered with. These meetings discussed Orang Rimba related issues, possible approaches, and strategies to tackle the problems faced by the Orang Rimba. All of this has culminated in the multi-stakeholder forum supported by various institutions. However, there is much work that still needs to be done. Actions to be followed are still being discussed among contributing stakeholders.



NO DEFORESTATION

We can confirm that for the second and third quarters of this year, we have had zero occurrences of deforestation in our concession.

Further inquiries can be directed to Dr Bandung Sahari, Vice President of Sustainability, bsahari@astra-agro.co.id.





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