



PT Astra Agro Lestari Tbk



PROGRESS REPORT

On Sustainability

Second Quarter Update 2020



INTRODUCTION

Entering the second quarter, our target for implementing our three-year action plan has experienced a slow-down phase due to the continued COVID-19 pandemic. The number of infected people has skyrocketed and the virus continues to spread to various parts of the country. Therefore, the COVID-19 Health Protocol must be applied simultaneously across all subsidiaries. Consequently, work that requires face-to-face interaction and involving large numbers of people will automatically be reduced. However, important activities such as the prevention of wildfires are still carried out by optimizing available technological equipment such as unmanned aircraft vehicle (UAV) and communication technology. Due to the remote area of our operations, signal limitations and the limited ability of our associated local community partners in using sophisticated communication tools are the main obstacles that have prevented our co-creation process from functioning optimally. Here we report our targeted achievements throughout the second quarter of 2020.

COMMITMENT TO NO DEFORESTATION

For this second quarterly report, we can confirm that there have been zero cases of deforestation in our plantations and that the majority of our activities were concentrated towards biodiversity monitoring. In accordance with the Covid-19 Health Protocol, we kept physical involvement towards our tasks to a minimum so as to avoid the potential transmission of the virus on the field.



Management of HCV and Biodiversity

HCV management should take into account the landscape complexity and biodiversity within them which differ between subsidiaries. In general, forest fragments are patchily distributed inside concessions which come in many different sizes. Therefore, the management of biodiversity and their habitats should be site-specific. To make it easier to view our management strategies, forested areas within our plantation concession's landscapes are classified in the Table below.

* Landscape conditions in 41 plantations in relation to conservation strategy

CATEGORY	SUBSIDIARIES	LANDSCAPE CONDITION	UMBRELLA SPECIES
One Forest Patch	6	<ul style="list-style-type: none"> 2 subsidiaries with one patch each with an area of <10 ha 2 subsidiaries with forest patches of 60-180 ha 1 subsidiary with forest patch of 210 ha 1 subsidiary with forest patch of >500 ha 	<p>-</p> <p>Tonkeana Black Monkey (Macaca tonkeana)</p> <p>Proboscis Monkey (Nasalis larvatus);</p>
More than one forest patch (patchy)	20	<ul style="list-style-type: none"> 16 subsidiaries with a combination of small patches with an area of 10-150 ha 4 subsidiaries with a combination of small patches and large patches (> 500 ha) 	<p>Gibbon (Hylobates muelleri);</p> <p>Hornbill Groups (Bucerotidae)</p>
Without Forests	15	<ul style="list-style-type: none"> Oil Palm 	

There are five subsidiaries with a combination of forest patches measuring > 500 ha and 16 subsidiaries with small forest patches between <10 - 150 ha. Outside of those, there are two subsidiaries that only possess one forest patch each with an area of less than 10 ha, while there are 15 subsidiaries that do not have forest patches. In general, umbrella species are identified to occur in oil palm landscapes with forest fragments of > 500 ha, whereas in other groups, they are generally inhabited by animals included in the least concern category based on the IUCN Red List. Therefore, intensive observation is concentrated on subsidiaries with umbrella species to determine the best specific strategy for its management.



* Forest patches in palm oil landscape in East Kalimantan

Conservation of important umbrella species is carried out intensively by way of regularly monitoring populations and mapping potential disturbances that may arise. Monitoring is carried out by a conservation team with educational backgrounds in forestry and also in collaboration with key Universities. A summary of our conservation efforts can be seen in the table below.



REGION	SPECIES	CONSERVATION EFFORT
Kalimantan	Proboscis Monkey <i>(Nasalis larvatus)</i> Gibbon <i>(Hylobates muelleri)</i> Hornbill Groups <i>(Bucerotidae)</i>	Population monitoring (in collaboration with IPB University) Population monitoring with IPB University (2019-present) and Mulawarman University (2014) Population monitoring with IPB University (2017 and 2019) and Mulawarman University (2014)
Sulawesi	Tonkeana Black monkey <i>(Macaca tonkeana)</i>	Population monitoring

* Distribution of Observation Areas for Key/Umbrella Species

We also identified several new species not found in previous monitoring cycles (biodiversity status reported every year in the Sustainability Report), namely the Clouded leopard (*Neofelis diardi*) (endemic predator to Sumatra), Blue-headed ribbon (*Pitta baudii*) (endemic to Kalimantan), Scarlet-headed Flowerpecker (*Dicaeum trochileum*), Oriental dwarf kingfisher (*Ceyx rufidorsa*), and Borneo skink (*Dasia vittata*) (endemic to Kalimantan).



* Wreathed Hornbill (*Aceros undulatus*)

There are several possibilities why these species are present in our conservation areas, including: (1) new methods that allow the expansion of wildlife monitoring ranges so as to increase the chance of identifying newly recorded species, (2) the areas are well preserved so that they become areas of refuge for species threatened in their habitats outside of our concession.

Ecosystem Improvement through Restoration and Rehabilitation

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Riparian restoration activities were severely hampered and thus we could only complete 11.5% of the restoration targeted this year (27,895 seedlings). The purpose and method of restoration can be seen in Q4 2018 Report (<https://www.astra-agro.co.id/wp-content/uploads/2019/02/Progress-report-Q3-Q4-2018.pdf>).

FIRE PREVENTION

Based on monitoring as of the second quarter of 2020, no hotspots and/or fire spots were detected in our concession. Our team's activities were more concentrated toward the preparation of anticipating wildfires in order to face the dry season that is expected to start in June 2020 in addition to collaborating with relevant parties in the anticipation of said wildfires.

Wildfire Anticipation

Based on monitoring by the Meteorology, Climatology, and Geophysics Agency (www.bmkg.go.id), the rainfall beginning in June will be low <100 ml (early dry) and evenly distributed in Sumatra and South Kalimantan. Because 13 of our subsidiaries are in those regions, in June 2020 we decided to raise the status from alert 2 to alert 1 (Preparedness status based on climate indicators,



namely Normal Status, Alert Status, Alert Status 2, Alert Status 1 and Alert Status 1 and Wildfire Emergency Status), meaning that the entire Team and their equipment are ready to face all possibilities in anticipation of the drought to follow.


During the Covid-19 pandemic, we optimized the use of UAV (unmanned aerial vehicle) technology to improve the monitoring of areas vulnerable to wildfires. All areas considered fire-prone have been equipped with UAVs so that fire anticipation is much more effective.

UAV is used for preventive and responsive efforts due to its ability to detect smoke spots and fire spots from across several kilometers and in the event of fires, this tool is also capable of providing information about the burning area in detail so that our firefighting strategy can be developed and implemented optimally.

Co-creation Initiative in Facing Droughts

Based on previous experience, many wildfires occurred on unmanaged lands such as community owned lands and it is because of this that co-creation with related parties is crucial so as to ensure that wildfires are well anticipated. We are developing this co-creation in parallel in several regions including Riau, South Kalimantan, and East Kalimantan.





This co-creation is focused on monitoring areas prone to fires and intensive dialogues with local communities involving authorized parties at different levels from the villages, sub-districts, and districts in order to identify and anticipate possible factors that may be capable of triggering wildfires. In general, agreed actions for mitigation are described as follows:

1. Maintaining the availability of water sources by creating reservoirs and overflows in community canals for agriculture as well as water reserves in case of wildfires.
2. Creating a joint patrol system in the community area and a communication system via a WhatsApp group as a medium for coordination in case of wildfires.
3. Making efforts to prevent wildfires through information dissemination and inviting the surrounding communities to use the Short Message Services (SMS) media in collaboration with local telecommunications providers.

Some of the joint monitoring activities can be seen in the news links below:

- <https://www.antaranews.com/berita/1591138/perusahaan-di-kaltim-gunakan-drone-pantau-titik-api-karhutla>
 - <https://kalsel.antaranews.com/berita/183398/pt-subur-agro-makmur-gunakan-teknologi-drone-antisipasi-karhutla-di-masa-pandemi>
 - <https://kalsel.antaranews.com/berita/183402/di-tengah-terjadinya-pandemi-pt-tri-buana-mas-tidak-lengah-antisipasi-karhutla>
 - <https://kaltim.tribunnews.com/2020/07/03/pt-bim-pps-siapkan-antisipasi-pencegahan-kebakaran-hutan-dan-lahan-di-paser>
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Revitalization of Community Cares About Fires: Multi-stakeholder Cooperation Astra Agro Lestari - Peat Restoration Agency - Local Government

→ Collaboration with the Peat Restoration Agency for the development of the Peat Care Village and the MPA has been delayed due to the inability to carry out any sort of field assistance. Communication, consultation and assistance programs are performed virtually through webinars that are periodically conducted by the Peat Restoration Agency. Nevertheless, up to the second quarter we have provided guidance to 84 MPA groups in 84 villages in ring 1 subsidiaries.

SUSTAINABLE PEAT MANAGEMENT

→ During the second quarter our programs have seen a slight slow-down, especially those concerning field observations which include our work with KLHK and BRG. Because of this, previously scheduled field verifications by KLHK and BRG could not be carried out, thus the majority of consultations were conducted virtually (video calls/virtual meetings). However we have manage to complete one of our desk studies, one of which is. . .

...the finalization of the draft for Sustainable Peat Management Tools which we have briefly compiled based on the following steps:

1. Benchmarking existing peat management techniques
2. Intensive communication and discussions with peat experts
3. Adaptation to Indonesian laws and regulations (Ministerial Decree of Environment and Forestry of the Republic of Indonesia No. 15/2017 and No. 16/2017)
4. Input from the Ministry of Environment and Forestry (KLHK) and Peatland Restoration Agency (BRG) during field visits

We are currently observing credible tropical experts to conduct a final review of the document before the adoption of the peat management standards can commence.

CPO SOURCING

Discussion on the sourcing of our palm oil supply concentrates on (1) traceability of CPO supply sources, (2) traceability of FFB sources from third party suppliers, and (3) third party supplier support programs in preventing deforestation, wildfires and human rights violations.

Traceability of CPO Supply

Up to this second quarter, the traceability of our supply (mill) sources for CPO has consistently reached 100% (see <https://www.astra-agro.co.id/en/traceability-4/>) originating from 100 mills (there is an addition of 13 new external mills), a higher number than the previously reported 87 mills.



SUPPLIER (Mill)	Kreasijaya Adhikarya	Tanjung Sarana Lestari & Tanjung Bina Lestari	Trading	Trading & Refinery	Total
1. Internal	5	10	-	3	18
2. Eksternal	17	-	62	3	82
TOTAL					100

* CPO Suppliers as of Q2 2020

Traceability of FFB from Third Party Suppliers

In this quarter, 56% of Third Party CPO suppliers (current data) have provided information on the traceability of their FFB sources at the smallholder level with an average traceability rating of 58%. This achievement is the result of socialization and dissemination efforts related to traceability during the previous year and consistent assistance to third-party suppliers. Traceability is conducted in stages by ensuring all DO holders can be tracked and continued with data collection at the smallholder level. The most general challenge encountered in traceability activities is the limited pool of resources at our disposal to collect data from smallholders at the site level which explains the length of time required to complete the task.

Third-party Suppliers Support Program

This support program is a strategy that we developed in-house to ensure that our entire supply chain is safe from deforestation, wildfires, and human rights violations. Even if a violation were to be found, remedial efforts to ensure that the violation does not reoccur are performed by developing a structured action plan that is monitored throughout its development. Some stages of this third-party supplier support program are explained in the following sections.

Priority Support for Third Party Suppliers

In our efforts to determine the urgency of third party supplier assistance, priority analysis was carried out based on potential risks at the site level as well as the recording of violations against our Sustainability Policies by suppliers including those that are actually subsidiaries of a parent company. A total of 13 third party suppliers require intensive assistance (top priority), and 69 others require general assistance (see Table below). Of the aforementioned 13 suppliers, 10 of them are repeat suppliers that we have been sourcing from since before the due diligence mechanism was put in place. There is no record of infractions committed by the suppliers, however their parent companies have been dealing with issues present in other subsidiaries. This is where we, as buyers, play a role in providing assistance to the parent company to solve the problems they face. As for the three new suppliers categorized as top priority, while they have not committed any violations, they do have HCV areas and peatlands, so it is important for us to ensure the implementation of best supplier management practices on the field.

	GENERAL ASSISTANCE	INTENSIVE ASSISTANCE	TOTAL
Supplier without estate	30	-	30
Supplier with estate	39	4	43
Supplier with estate, HCV/HCS, and Peat	-	9	9
Total	69	13	82

* Priority for supporting third-party suppliers (data runs until June 2020)

Sustainability Workshop

For this quarter, we decided to increase our suppliers' capacity and capabilities through online webinars. The webinar's theme was titled "Implementation of Traceability & Sustainability Assessment Platform" and it

was attended by 44 participants from 31 companies in 29 supplier groups. This webinar examines and redefines the concept & value of traceability to plantation with technical data collection in the field specifically toward some of our new suppliers in 2020, our Sustainability Assessment Tools (SAT) guide, and the introduction and simulation of the basics of our SAT digital platform that we have been developing. In addition, we get deep into detail when discussing the key principles and indicators that require attention and need to be fulfilled in the implementation of each of the supplier's respective sustainability policies.

This webinar program proved to be quite effective and this is reflected in the enthusiasm expressed by our participants and the questions raised during the webinar, with questions pertaining to traceability such as effective data collecting strategies for tracing DO Holders to smallholders, strategies for dealing with uncooperative suppliers, and how to identify high-risk areas and the proper approaches for them. Whereas in the discussion sessions related to the SAT, the questions generally requested an explanation of GHG indicators in the principle of zero deforestation, HCV assessment mechanism, and peer reviews before 2015.

Supplier Self-Assessment

- Astra Agro has established its own set of Sustainability Assessment Tools to evaluate the implementation of the Company's Sustainability Policy to third party suppliers. This Sustainability Assessment Tools (SAT) has been given to suppliers since Q2 2020 as a means for them to carry out self-assessments. As of this report, we have received feedback from 15% of our total suppliers so that we could not deliver further analysis this quarter.



Supplier Monitoring

→ The monitoring of all third-party suppliers is conducted regularly to prevent violations against our Sustainability Policy. We also use information provided by stakeholders including grievance reports to identify potential violations that might occur. Based on the findings and verification carried out during Q2 2020, there were no violations committed by direct suppliers in our supply chain, but there were infractions carried out by affiliated subsidiaries in our supplier's parent company. Nevertheless, we continue to provide assistance to help these companies overcome their issues. A more detailed list of complaints and their handling can be seen at: <https://www.astra-agro.co.id/sustainability/complaint>.

FFB SOURCING & SMALLHOLDERS

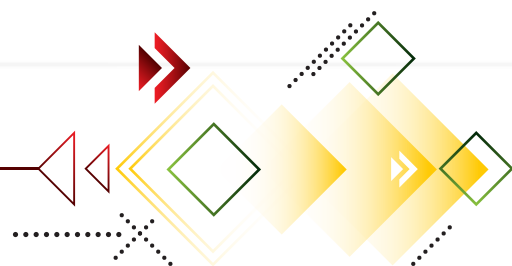
Discussion on the sourcing of fresh fruit bunches (FFB) and smallholders is concentrated on traceability at the smallholder level and the support programs developed specifically for smallholder FFB suppliers.

Traceability to Plantation

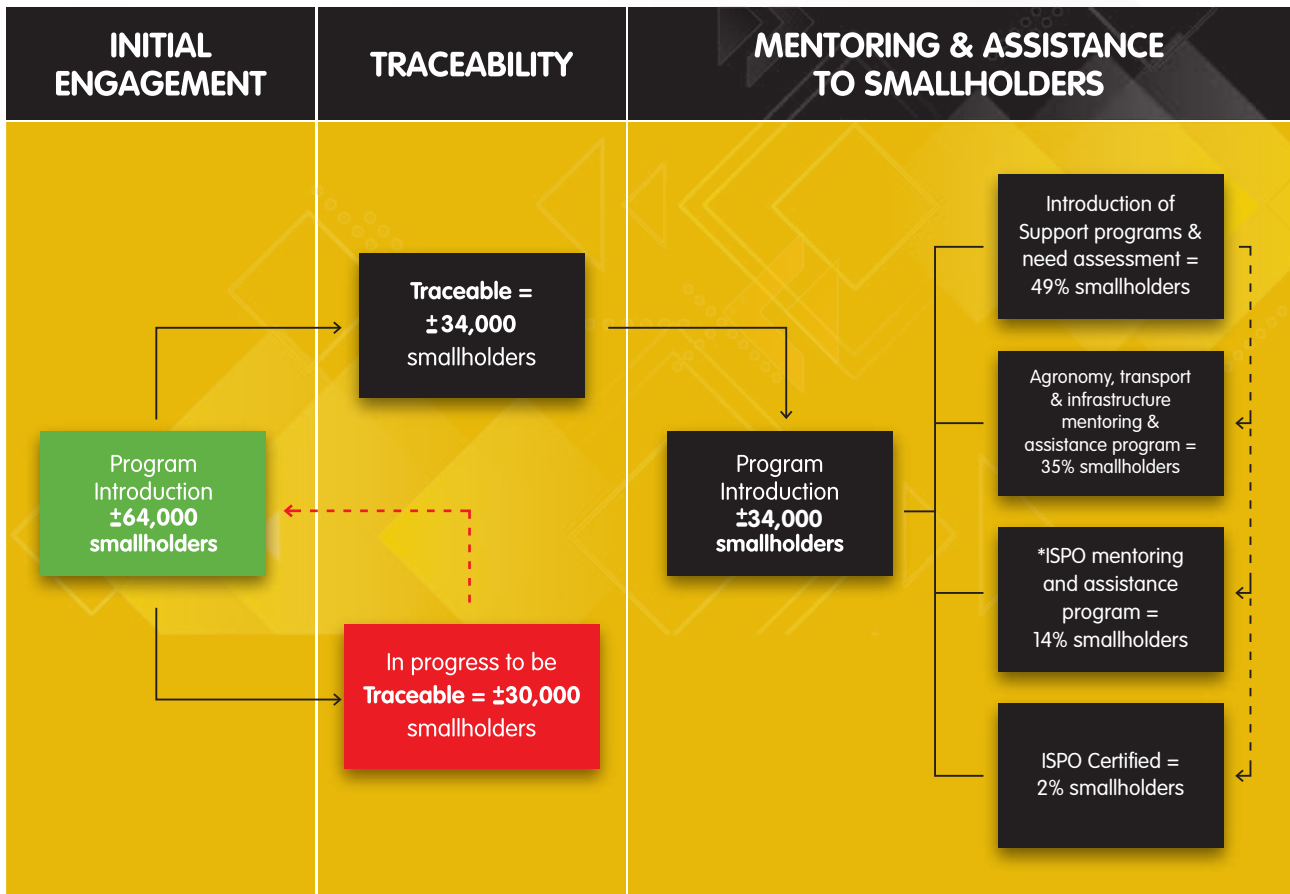
As of the second quarter, the recorded supply of FFB received by Astra Agro's mills is composed of 51% sourced from nucleus estates, 6% sourced from associated estates (more than 14,000 smallholders), and 43% sourced from third parties/independent suppliers (more than 50,000 smallholders). Overall, we achieved a traceability of 76% from around 14,242 associated smallholders and 20,000 independent smallholders from 300 villages compared to the previous period with 74% traceability. Traceability progress in nine of our mills can be seen at <https://www.astra-agro.co.id/en/traceability-4/>.

Support Program for FFB Smallholders

Support for FFB smallholders applying sustainable principles is provided through stages in accordance with the readiness of the smallholders in question (see report Q1). The Company's role is to increase the capacity and capabilities, of these smallholders as well as increasing their interest in playing an active role in realizing this goal. In summary, the number of smallholders targeted at each stage can be seen in the Figure below. Specifically for third-party supplier smallholders, we make use of the ISPO



* Profile of the smallholder FFB supplier support program phases



Information : - - - → (Stages in program support delivery)
 - - - → (In progress of socialization and verification)
 * (Activity consist of socialization, **Internal Assement & Surveillance ISPO**)

tools and certification as a measure for achieving sustainable FFB supply chains. The data displayed in the milestone picture below is what we have currently collected and is subject to change due to its dynamic nature and will shift according to the progress achieved.

In Q2 2020, our support programs for FFB suppliers are more geared toward the fostering of good plantation management (Good Agricultural Practices) through online media and virtual meeting applications. The management aspects of a plantation include the basic knowledge of agronomy in the morphology of oil palm plants, especially with regard to the criteria for ripe and raw fruits, introduction of nutrient deficiencies and fertilization,



introduction of oil palm pest and its control strategies, infrastructure and transportation aspects to oil palm rejuvenation, and ISPO certification.

During its implementation, we faced several limitations in the field, including the large number of smallholders we had to contend with and the fluctuations that came with them as smallholders are free to cooperate with anyone and the delivery of our programs to smallholders is largely dependent on direct suppliers/network partners. Under these circumstances, network partners are the main key to the success of our programs and so to that end we develop and foster network partners as an extension of the Company's hand to smallholders, especially independent ones.

Through the second quarter period, direct assistance activities in the field experienced a slowdown due to limited movement as a result of the Covid-19 outbreak and that lead to us providing the assistance online in the form of theoretical training on environmental management techniques, one of the requirements needed to obtain ISPO certification. Another activity currently experiencing delay is the planned implementation of the first stage of ISPO certification audit by the certification body to a targeted KUD in Riau.

PROGRAM FOR ORANG RIMBA

In Q2, the realization of the program for Orang Rimba experienced a significant slowdown due to the Covid 19 pandemic which limited movement in the field. Numbers of Orang Rimba members have responded to the COVID-19 pandemic through the "besesandigon" tradition by moving into the National Park forest.

This pandemic condition has forces us to work harder to ensure that we can fulfill the needs of our target Orang Rimba groups. Since the Government of Indonesia implemented a nation-wide Large-Scale Social Restrictions Protocol to prevent further transmission of the virus,



other programs involving face to face interactions including education and economic programs were not able to run.

Food distribution faced logistical difficulties during the Covid 19 pandemic due to the inability to contact Orang Rimba families currently residing in the forest. To work around this, we distributed the food with assistance from the Jenang (Traditional Leaders) or Temenggung of each group via scheduled meetings involving the Orang Rimba Assistance Team from the Company along with the National Park Office, Social Services, Temenggung, Jenang, Village Government, and the Village Advisory Board (Babinsa). We were able to identify the groups that were not present during these meetings and looked for alternative methods to deliver our assistance.

We have managed to provide 301 families with 1848 food packages during this second quarter period in spite of the limitations caused by the COVID-19 pandemic. Overall, as of the end of Q2, staple foods have been distributed to more families compared to what was originally planned which was the Company's main target of 217 families.

Access to Healthcare

The multi-stakeholder approach in the health sector has made significant progress, including the provision of 23 clean houses and a community meeting center by the Ministry of Social Affairs through the Merangin Regional Government for one of our target groups in 2019. Meanwhile for Q2 2020, our progress is as follows:

- (1) The company works closely with the National Park office and the Sarolangun Government Health Service to actively provide health services for the Orang Rimba community. Health service activities are carried out continuously with Covid 19 protocols such as the use of Personal Protective Equipment (PPE) by medical personnel when providing these services. During the Covid 19 outbreak, the Company also provided



additional vitamins to strengthen the immune system of the Orang Rimba community. One of the intensive activities carried out is health education to prevent transmission related to Covid-19 and the provision of personal protective equipment (masks).

- (2) The Company collaborated with the Merangin Regional Government to build two public toilet units to serve 23 families and a source of clean water for the Pak Jang Rombong (Group) Orang Rimba as has been done for other groups. The construction of toilets and clean water sources is integrated with other government programs such as road construction, drainage, and fish farming (cultivation).

With housing facilities and access to clean water, we hope to improve the health and living quality of Pak Jang group. During the COVID-19 pandemic, health services were also severely hampered due to limited movement as a result of the implementation the Health protocol. However, with existing transportation facilities, health services are still provided by way of visiting members of the Orang Rimba community who need it most.



Health services provided by the medical team to the Orang Rimba community in the midst of the pandemic by visiting each Orang Rimba settlement and other mutually agreed upon meeting places

Challenges in Carrying Out Program for Orang Rimba During the Covid-19 Pandemic

Not all programs are successfully implemented and reached the objectives. During the process, there are many challenges that we have to face since the situation on the ground is not always what we expect it to be. In fact, the field conditions are very dynamic and complex, because the interactions that occur are not only between the company and the Orang Rimba community who are indeed the targets of the program, but also involve the Malay tribal village community who have been living in the area for a very long time as well as the local trans-migrant community. As explained in the Q2 2018 report, the people living in the Sarolangun and Merangin areas are complex, coming from different backgrounds, cultures, ifestyles, and interests. With this complexity, it is not easy for companies to implement priority programs to help alleviate disadvantaged Orang Rimba communities. We learned that our intensive program for Orang Rimba may not always be positively received by other tribes. In some cases, we observed that the villagers assume that the company pay far more attention towards the Orang Rimba in comparison to them. Expectedly, misunderstandings often occur between people from different tribes, even between those from the same tribe, and these misunderstandings can often become prolonged disputes if they are not addressed wisely and carefully. An example is a dispute that occurred in May which stemmed from a misunderstanding between several Orang Rimba and plantation security members who were conducting night patrols, which triggered an incident involving dozens of villagers.



In this incident, the Company and the Merangin District Authorities worked together to mediate between the villagers and members of the Orang Rimba Sikar Rombong to resolve the misunderstandings. The mediation was carried with the involvement of various stakeholders from the village, sub-district, social services, the police, and representatives of the Orang Rimba themselves. In the end, the mediation process resolved peacefully and both parties agreed not to prolong the issue.

However, this news has already been widespread and reported with many versions and variations which can influence differing perceptions on what really occurred on the ground. This incident is of course an important lesson in understanding the complexities and dynamics of peoples who live in one area but have different cultures and ethnic identities.

The multistakeholder approach that we have developed should allow us to view the Orang Rimba more comprehensively while also taking into account the various complexities at the ground level where communities of different ethnic and cultural backgrounds interact with one another.

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Prosper with the Nation

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