Bumitama Agri Ltd.

Excellence Through Discipline

GROWING SUSTAINABLY

SUSTAINABILITY REPORT 2016

SCOPE OF THIS REPORT

This report covers the calendar years of 2015 and 2016, as well as historical benchmark data available. Data includes all our operations as of 31 December 2016, 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 limited information on independent suppliers, including smallholders. Due to the rapid development of our sustainability performance and plans, the report contains updated information on some 2017 events, notably with regard to planned programmes and complaints resolutions, as we consider these to be of material importance to our stakeholders.

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CHAIRMAN WELCOME

Dear friends and partners,

It gives me great pleasure to introduce our second sustainability report, which covers the financial years 2015 and 2016.

Our first report was launched simultaneously with our Sustainability Policy, which set out our focus areas and ambitions, and committed us to the objectives of no deforestation, no peat and no exploitation in line with leading peers in our industry. This report provides an overview of our progress, successes and challenges in implementing this policy.

It has always been my personal view that Bumitama should be a good citizen in the region and country where we operate, and contribute to the greater global goal of looking after our planet. But we must also provide people with good livelihoods and respect the rights and aspirations of both our own employees and our local communities. It is a critical part of my vision for the company that we are a force for prosperity, providing opportunities for the people who are affected by our operations and on whose support we will always rely.

We cannot achieve these objectives without strong business performance. I am therefore pleased to report that we have received tremendous feedback on our progress from our commercial partners. Our increasingly focused approach to sustainability has been welcomed by our main customers, as well as by analysts and bankers. I also think that our improved transparency and accountability is helping us to become more visible in the marketplace and has strengthened our credibility and engagement with the financial community. In 2016, we

received seven Asiamoney Awards in the following categories: Best Managed Company in Singapore – Small Cap, Overall Best Company in Singapore for Corporate Governance, Best Disclosure and Transparency, Best for Shareholders' Rights and Equitable Treatment, Best for Responsibilities of Management and the Board of Directors, Best for Investor Relations in Singapore and Best for Corporate Social Responsibility in Singapore.

The support we have received from civil society has also been encouraging. Building relationships with NGOs enables us to initiate bigger projects and deliver a greater positive impact. Over the past years, we have become more involved in conservation projects and have successfully partnered with both NGOs and governments. We are now excited to be embarking on an ambitious project that will see around 8,000 hectares set-aside for peat conservation, orangutan habitat as well as local community initiatives. I am also excited to announce that we are looking to expand our initiatives relating to children's protection and education in partnership with a major children's protection organisation.

Sustainability is a journey, and we are still working to improve our performance in many areas. One of the most difficult issues for us has been the constant quest to prevent and control fires in and around our operations. We have seen how badly fires affect people all over the region, causing health problems and putting lives at risk, and it is a priority for us to put in place every safeguard at our disposal. I believe we have made some progress in this area, but the issue will remain on our radar in the years to come.

Another big, albeit more positive, challenge is our determination to make the most of our current land holdings. We cannot keep growing in hectarage at our current rate: we need to invest in maintaining and improving what we have. We know that oil palm has the potential for much higher productivity. Our focus will therefore be on achieving better yields and extraction rates through significant investment in R&D, including tissue culture, and through good agricultural practices.

We remain firmly committed to the Roundtable on Sustainable Palm Oil (RSPO) and to ensuring that all of our operations adhere to the RSPO Principles and Criteria (P&C) and New Planting Procedure (NPP). We are deeply engaged in the 2018 revision process, which seeks to adjust the P&C to reflect experience on the ground as well as the latest research and knowledge. From our perspective, this is a positive process, but also fraught with difficulties. I am concerned that processes such as the NPP are becoming increasingly complex and can now take up to a year to complete. This presents a very real risk that committed companies will walk away from many potential development opportunities, leaving vast land holdings to be taken over and developed by companies with either no – or very weak – sustainability commitments.

I am personally very happy with the progress that has been made here at Bumitama. I believe that we have come a long way in building valuable partnerships with civil society, continuing our strong engagement with communities and strengthening our relations with local government and business partners. The efforts of our internal team have been critical in achieving these successes, and I would like to thank each and every team member for their hard work. We look forward to continuing our journey and hearing feedback from all of our stakeholders.

LIM GUNAWAN HARIYANTO
Executive Chairman and
Chief Executive Officer

REPORT REVIEW: ERIC WAKKER

ABOUT THE REVIEWER

Eric Wakker is Director of Corporate Sustainability at Aidenvironment Asia. He and his team partnered up with Bumitama Agri in May 2014 at the invitation of Mr. Lim Gunawan Hariyanto. This assurance statement thus represents a second party point of view.

Assurance statement

Bumitama Agri was one of the first oil palm growers in Southeast Asia to adopt a No Deforestation, No Peat and No Exploitation policy. Implementing such policy whilst developing and acquiring new land bank represents a major challenge. I congratulate the company's management and its sustainability team for having made major strides forward despite numerous challenges.

I value Bumitama's second sustainability report for offering adequate insight in its journey, which concerns many different aspects of sustainability that continue to evolve every day moreover.

Sustainability context is adequately provided, also bearing in mind that most stakeholders involved in the palm oil sustainability discourse are deeply familiar with the issues at hand. I hope that many among them will read this report: the company's sustainability work deserves more recognition than it receives.

When it launched its sustainability policy in August 2015, Bumitama committed the Landscape Approach, one of the first palm oil growers to do so. With this approach, the company promotes conservation and sustainable development within the wider landscape surrounding its plantations in collaboration with other stakeholders. The company's area set-aside for conservation nearly doubled during the reporting period. If the peat forest in Sungai Putri is included, then Bumitama's conservation areas encompass some 36,500 hectares of carbon-rich

natural forest and peat in West and Central Kalimantan. The company engages the local government and communities to create consensus over conservation and sustainable land use through Village-Level Land Use Plans. It works with the same stakeholders in and near its plantations to reduce fire outbreak and flooding, and it supports villagers' food security, education and business development. This is not to mention the group's support to smallholders, who supply over half of FFB milled and whom represent 26% of the group's land bank, well beyond the government target. These are all impressive deliveries, many of which were realised just recently.

Materiality is satisfactory. The report addresses most stakeholder expectations, at general level and those related to Bumitama specifically. It is important to realise that stakeholder expectations in the palm oil industry are particularly wide ranging and the performance bar is continuously raised. Bumitama remains one of the few 'pure growers' that have committed themselves to implement, throughout the group, the most ambitious sustainability policies in the market, whilst still developing *greenfields*.

At one level, quantitative insight is given into the overwhelming range of auditing and certification 'hoops' that growers are expected to jump through (RSPO, ISCC, ISPO, ISO), whilst the company works to implement its own ambitious sustainability policy. This policy, it is worth noting, is still fully in line with the group's most important buyers' No Deforestation purchasing policies.

At another level, this report entertains in reasonable detail some stakeholders' inquiries into specific cases and issues of concern. The explanations offered may not satisfy all stakeholders, whom now have direct access to the company's management, Bumitama's grievance and whistle-blower mechanisms and, if still deemed necessary, RSPO's third party complaint system.

Having an ambitious policy does not assure that mistakes are no more made or that some past practise may have to be corrected. Of course, it should also be recognised that the company does not operate in isolation of other stakeholders who pursue valid interests. It is not always possible to represent such dynamics in a sustainability report.

Completeness – During the drafting of this report, various gaps were closed so that most matters of interest are covered, in overview and in detail. The benefit of regular monitoring and reporting on key indicators is already clearer in this second sustainability report. In future, the sustainability report ought to provide more detail about the base line, notably the group's estate companies and land bank. The company has been increasingly responsive to its stakeholders in recent years, by filing documents to RSPO and giving external presentations, issuing statements publicly and the like. Consequently, sustainability information tended to become increasingly scattered, which represents the risk that stakeholders may use information that is no longer updated or that cannot be amended because it is posted on websites not under the company's control. The revamping of the company's website bumitama-agri.com is therefore a very welcome development. This website ought to serve as a clearing house for the group's corporate and sustainability information.

ERIC WAKKER
16 October 2017

OBJECTIVES AND TARGETS

WHAT WE WANT TO ACHIEVE	TARGET	STATUS
Expansion with Free, Prior and Informed Consent from local communities*	No complaints on new development	In a facilitated process agreed upon by all parties to resolve a land related complaint
New developments with HCV and HCS approach assessments*	All new development with HCV & HCS approach assessments	HCV/HCS/SEIA/peat delineation assessments conducted for all new developments
New Business Ethics Policy socialised with staff and made publicly available	2015	Policy socialised with staff in 2015, refresher communication in 2017 (policy has not been made publicly available yet)
To reduce fatality rate	Zero	Not achieved 2 fatalities 2016 0 fatalities 2015
Eliminate use of paraquat at all plantations and plasma schemes	Year End 2016	Eliminated September 2016
Develop partnership with reputable orangutan organisation to protect and increase Kalimantan's orangutan population	2016	Partnership with YIARI on the Bumitama Biodiversity and Community Project (BBCP) and its connection to DAS
Reduce accident rates by 40%	2017	In progress: task force appointed to address accidents
Complete survey and mapping of independent smallholders that supply FFB	2017	In progress: 22% of independent smallholders mapped, to review completion date

WHAT WE WANT TO ACHIEVE	TARGET	STATUS
Ensure FFB processed by our mills is traceable to our own estates and plasma smallholders	2017	Completed
Ensure all FFB purchased can be documented to originate from legal and responsible sources	2017	In progress: 77% completed, target revised to 2018
Measure and publish our carbon footprint and develop a reduction strategy	2017	In progress, target revised to 2018
Collaborative multi-stakeholder Landscape Biodiversity and Community Project (BBCP)	2019	In progress; Phase 1 and Phase 2 being implemented
Multistakeholder project with special emphasis on women and children's rights.	2018	In progress; data collection and training
Complete construction of two methane capture facilities	2018	In progress; expected to be delayed due to Power Purchase Agreement issue
Secure RSPO Certification for all mills and plasma smallholder schemes	2020**	In progress – target revised to 2024

These objectives and targets are based on the Sustainability Policy

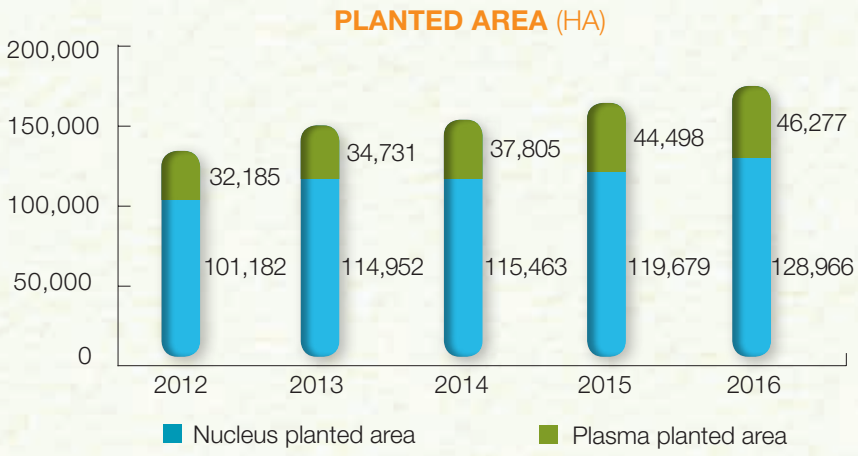
* These commitments are ongoing. We will report on compliance in future sustainability reports

** Or one year from Hak Guna Usaha and relevant permit approvals if not before 2024

ABOUT BUMITAMA

OUR BUSINESS IN BRIEF

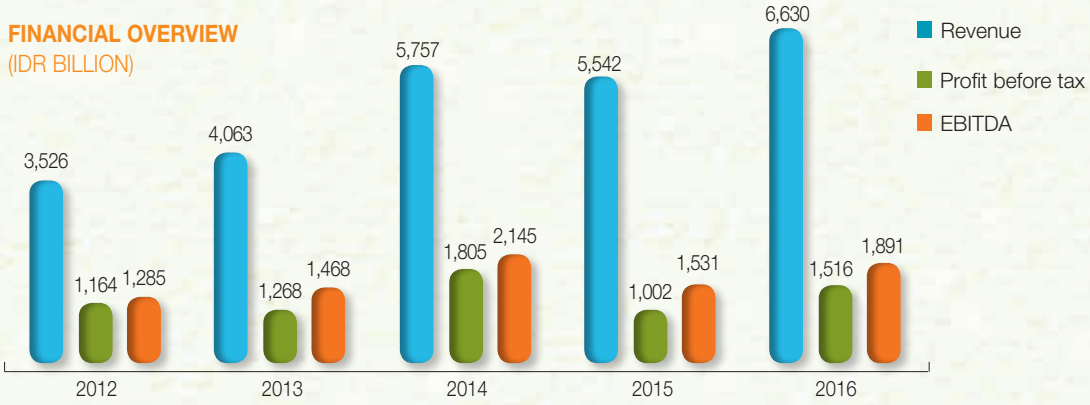
Bumitama Agri Ltd (Bumitama) is a young producer of crude palm oil (CPO) and palm kernel (PK) with oil palm plantations in Indonesia supported by more than 27,000 employees. Bumitama has a total planted area of 175,243 hectares and 8,250 hectares of infrastructure area across the provinces of Central Kalimantan, West Kalimantan and Riau. Around 26% of our total planted area is set-aside for smallholders under our plasma programme. We also own and operate 13 CPO mills with an annual FFB processing capacity of 5.04 million tonnes.



FINANCIAL INFORMATION AND OWNERSHIP STRUCTURE

Our 2016 revenue increased by 19.6% to IDR 6,630 billion (IDR 5,542 billion in FY2015), with profit before tax growing 51.3% to IDR 1,516 billion (IDR 1,002 billion in FY2015). This strong performance was driven by higher CPO and PK selling prices as well as increased production of CPO and PK.

Bumitama is listed on the Singapore Stock Exchange. As at year-end 2016, 51.48% of the shares are held by companies controlled by the Lim family. A further 31.73% are controlled by IOI Corporation and its majority shareholders, the Lee family. Bumitama had added additional PTs into its company structure thereby increasing its land bank and planting from 199,000 hectares and 153,268 hectares in 2014 to 225,000 hectares and 175,243 hectares in 2016 respectively. For a full overview of Bumitama's company structure, please refer to our Annual Report 2016 pages 93-95.



OPERATIONS

Bumitama's total land bank of 225,000 hectares is located in the Indonesian provinces of Central Kalimantan, West Kalimantan and Riau. Through our nine plantation operations, which comprise 128,966 hectares of nucleus estates and 46,277 hectares of plasma area, we produced almost 2.2 million tonnes of FFB in 2016 which were processed by our 13 mills. In 2016, just over 71% of the FFB processed at our mills was cultivated in our plantations and plasma schemes, while approximately 29% was sourced from independent outgrowers and smallholders.

1. **RIAU 2,309 HA PLANTED OIL PALM, 1 MILL**
2. **WEST KALIMANTAN 67,583 HA PLANTED OIL PALM, 5 MILLS**
3. **CENTRAL KALIMANTAN 105,351 HA PLANTED OIL PALM, 7 MILLS**

ABOUT BUMITAMA

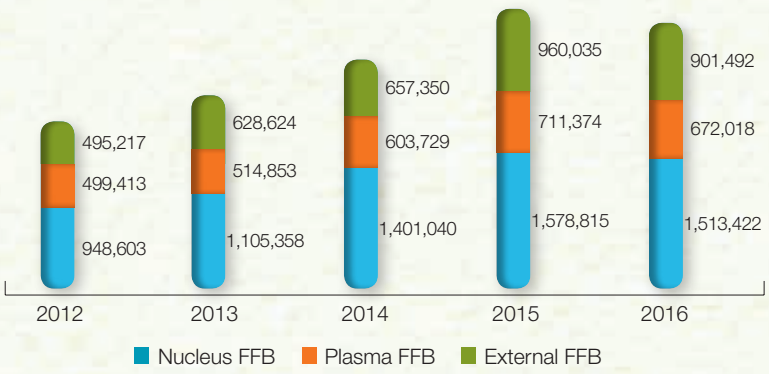
PRODUCTION AND PRODUCTIVITY

We continue to explore opportunities to expand our land bank. However, we understand that appropriate land is a very limited resource and, given our commitments to avoid development on peat and High Carbon Stock (HCS) and High Conservation Value (HCV) landscapes, we recognise that our options are limited. Enhancing the productivity of our existing land through improvements in yields and extraction rates is therefore a priority for the future growth of our business.

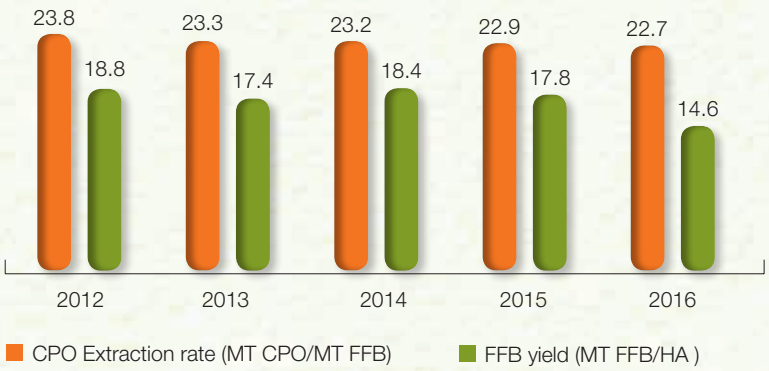
Our agronomists are working together with the Research, Quality Control and Engineering Department on various means to increase yields, oil content and bunch weight. We do not use any genetically modified planting materials, but look to high-yielding seed to boost productivity.

Prolonged and severe dry weather in 2014 and 2015 affected yields and resulted in a significant drop in productivity in 2016. However, we believe that there is a positive outlook for 2017 as rainfall has increased across our production areas. We forecast a 15% increase in internal production volume for 2017.

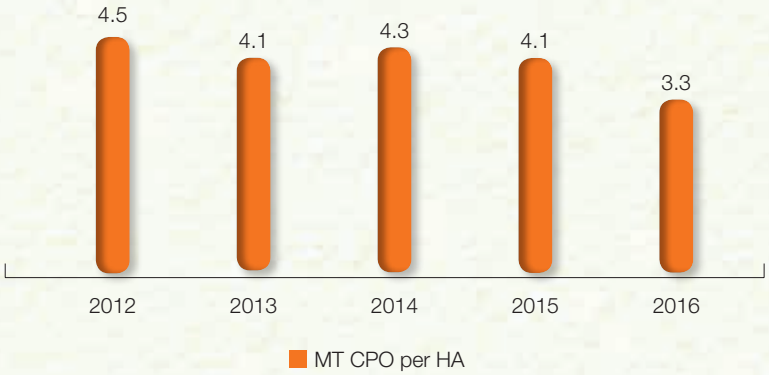
FFB PROCESSED (MT)



PRODUCTIVITY



CPO YIELD PER HA

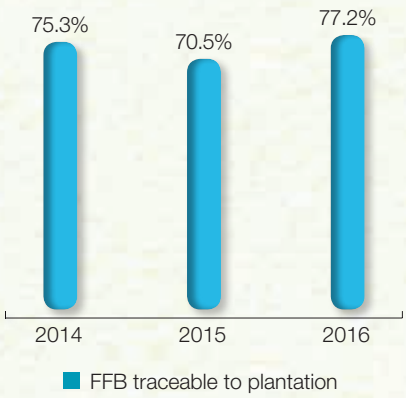


SUPPLIERS AND TRACEABILITY TO PLANTATION

Bumitama is an exclusive upstream producer. Our main FFB suppliers are cultivators that deliver fruit to our mills. There are three types of FFB supplier: associated smallholders working 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 smallholders and outgrowers. A small proportion is handled by FFB traders.

We have set a target date of December 2017 to ensure that all FFB processed by our certified mills is traceable to our own estates and associated plasma schemes, and that all purchased FFB is documented and verified as being from legal and responsible sources. Achieving this important milestone will create greater transparency in our supply chain and, in the process, decouple our products from the risk of deforestation and exploitation. We are targeting to complete traceability of FFB of all mills by the end of 2018.

FFB TRACEABILITY



We kick-started the first phase of the FFB traceability initiative in 2016, mapping the entire supplier base of our CPO mills based on purchase documents. We will follow up with the collection of additional information on our third party suppliers that will provide us with more accurate and detailed data for analysis and verification as we closely monitor our supply chain partners.

The initial socialisation of our No Deforestation, No Peat, No Exploitation Policy (NDPE) policy and a growing awareness of the importance of ensuring legality and traceability has resulted in a pooling of interested smallholders into cooperatives or groups for productivity improvement, legality and certification projects in 2017.

We are also building our existing team to explain and socialise our policies among FFB suppliers. The team will reach out to independent smallholders, outgrowers and traders to help them understand how the traceability process works and how they can ensure that their fruit remains acceptable to us. The timeline to socialise has taken longer than anticipated, mainly because the initial programme of outsourcing this project was put on hold.

CUSTOMERS

All of our palm oil is sold domestically to refineries that convert CPO into a broad 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 that process them into palm kernel oil (PKO). PKO is primarily used in the manufacture of personal care, household and confectionary products. We currently trade our RSPO-certified palm oil (Mass Balance) through the RSPO certificate trading system. As the proportion of our RSPO-certified CPO increases, we will consider setting up segregated mills.

APPROACH TO SUSTAINABILITY

SUSTAINABILITY POLICY IMPLEMENTATION

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 links between oil palm cultivation and deforestation, climate change and social injustice.

We launched our first comprehensive Sustainability Policy (SP) in 2015. This sets out our overall principles and commitments to produce palm oil sustainably and responsibly.

Our policy covers:

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 partnerships with plasma smallholders.

Respect for human rights in the workplace: Recognition of International Labour Organization (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; the provision of a healthy and safe working environment; and ethical conduct, including efforts to eliminate corruption.

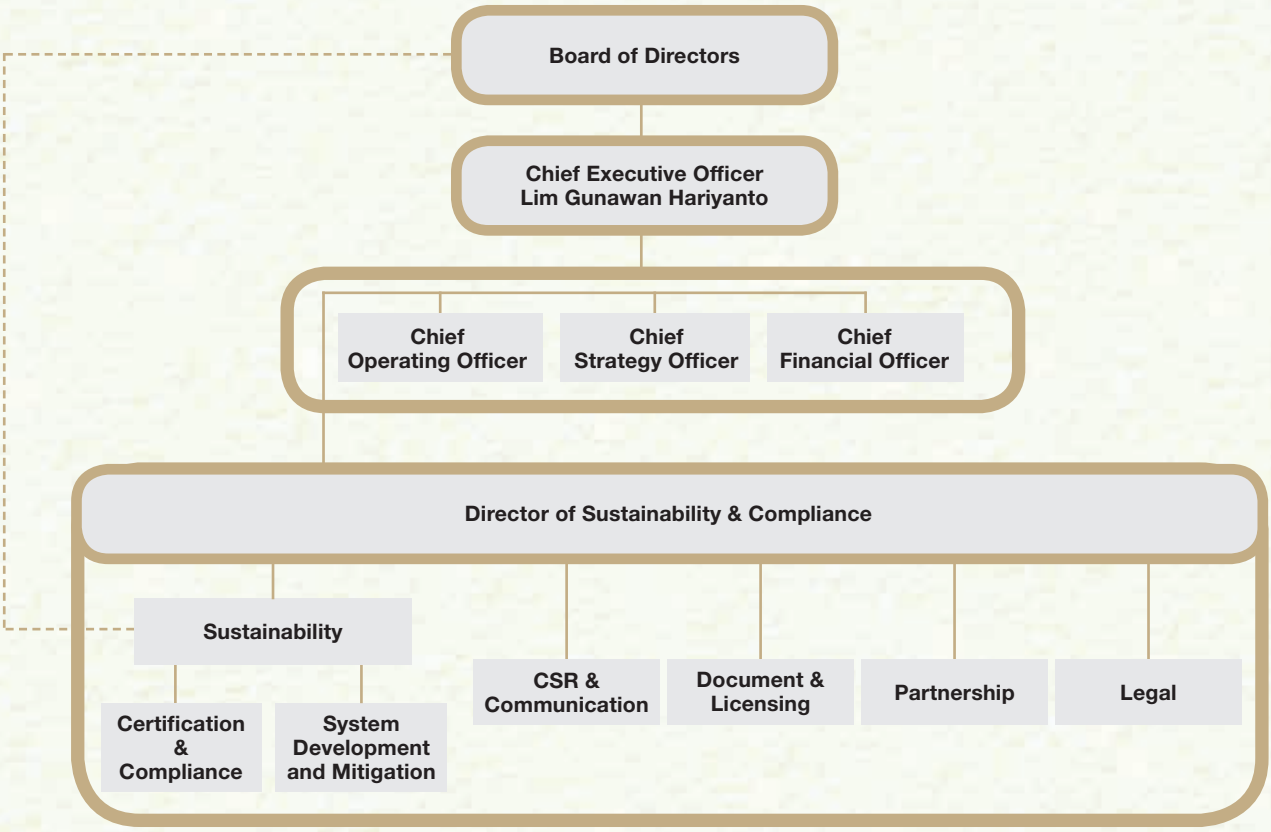
Traceability and responsible sourcing: Tracking and monitoring land development in sensitive areas; ensuring that all FFB processed is traceable to our own estates, plasma smallholders, local traders and independent smallholders; and ensuring that FFB is purchased from legal and responsible sources.

Since launching the policy we have focused on strengthening our capacity to monitor and implement improvements throughout our operations. We have engaged extensively with internal and external stakeholders to ensure that they understand the policy's objectives and building blocks, and have adequate training and knowledge to ensure that we can make progress on the ground. Policy implementation and oversight continues to be led from the top, with our Chairman and CEO being deeply involved in both internal and external engagements.

SHARING SUBSTAINABILITY POLICY WITH INTERNAL AND EXTERNAL STAKEHOLDERS

Parties	Objectives	Method	Completion target
Employees and Workers	Additional socialisation of our Policy	Workshops, orientation, morning briefing, and internal news briefing and pamphlets.	Ongoing
Plasma smallholders	Traceability/ Certification	Mill records to include source of FFB; training of cooperatives and staff.	YE 2017 – 2024
Outgrowers, independent smallholders & traders	Legal sourcing	Purchase documents and mill records (including location, names of farmers, collectors and traders, legal status of land/size and length of tenure); educate on deforestation and peat; no purchase from areas opened with the two above conditions after target date.	YE 2017 for certified mills Complete 90% by YE 2018 for others
Contractors	Work within policy	Contract and briefing.	Ongoing
Consultants, bankers & other stakeholders	Doing business sustainably	Share policy during first meeting or policy and report provided, and yearly update.	Ongoing
Buyers	Ensure conformity with buyers' policy	Periodic meetings and communication.	Ongoing

BUMITAMA SUSTAINABILITY TEAM STRUCTURE



APPROACH TO SUSTAINABILITY

BUILDING BLOCKS OF SUSTAINABILITY POLICY IMPLEMENTATION

Socialisation, Mapping, Baselines and Monitoring Framework

- Stakeholders mapping
- Data, permits and documentation for HGU, location permit and IUP
- GIS mapping & groundtruthing
- Identification of HCV, HCS, peat, NKT areas, and SIA assessment
- Socialisation of initial data and plans
- Sustainability management plan and KPI scorecard, monitoring & reporting system

Sustainability Performance Enhancement

- Assess, monitor and maintain HCV, HCS, peat and conservation areas
- FPIC & community consultation
- Supply chain review for plasma and smallholders
- GHG reduction programme
- Stakeholder engagement & capacity building
- Economic development & alternative livelihood for communities
- Complaints handling & whistle blowing

System Development & Certification

- RSPO
- ISPO
- ISCC
- ISO
- OSHA
- GMP
- KELAS KEBUN
- BMP
- Proper
- RKL/RPL
- UKL/UPL
- SOP

Innovation & Continuous Improvement

- Forest conservation & sustainable land use
- GHG/Emission reduction
- Biodiversity study & conservation
- Community Livelihood & CSR programme
- Traceability & responsible sourcing
- Yield enhancement through special agronomy programme
- New GIS technology for mapping
- SMART monitoring & reporting

"NO DEFORESTATION, NO PEAT, NO EXPLOITATION"

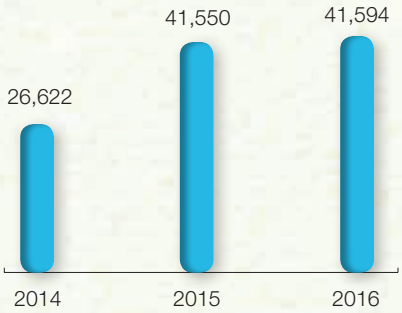
CERTIFICATION AND ENGAGEMENT

As part of our efforts to drive our performance up to a world-class level, we have embarked on a comprehensive certification programme that encompasses both international and local Indonesian standards. We believe that such schemes can help us structure our sustainability efforts across our operations.

ROUNDTABLE ON SUSTAINABLE PALM OIL

Bumitama[1] has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2007. We are currently members of the P&C Review Task Force, the Emissions Reductions Working Group, the Peatlands Working Group and the Human Rights Working Group, and also serve as a member of the RSPO Complaints Panel. We completed certification against the RSPO Principles & Criteria for our first two mills in 2014 and remain on track to complete certification of all our mills in 2020, and independent and plasma smallholders by 2024. As at 31 December 2016, four of our mills have achieved certification and approximately 24% of our total planted area is RSPO certified.

RSPO CERTIFIED AREA (HA)



Note: By the mid of 2017, we have certified the 5th mill as part of the supply source for Gunung Makmur Mill.

[1] Until 2013, our subsidiary Bumitama Gunajaya Agro held the membership.

APPROACH TO SUSTAINABILITY

TIMEBOUND PLAN

Management unit	Mill	Supply base	Location	Timebound plan
PT Windu Nabatindo Lestari (WNL)	Pundu Nabatindo Mill	PT Windu Nabatindo Lestari (WNL)	Central Kalimantan	2014
		Koperasi Harapan Abadi		2018
		Independent Smallholders (Kelompok Tani Tenera)		
		PT Fajar Bumi Nabati (FBI)		2018
		PT Gemilang Subur Maju (GSM)		
PT Windu Nabatindo Lestari (WNL)	Katari Agro Mill	PT Windu Nabatindo Lestari (WNL)	Central Kalimantan	2016
PT Karya Makmur Bahagia (KMB)	Gunung Makmur Mill	PT Karya Makmur Bahagia (KMB)	Central Kalimantan	2014
		Koperasi Unit Desa Mekar Jaya		2018
		Koperasi Unit Desa Sekar Tani		
		Koperasi Unit Desa Lestari		
		Koperasi Usaha Bersama		
		Koperasi Makarti Jaya		
		Koperasi Marga Rahayu		
		Koperasi Tani Santoso		
		PT Tanah Tani Lestari (TTL)		2019
		Koperasi Hapakat		
		Koperasi Rika Bersatu		
		Koperasi Usaha Bersama		
		Koperasi Eka Kaharap		
		Koperasi Berkat Usaha Bersama		
		Koperasi Bina Tani		
		Independent Smallholders (Sawit Borneo Nusantara)		2019
PT Karya Makmur Bahagia (KMB)	Bukit Makmur Mill	PT Karya Makmur Bahagia (KMB)	Central Kalimantan	2018
		PT Langgeng Makmur Sejahtera (LMS)		2019
		Koperasi Telawang Bersatu		2020
		Koperasi Hinje Ate		
		Koperasi Eka Kaharap		
PT Windu Nabatindo Abadi (WNA)	Sungai Cempaga Mill	PT Windu Nabatindo Abadi (WNA)	Central Kalimantan	2018
		PT Nabatindo Karya Utama (NKU)		
PT Windu Nabatindo Abadi (WNA)	Selucing Agro Mill	PT Windu Nabatindo Sejahtera (WNS)	Central Kalimantan	2019
PT Bumitama Gunajaya Abadi (BGB)	Kotawaringin Mill	PT Bumitama Gunajaya Abadi (BGB)	Central Kalimantan	2019
PT Bumitama Gunajaya Abadi (BGB)	Lamandau Mill	PT Bumitama Gunajaya Abadi (BGB)	Central Kalimantan	2020
		PT Andalan Sukses Makmur (ASMR)		
		PT Investa Karya Bhakti (IKB)		
PT Gunajaya Karya Gemilang (GKG)	Kendawangan Mill	PT Gunajaya Karya Gemilang (GKG)	West Kalimantan	2016
		PT Gunajaya Ketapang Sentosa (GKS)		
		Koperasi Serba Usaha Bersama	West Kalimantan	2018
		Koperasi Serba Usaha Karya Bersama		
		Koperasi Binasari		
		Koperasi Perkebunan Fajar Mandiri		
		Koperasi Rimba Sari		
PT Agro Sejahtera Mandiri (ASM)	Pembangunan Raya Mill	PT Agro Sejahtera Mandiri (ASM)	West Kalimantan	2017
		PT Gunajaya Harapan Lestari (GHL)		2020
PT Karya Bakti Agro Sejahtera (KBAS)	Sungai Rasau Mill	PT Karya Bakti Agro Sejahtera (KBAS)	West Kalimantan	2018
PT Ladang Sawit Mas (LSM)	Bukit Tunggal Jaya Mill	PT Ladang Sawit Mas (LSM)	West Kalimantan	2018
		PT Lestari Gemilang Intisawit (LGI)		2020
		PT Agro Manunggal Sawitindo (AMS)		2019
		PT Sejahtera Sawit Lestari (SSL)		2020
		PT Nabati Agro Subur (NAS)		
		PT Karya Makmur Langgeng (KML)		
		PT Gemilang Makmur Subur (GMS)		One year after getting the HGU
		PT Damai Agro Sejahtera (DAS)		
		PT Inti Sawit Lestari (ISL)		
PT Rohul Sawit Industri (RSI)	Suka Damai Mill	PT Masuba Citra Mandiri (MCM)	Riau	2018
		Koperasi Karya Melayu Sehati		

Note: We will proceed with the certification of FFB suppliers in stages. This will take place alongside the socialisation process described in the smallholder section.

ISPO, ISO AND ISCC

The Indonesian Sustainable Palm Oil (ISPO) certification scheme was launched as a mandatory requirement for Indonesian oil palm growers in 2012. We have completed first stage audits for six plantations and second stage audits for two plantations. PT Karya Makmur Bahagia (KMB) was awarded full ISPO certification in September 2014 and GKG and GKS received their certificate in April 2017.

We are training teams in preparation for certification against the International Sustainability & Carbon Certification scheme (ISCC). ISCC allows CPO producers to export CPO to the European market for use in biofuels under the RED (Renewable Energy Directives) scheme. We will proceed to certification in accordance with the valid criteria. These include a requirement for a biogas methane capture facility in order to achieve the prescribed GHG reduction levels. We are targeting certification of two mills in 2018, depending on the progress of our biogas capture projects.

We are also working towards ISO 14001 certification for two mills, and are hoping to secure the first ISO 14001 certificate before the end of 2017.

ISPO CERTIFICATION STATUS

Audit ISPO	KMB	WNL	BGB	GKG & GKS	RSI & MCM	WNA & NKU	KBAS & ASM	Other PTs
Stage	**Certified:**	**Waiting for approval:**	**Stage 2**	**Certified:**	**Stage 1**	**Stage 1**	**Stage 1**	
Update	September 2014	Under consideration for certification	Will proceed to certification upon rectifying audit gaps	April 2017	We will continue certification together with RSPO certification according to the timebound plan	We will continue certification together with RSPO certification according to the timebound plan	We will continue certification together with RSPO certification according to the timebound plan	Will enter stage 1 – when required criteria have been complied with

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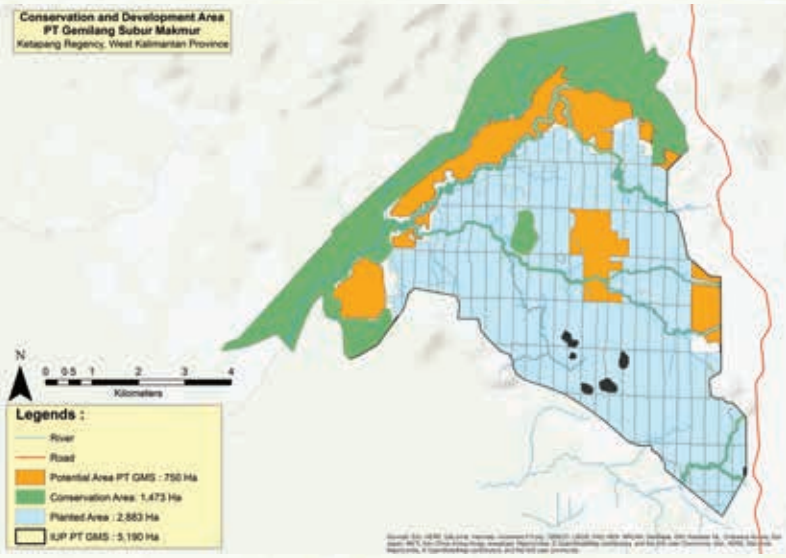
BIODIVERSITY PROTECTION

NEW PLANTINGS AND DEVELOPMENT FRAMEWORKS

We follow best practices in our land use planning procedure to avoid impacting existing ecosystems. All new developments must adhere to the RSPO NPP and undergo High Conservation Value (HCV) assessments, Social Impact Assessments (SIA) and High Carbon Stock (HCS) Approach assessments. Peat delineation tests and land cover, land use and land use change analyses must also be completed to identify locations with HCV, HCS and peat. These assessments and analyses provide guidance for developing planting plans for our new concessions to ensure that HCV, HCS and peat land are not planted with oil palm. We regularly monitor these sensitive areas through the use of the GIS data of the new plantings superimposed over the map of no-go areas, to ensure that we are alerted to potential risks of planting in our set-aside areas.



NPPs are posted for stakeholder consultation on the RSPO website, and our HCV assessments are undertaken in compliance with the HCV Resource Network Assessor Licensing Scheme (HCV RN) since early 2016. All newly acquired concessions with areas for planting like IKB, KBAS3, GMS and recently RSM have been reviewed or are undergoing review by HCV RN. We are also committed to following the HCS Approach peer review process, and have recently submitted our first assessment for review, GMS (brownfield acquisition). The assessment was conducted in 2016 and covered 5,190 hectares, of which 1,473 hectares (28.4%) of the total area are set-aside for conservation as it contained either HCVs, peat and/or was classified as HCS.

TOTAL SET-ASIDE AREAS

Year/HA	Area	HCV	HCS	Peat	Total
2014*	55,190	4,689	8,459	2,682**	13,148
	(100%)	(8.5%)	(15.3%)	(4.9%)	(23.8%)
2016	225,000	18,745	9,238	4,113***	29,415****
	(100%)	(8.3%)	(4.1%)	(1.8%)	(13.1%)

* Landbank of 5 PTs that undergone a Rapid HCS study
** Overlaps with the HCS
*** 2,682 ha overlaps with HCS
**** Have included landbank but have not included set-aside areas of DAS

CONSERVATION INITIATIVES

With our operations located in the midst of Indonesia's rich and immensely varied ecosystems, it is vital that we play a part in preserving and enhancing the landscapes in which we operate. We do not and will not operate within protected areas and national parks, and we seek to protect and enhance the population of species deemed critically endangered, endangered or vulnerable under national laws of Indonesia and the IUCN Red List. We also ban hunting in all of our concessions and engage with communities to refrain from hunting of threatened species in the surrounding areas. In addition, Bumitama actively consults, invites participation from and engages with NGOs and local communities in our landscape planning processes, recognising that their invaluable insights will allow us to better identify cultural HCVs and local biodiversity.

In an effort to further support our wildlife conservation endeavours and to determine the density and distribution of orangutans in the PT Damai Agro Sejahtera (DAS) concession in the east of the Sungai Putri forest block, we have conducted a survey in partnership with YIARI (Yayasan International Animal Rescue Indonesia). Besides assessing the distribution of orangutans, our partnership will also comprise of development of conservation plans and Best Management Practices. We expect to expand this initiative in 2017, to cover further areas within our PT Gemilang Makmur Subur (GMS) concession. This conservation initiative is a very large and daunting project to undertake where things can easily go wrong; it is therefore important to learn, understand and put up a plan to cover the scope and breadth of biodiversity management.

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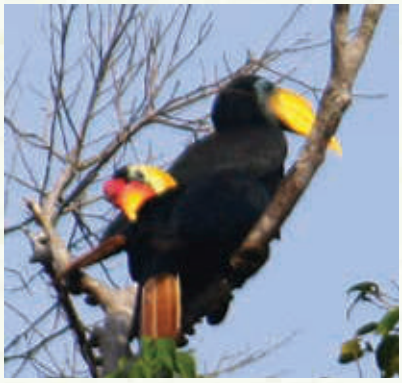
IUCN THREATENED SPECIES OF FAUNA IN OUR CONSERVATION AREAS		
IUCN Status	**West Kalimantan and Riau**	**Central Kalimantan**
CRITICALLY ENDANGERED		
Pongo pygmaeus (Bornean Orangutan)	√*	√
Manis javanica (Sunda Pangolin)	√	√
ENDANGERED		
Hylobates agilis (Agile Gibbon)	√	√
Nasalis larvatus (Proboscis Monkey)		√
Ciconia stormi (Storm's Stork)	√	
Tomistoma schlegelii (False Gharial)	√	
VULNERABLE		
Acridotheres javanicus (Javan Myna)		√
Aonyx cinerea (Asian Small-clawed Otter)		√
Cervus timorensis (Javan Rusa)		√
Cervus unicolor (Sambar Deer)	√	√
Chloropsis sonnerati (Greater Green Leafbird)		√
Cuora amboinensis (Amboina box turtle)	√	√
Ducula pickeringii (Grey Imperial Pigeon)	√	√
Helarctos malayanus (Sun Bear)	√	√
Leptoptilos javanicus (Lesser Adjudant)	√	√
Lutra perspicillata (Smooth-coated Otter)		√
Macaca nemestrina (Southern Pig-tailed Macaque)		√
Neofelis nebulosa (Clouded Leopard)		√
Numenius arquata (Eurasian Curlew)		√
Nycticebus coucang/Nycticebus brachycephalus (Sunda Slow Loris)		√
Nycticebus menagensis (Philippine Slow Loris)	√	
Ophiophagus Hannah (King Cobra)	√	√
Pardofelis marmorata (Marbled Cat)		√
Presbytis cristata (Silvered Leaf-monkey)		√
Presbytis frontata (White-fronted Surili)		√
Presbytis hosei (Hose's Langur)		√
Prionailurus bengalensis/Felis bengalensis (Leopard Cat)		√
Pycnonotus zeylanicus (Strawheaded Bulbul)	√	√
Rheithrosciurus macrotis (Tufted Ground Squirrel)		√
Setornis criniger (Hook-billed Bulbul)		√
Siebenrockiella crassicollis (Black Marsh Turtle)	√	√
Sus barbatus (Bornean Bearded Pig)	√	√
Tarsius bancanus (Horsfield's Tarsier)	√	√
Tomistoma schlegelii (False Gharial)		√
Treron capellei (Large Green Pigeon)	√	√

** Pongo pygmaeus (Bornean Orangutan) is not found in Sumatra – Riau.*

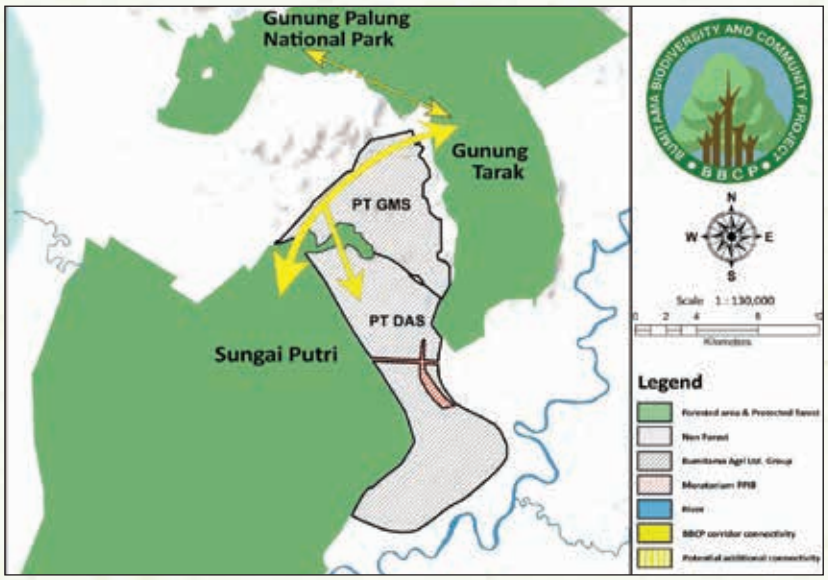


WILDLIFE PROTECTION AND ENHANCEMENT IN WEST KALIMANTAN

PT Gemilang Makmur Subur (GMS) is a management unit located in the Ketapang district of West Kalimantan, that was purchased by Bumitama on 13 September 2016. Although the larger part of this area was previously opened and planted by its previous owners, the elevated concern for the remaining forest land, constant threats of fire and consideration for local communities prompted the acquisition (although Bumitama had previously in August 2014 terminated the management contract due to significant concerns raised over the environmental and legal permits relating to the land by international NGOs and our financial institutions).

In accordance with our Sustainability policy and RSPO Principle & Criteria, we have conducted HCV and HCS assessments of the area prior to the acquisition. The results indicated that the majority of the unplanted area could serve as an interconnection link between the Sungai Putri peat swamp forest, the Protected Forest of Gunung Tarak and the Gunung Palung National Park.

To address these threats, we have launched the Bumitama Biodiversity and Community Project (BBCP). Co-funded with IDH, the Sustainable Trade Initiative and project managed by Aidenvironment (AE), BBCP combines wildlife protection with sustainable production as part of a collaborative and landscape-based approach to ensuring that plantations, communities and biodiverse ecosystems can coexist. Initiated in October 2016 under IDH's Initiative for Sustainable Landscapes (ISLA) programme, with a total budget of EUR 1.1 million (IDR 17.3 billion), the first phase of BBCP is scheduled to run for at least three years. Its main focus will be the Sungai Putri peatlands and the Gunung Tarak forest.



The BBCP's first goal is the rehabilitation and management of a biodiversity corridor of approximately 1,100 hectares on our GMS concession, which is naturally connected to Sungai Putri ecosystem and needs to be connected to Gunung Tarak Protected Forest. In 2016 it came to our attention via Aidenvironment that a neighbouring company started clearing plantation blocks in an area which is part of the Sungai Putri peat dome forest, containing deep peat and high conservation values including Orangutan habitat. As this area is just next to our planned corridor, we have approached the owners to seek their participation in the conservation project. The company was not interested in conservation and an offer was made to Bumitama to acquire the company. Our acquisition of the neighbouring DAS enhances the viability of the corridor; enlarging the potential conservation by additional 6,500 hectares (these have not been included into the set-asides total hectarage for 2016). However, since some areas in DAS had been cleared as part of estate blocking exercise prior to our acquisition but which has stopped upon completion of the acquisition. We will rehabilitate all estate blocking opened by the previous owners.

We are also identifying areas for rehabilitation and reforestation, planting nurseries and training conservation teams and local communities to help co-manage the project areas. Additional fire management training under the *Desa Bebas Api* programme has been conducted in nine villages with another six planned for 2018.

The second objective of BBCP is to drive social and economic development. Community growth in the region has previously been restricted due to low incomes, inadequate infrastructure and poor agricultural practices – all of which can also have a direct or indirect impact on the environment. This part of the project has been implemented in partnership with Aidenvironment and will be regulated through village level land use planning for nine villages surrounding the corridor. Agreements are being negotiated to

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support alternative livelihood options, such as the harvesting of non-timber forest products (NTFP), as well as smallholder development.

The district government is a crucial stakeholder in these efforts as the required permits for set-aside areas, the integration of Village-Level Land Use Plans and governmental spatial plans, as well as the ongoing management of the areas, depend on its cooperation.

REFORESTATION IN CENTRAL KALIMANTAN

Our ASMR operation continues its reforestation efforts in the buffer area running along the Sekonyer River, where 107 hectares of forest were burnt in 2015. A nursery of 40,000 natural forest species has been established in the area, both for our own operations and local communities.

The reforestation programme is also well underway on the other side of the river in Teluk Pulai Village, where the local community's concern about the slow erosion and retreat of coastal land prompted the idea of revitalising the mangrove area by reforesting an experimental plot of 150 hectares. Mangrove ecosystems play an important function in maintaining the integrity of coastal areas, dampening waves and wind, reducing abrasion, maintaining nutrients for marine life and providing nursery grounds for fish and shrimps. The team has started to tag the seedlings to capture data that will be used to improve the survival rate of the new plantings.

ASMR assisted in cleaning the channels and field and securing additional land for food source and provided technical assistance as an advisor since end of 2015. To raise awareness about the importance of maintaining a balanced ecosystem, school children and even regional government personnel were invited to help in the planting and an alternative crop, corn will be included into the yearly planting programme.

With continued success, Teluk Pulai may even become an area of interest for tourists, given a rich biodiversity now further enhanced by a resurgent mangrove ecosystem.

ACQUISITION OF LMS

In early 2017, we received a number of questions from an international NGO with regards to the legality and process surrounding the acquisition of PT Langgeng Makmur Sejahtera (LMS) in Central Kalimantan. The implied allegation was that Bumitama had sought to circumvent relevant legal permit by means of a sale through Bumitama-linked intermediaries who clear the land and subsequent reacquisition by Bumitama. To clarify the matter, we would like to outline the course of events.

PT Hatiprima Agro (HPA) was a plantation concession owned by Bumitama that operated in Central Kalimantan based on a Location Permit (ILOK) and Plantation Business Permit (IUP) issued by the Bupati (Regent) of Kotawaringin Timur in an area relinquished from the forested area by the decision of the Ministry of Forestry in 2000.

In June 2012, we were informed by the Bupati that the Location Permit of 4,810 hectares would be revoked. On 1 July 2012, a RSPO complaint was lodged against HPA. The revocation was based on a decree from the Indonesian Ministry of Forestry from 2008 that revoked the forest relinquishment issued to HPA. Neither Bumitama nor the Bupati were aware of this in 2008, at the time the permit was issued, since the Decree of Revocation was mistakenly sent (i) to the wrong party (an unrelated third party, namely PT Sinar Agrotani Kalimantan) instead of to HPA, and (ii) to the wrong local government (the Governor of East Kalimantan instead of the Governor of Central Kalimantan).

Bumitama only learned of this Ministry decision, which was based on the aforementioned decree of the Kotawaringing Timur Bupati, who, being equally unaware of the Ministry decision, renewed HPAs ILOK and its IUP in 2009 and 2010 respectively.

The matter became more complex when in 2011, before the ILOK was revoked, the very same Ministry of Forestry had re-designated 1.2 million hectares of land including the land under the ILOK of HPA for non-forestry purposes (APL). The revocation of the ILOK by the Bupati had therefore no basis in law or fact and thus Bumitama decided to instigate legal proceedings to defend its position.

After being awarded the case twice at Regional and High court level, Bumitama ultimately lost the trial and surrendered the permit but not the buildings, plants and other objects located on the land. Bumitama had no other choice but to sell these assets to the new permit holder, LMS.

Bumitama received a financial compensation for the assets on the land in form of a deposit from LMS. However, LMS was unable to pay the remaining financial consideration of the Conditional Sale & Purchase agreement from January 2015 and had not been able to manage the social issues in LMS. Bumitama therefore agreed with the LMS owners to acquire the company with its valid ILOK of 4,810 hectares and IUP in June 2016. In January 2017, Bumitama received *Hak Guna Usaha* (HGU, or Land Use Rights Permit), the final legal title of this area.

We wish to highlight that both HPA and its later owners, LMS, operated with valid permits. It is also worthwhile to mention that we have lost the legal case to the Ministry of Forestry, the very same institution that has re-zoned the land HPA sat on for non-forestry purposes.

Throughout the process, Bumitama has been transparent about the case to the directors, investors/ shareholders, regulators and auditors, as well as the RSPO and civil society stakeholders. We made several public announcements as the matters unfolded and have kept all stakeholders updated accordingly.

We are currently in the process of gathering information for Land Use Change Analysis (LUCA) for LMS as per the RSPO Remediation and Compensation Procedure. This area will be sanctioned for clearing without an appropriate NPP as per the new NPP of 2015.

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FIRE MONITORING AND PREVENTION

A strict zero fire policy is enforced within all our operations as we recognise that an increased incidence of fire is a major threat to our productivity, to our biodiversity conservation efforts, as well as to the health and safety of our employees and surrounding communities. Fire can also cause severe haze issues around the Southeast-Asia region as smoke is carried by the wind.

In 2015, extreme drought caused more than a thousand hectares of our land to be burnt, primarily in planted areas. We did not consistently record fires outside of our concessions, but have now improved monitoring to track fires in more detail. In 2016, we recorded 21 occurrences of fire of which five occurred inside our plantations (13 hectares), while the remainder (40 hectares) occurred in community lands. While the incidence of fire was much lower than in previous years, fire prevention remains a critical focus area at Bumitama. Our task force continues to establish training programmes and local partnerships to address the root causes of fire and encourage effective responses.

INCIDENCES OF FIRE IN OUR CONCESSION

	2016	2015
Total planted burnt (HA)/ % to total planted	3/ N/A	1,024/ 0.6%
Total unplanted burnt (HA)/ % to total planted	10/ N/A	8/ N/A
Total number of fires	5	204

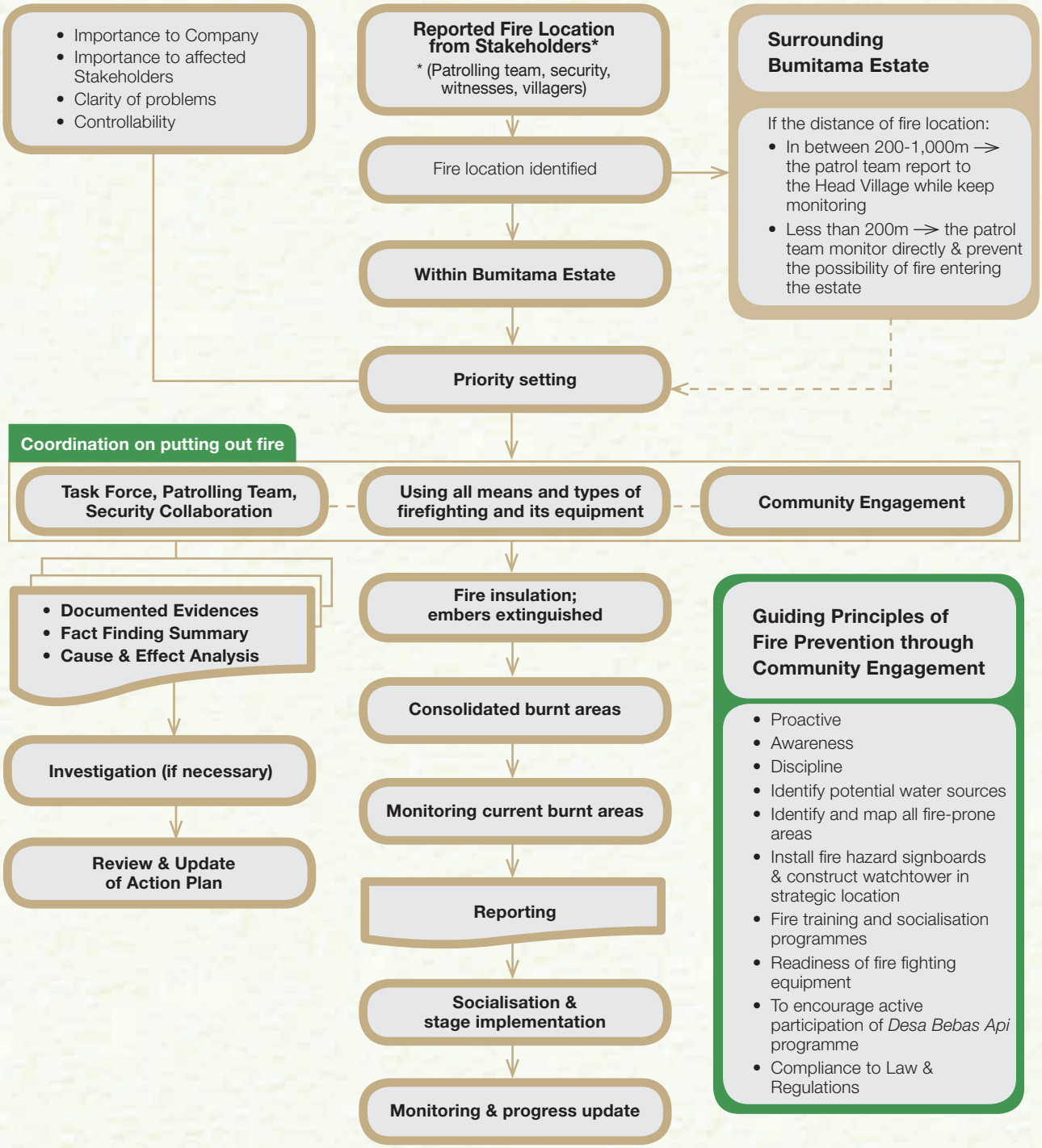
All fires are immediately reported to the relevant authorities.

Precautionary measures, such as the mapping of concession areas based on the level of potential fire risk posed by land cover types (peat or mineral, clear or scrub, areas along the boundary neighbouring community farms, forest conservation areas and water sources), enable us to give special attention to fire-prone areas.

We have, in addition, established a command and control centre for effective communication in the event of an emergency; carried out routine patrol activities by prioritising areas with potential hazards or a high degree of vulnerability; increased pond water conservation by planting vegetation, such as bamboo, that prevents excessive evaporation (saving water reserves in the ground) as well as constructed ponds to deliberately capture rainwater; and improved accessibility to water sources throughout our operations.

To further strengthen our response we have partnered with Manggala Agni, a fire brigade under the Ministry of Forestry that specialises in forest fire prevention and control. They have conducted 15 training sessions across our operations to train a total of 500 Bumitama employees and 500 people from the local community.

Some of our CSR programme focused on community areas that had fire history. Initiatives include lending tractors to local communities so they can clear land without burning. Some villages have received manual clearing tools, following recommendation by regional government offices. We have also established the *Desa Bebas Api* programme, which to date has provided 35 villages with incentives to implement alternative land clearing measures. We will expand the programme under the BBCP project (see page 21), expecting to reach 40 villages by the end of 2017.



Bumitama Fire Management Flow Chart

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GREENHOUSE GAS ACCOUNTABILITY

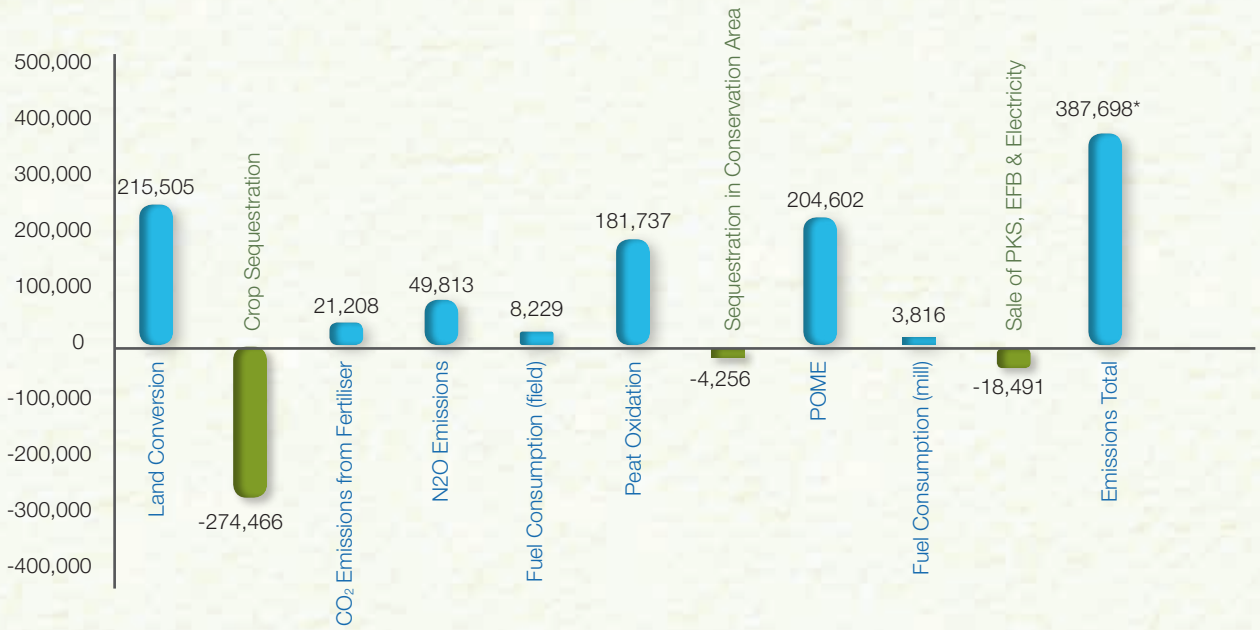
We recognise that climate change, accompanied by fluctuating weather patterns, poses a major risk to the livelihoods and safety of communities, to fragile ecosystems and to agricultural supply chains. Being part of the solution and mitigating the impact of this major challenge are central to our sustainability strategy and we remain committed to progressively reducing our greenhouse gas (GHG) emissions.

To establish a baseline we used the RSPO PalmGHG methodology to estimate our 2016 GHG emissions at our certified plantations. In 2016, we estimated an emissions intensity of 1.6 tonnes of carbon dioxide equivalent per tonne of CPO produced (1.6 MT CO_2e/MT CPO), which we believe to be comparable to peers in Indonesia, based on publicly available disclosures.

LAND COVER STRATIFICATION TO MINIMISE FUTURE EMISSIONS

To ensure that new developments are planted in low carbon areas, we are now doing a land cover stratification for all new plantings as part of our RSPO NPP. We have completed two analyses which have both yielded negative carbon balance: in other words, the sequestration from oil palm would be higher than the existing vegetation.

EMISSIONS SOURCES AND SINKS
(MT CO_2e/YEAR)



* Total Net Emissions for production of 238,110 MT of CPO.

METHANE CAPTURE OF POME EMISSIONS

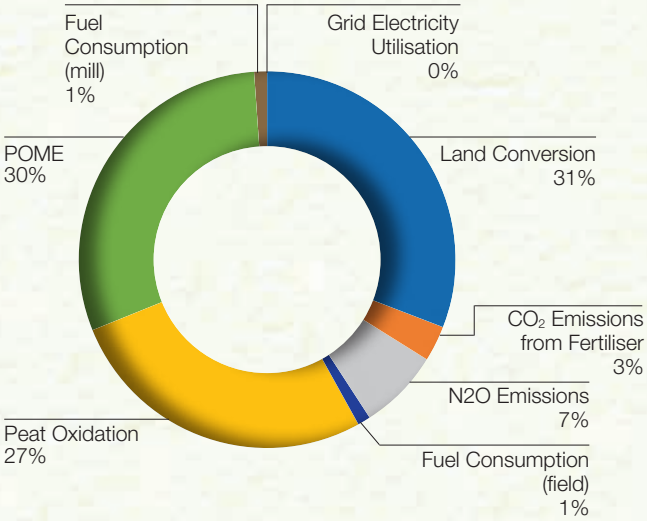
30% of our emissions are methane from palm oil mill effluent (POME). We are looking to reduce or eliminate POME emissions through methane capture facilities, with a potential of converting biogas methane into electricity that can be channelled back into the local electricity grid. We have partnered with waste treatment and integrated power solution providers to build two methane capture plants, in Riau and Central Kalimantan and expect these to be completed by the end of 2018. We estimate that each facility will be able to reduce the current emissions from POME by 90% when fully operational.

MAPPING AND RESTORATION OF PEAT AREAS

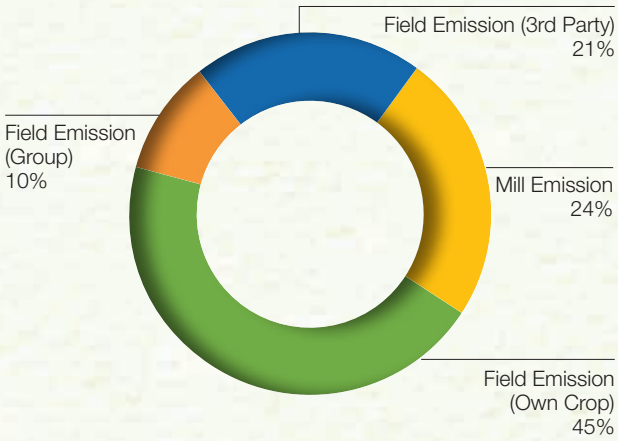
27% of our emissions derive from peat oxidation from existing plantings. We stand by our commitment to stop new plantation developments on peat, to restore peatland where possible, and to apply best management practices in existing plantings. We have made considerable headway in reviewing our land maps and soil classifications in the past years. A review of our five concessions in 2014 identified 2,682 hectares as peat, or roughly 5% of the area. In addition, we have identified 1,431 hectares of peat as part of our NPPs. These are set-aside areas now. We will continue these mapping exercises to complete an overview of peat areas within our concessions over the coming years.

We are reviewing options for restoring and enhancing peatlands in GMS and DAS; patches of areas which had been burnt or opened as part of estate blocking prior to planting, as part of the Bumitama Biodiversity and Community Project; BBCP (see page 21).

GROSS EMISSIONS BY TYPE



EMISSIONS BY SOURCE



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INTEGRATED PEST MANAGEMENT AND CHEMICALS

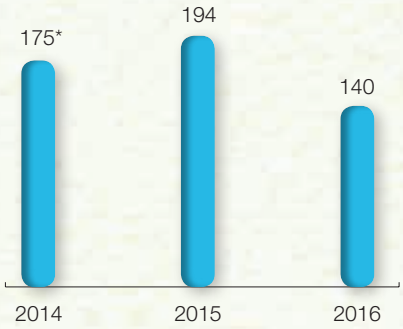
Integrated pest management is an essential part of our agricultural practice and we are careful to minimise and mitigate the impact of chemical pesticides on the environment. Our preferred method is to deploy biological controls, using beneficial plants, natural predators and fungal pathogens or bacteria, alongside handpicking and biological traps. No prophylactic treatments have been adopted into our integrated pest management.

We make every effort to ensure that workers are not directly exposed to pesticides. All workers are provided with personal protective equipment and are required to shower after each shift. Workers handling hazardous chemicals are required to undergo extensive training on an ongoing basis. Hazardous chemicals are kept in separate locked storage facilities. We ensure that pregnant and breastfeeding women do not handle or conduct any work related to chemical usage.

We have made a commitment to eliminate highly toxic and pest resistant pesticides. We have phased out paraquat dichloride in 2016, the herbicide that was classified under World Health Organization (WHO) Class 1, which has caused concern among our stakeholders due to potential health risks associated with mishandling or lack of protective equipment.

In rare and urgent cases when attacks or threats occur, we use small volumes of rodenticides, insecticides and fungicides.

TOXICITY UNITS PER PLANTED HECTARE
(LD50/HA)



* 2014 data are based on an estimate

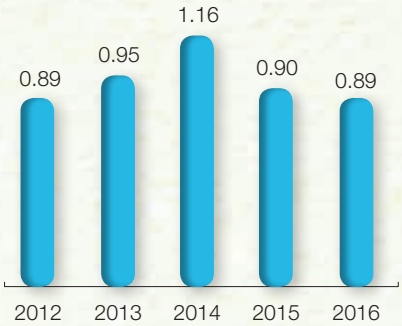
Herbicides currently used in Bumitama's operations	WHO Class
Dimethylamine 2-4 D	II – Moderately hazardous
Glufosinate-ammonium	III – Slightly hazardous
Indaziflam	N/A
Glyphosate	U – Product unlikely to present acute hazard in normal use
Metsulfuron methyl	U – Product unlikely to present acute hazard in normal use
Triclopyr butotyl	N/A
Fluroxypyr	U – Product unlikely to present acute hazard in normal use

As part of our focus on reducing the use of chemicals, we have started measuring toxicity levels derived from herbicides per planted hectare. The cyclical nature of plantings results in fluctuating toxicity levels, and may increase on new plantings, so measuring toxicity in this way enables us to monitor the potential impact of different types, volumes and compositions of chemicals used in our operations over the long term.

We have adopted an environmentally friendly waste management policy for CPO production to reduce our reliance on inorganic fertiliser. Empty Fruit Bunches (EFB) are used as mulch, especially for sandy soils to reduce soil transpiration and to enrich soil organic carbon. The nutrients contributed from EFB enhance the productivity of palms. In future we have plans for partial composting of empty fruit bunch with the aid of POME to about 15 to 20%, applied to the land by furrow or flat-bed systems.

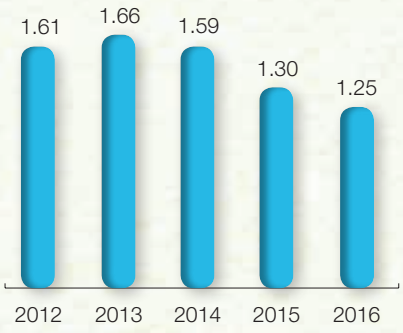
Fertiliser usage is highly dependent on the age profile of plantations – with younger plantings and nutrient imbalance soil types requiring a higher nutrient input. The tested and careful recommendation from R&D Department helped manage inorganic fertiliser usage.

INORGANIC FERTILISER USAGE
(MT/HA)



PROTECTING LOCAL WATER SOURCES

WATER USAGE M³/MT FFB
(MILLS ONLY)



Safe, clean water is vital for our palm oil mills, as well as for the health of our employees and local communities. Minimising the risk of surface and ground water contamination by fertiliser use and other field practices is included as a priority area in our Sustainability Policy. We have not started with collection of the detailed data on water risks in and around our concessions or formed plans to ensure minimal impact of our operations on surface and ground water quality and availability. We are looking to proceed with these works in 2018, through documenting, monitoring and mitigation of our activities.

In the next year, we will also be looking into a project focused on sustainable water management in the catchment area of probably river Pawan, in Ketapang district. This river, which runs through our concession PT Ladang Sawit Mas (LSM) as well as the recently acquired PT Sejahtera Sawit Lestari (SSL) has repeatedly flooded the surrounding areas managed by the communities and plantation companies alike. Worst affected are often the local people, who depend on the river for their food security, mainly from fishing and rice farming. We will look into ways of Improving the availability and quality of water resources, and develop sustainable and inclusive water management plans between the Ketapang district government, communities and companies in the Pawan river catchment area.

In our mills, we extract river water for use in processing and harvest rainwater, which is then stored in ponds for use in housing areas, communities and operational activities. We have been constantly making an effort to raise awareness about economical water usage, which has resulted in a 22% reduction in water consumption at our mills over the past five years.

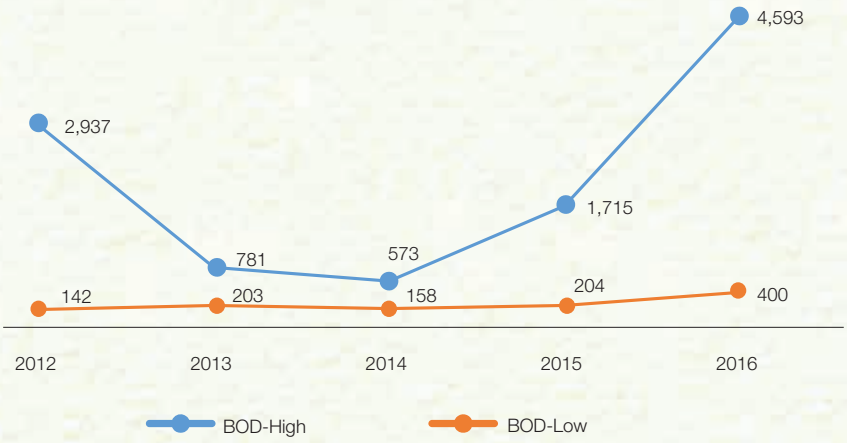
Before land application, POME is treated in series of ponds.

ENVIRONMENT

We monitor POME quality at the environmental impact point based on the following parameters: Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), ammoniacal nitrogen content, nitrate content, pH, total dissolved solids (TDS) and total suspended solids (TSS).

We are currently undertaking research into the optimal use of POME for land application to reduce our use of inorganic fertiliser. The increase in BOD levels in 2015 and 2016 was caused by experimental trials conducted at two of our mills. Despite the increase, the BOD levels of all POME used for land application were within the limits prescribed by the relevant regulations.

BIOLOGICAL OXYGEN DEMAND
(PPM)



PEOPLE

FREE, PRIOR AND INFORMED CONSENT

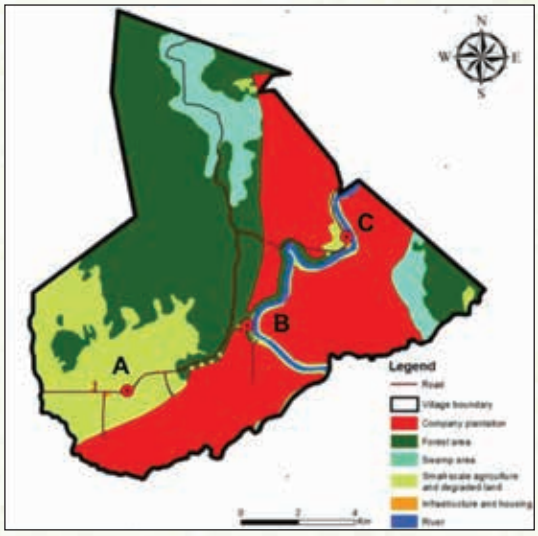
Partnerships and good community relations are critical for our operations. In accordance with the RSPO NPP we have implemented a detailed Free, Prior and Informed Consent (FPIC) process incorporating participatory mapping and Social Impact Assessment (SIA) prior to all new developments. A management and mitigation plan is developed with all relevant stakeholders to ensure that land rights holders and their representatives are appropriately identified and that adequate information, including both benefits and negative impacts, are conveyed to the affected. These measures ensure that informed consent can be given or withheld in accordance with the wishes of the community.

In an extension of our FPIC process, we are working on a collaborative multi-stakeholder landscape project in the Ketapang district, called BBCP. It focuses on land use planning in nine villages in our concessions, exploring how land is used and how it could be more effectively zoned for protection, production and inclusion of the community. As part of the project, Bumitama has worked with the local government to develop Village-Level Land Use Plans as a fit-in model to government planning for villagers called *Pembangunan Kawasan Perdesaan* (PKP). These will expedite and improve the public service development and capacity building of the village communities through participatory development and finding the best option for conservation and livelihood development.

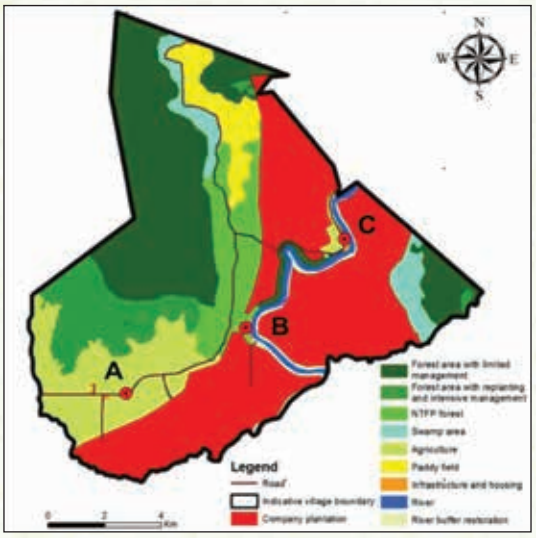
Launched in October 2016, the project aims to showcase how land use planning can support villages in efforts to form a strong basis for establishing legality, help against forest encroachment and fires, and be used to coordinate economic development initiatives such as NTFP at a landscape level.

PEOPLE

Zoning based on current land use



Potential zoning of future land use



Credit: Aidenvironment – proposed land use of desa Simpang Tiga Sembelangaan

VILLAGE PROPOSED ZONING OPTIONS

Zoning area options	Current (%)	Proposed (%)
Company plantation	37	37
Forest area with limited management	36	25
Forest area with replanting and intensive management		8
NTFP forest		7
Natural swamp area	8	4
Agriculture	17	12
Paddy field	–	4
Other (infrastructure & housing, riverine areas)	2	2
River buffer	–	1
Total	**100**	**100**

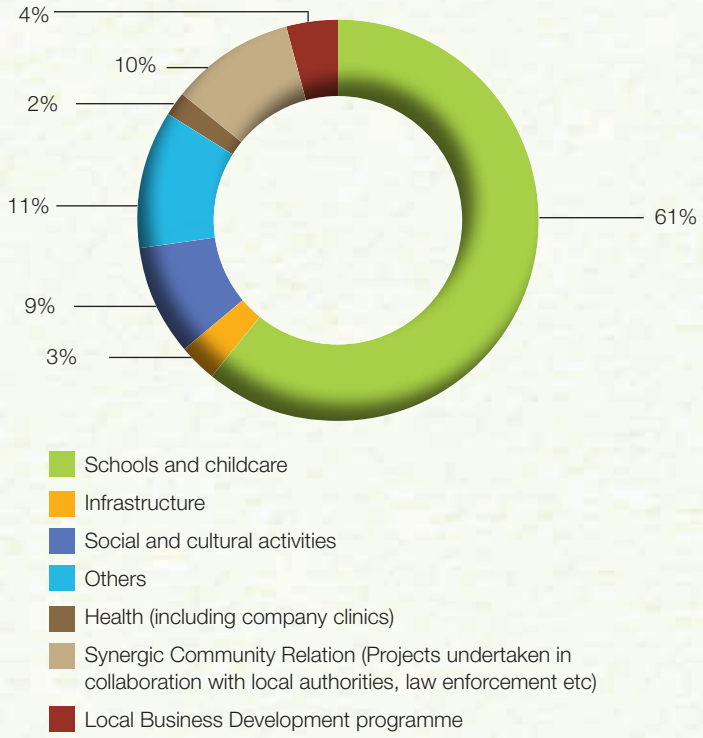
The images and table above displays the results of the Village – level land use plan (VLLP) mapping, conducted in a participatory process with the community. It analyses the current usage of land use in the village and proposes a shift away from the protected areas to a more effective and sustainable land use.

In the current situation, the forest areas are not well managed and severely encroached. In the proposed land use plan, the total forest area increases by 4% to 40% of the total area, through reforestation of degraded areas currently used as agricultural land. There would be sufficient forest for NTFP community collection (18% of the total forest), while the remaining forest would be protected and well managed. Half of the swamp area in the northern part of the village can be converted to sustainable wetland rice production, while the rest would be restored or left to restore by itself naturally – forming a natural boundary to protect the forest up hill.

LOCAL ECONOMIC EMPOWERMENT AND FOOD SECURITY

We endeavour to help the communities around our operations achieve economic progress and financial independence through our Local Economic Empowerment Programme. We focus on long-term and self-sustainable solutions, such as helping local communities to start complementary businesses. This entails providing locals with training on business economics and equipping them to manage their enterprises sustainably. Bumitama plays an active role at every stage of the programme, providing seed capital, business management advice, microbanking facilities and guidance on the sale of products and produce. The programme has led to a number of successful projects and high participation rates.

CSR EXPENDITURE 2016 (TOTAL IDR 9.95 BILLION/USD 740,000)



We are continuing to build on our aquaculture, poultry and vegetable farming programmes, which have grown significantly, expanding from one community group to numerous groups in different districts and provinces. For example, our aquaculture project started with one community group in 2012 and has now grown to encompass to 13 groups at the time of reporting. We have funded a booklet to showcase some of the projects, which will be made available online later in 2017.

Bumitama is proud to support the government's push for food security. We continue to encourage communities in four locations in Central and West Kalimantan to plant paddy crop. At Teluk Pulai Village in PT Andalan Sukses Makmur (ASMR), Bumitama educated local farmers on good agricultural practices and composting methods. We also improved drainage and assisted in applications for seeds and additional land for planting, thereby enabling more families to join the farmers group. We are also teaching the benefits of crop rotation to prevent fires and provide additional income. For 2017, corn will be used as the rotational crop, and we are working on this programme in collaboration with the regional government supporting the food source agenda of the Agricultural Agency under the national programme of the Ministry of Agriculture. The success of the initiative has resulted in the Bumitama CSR team receiving an overwhelming number of requests for assistance from other farmer groups. Our CSR teams are also working with two other farmer groups in West Kalimantan.

PEOPLE

RIGHTS OF WORKERS

Our operations depend on maintaining a productive, healthy and satisfied local workforce, and we ensure that we provide fair and competitive conditions for all of our employees.

We respect workers' rights as set out in the ILO core conventions and are committed to the principles of the Universal Declaration of Human Rights. Our 2015 NDPE policy explicitly covers our own employees, as well as contract, temporary and migrant workers, and requires our suppliers and subcontractors to uphold the same standards.

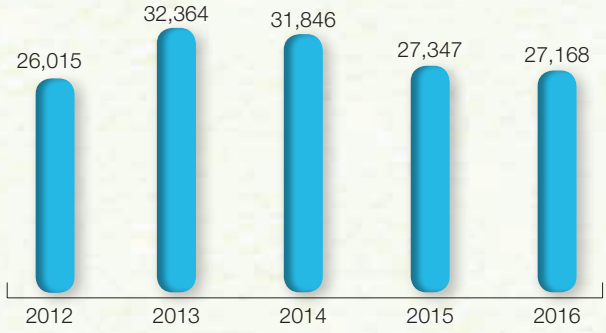
WAGES AND TRANSPARENCY

All workers are paid above the local minimum wage and all have detailed contracts. Piece-rate work by harvesters, for example, is clearly identified on payslips.

In addition to wages, permanent workers receive benefits such as free accommodation, healthcare, free education, holiday bonus *(Tunjangan Hari Raya)*, rice, electricity and clean water.

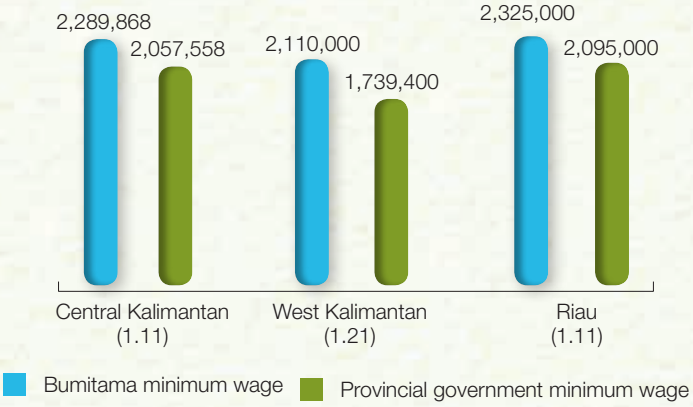
Overall we are reducing the use of temporary workers in most of our operations. However, we will still allow the use of temporary contracts for some seasonal tasks. Temporary workers receive benefits including some of the health insurance benefits (BPJS – government covered insurance), such as the Work Accident Insurance and Fatality Insurance, and access to our health

TOTAL NUMBER OF EMPLOYEES

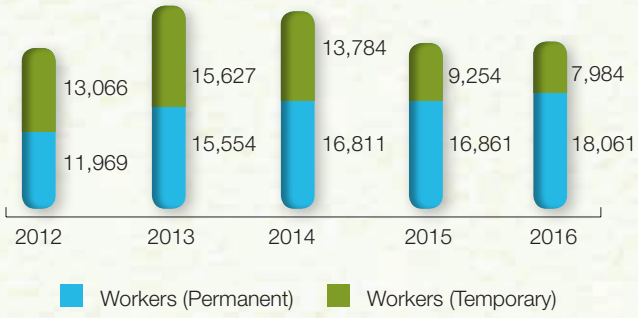


The overall decrease of our employees reflects the maturing age profile of our plantations.

MINIMUM WAGE IN IDR
(RATIO EXCEEDING MANDATORY WAGE IN BRACKETS)



NUMBER OF WORKERS BY CONTRACT TYPE



PEOPLE

facilities. The minimum wage rate is based on the Governor's decree as a result of a Tripartite (Government – Workers Association – Business Association) discussion and agreement. Contracts are provided in Indonesian language and are signed before work commences to indicate understanding of the workers with their rights.

HEALTH AND SAFETY

The safety of our employees is our primary concern, and improvements in workplace safety have been at the forefront of our worker engagement activities over the past two years. We are developing new standard operating procedures across all plantations and mills, and have started to implement OHSAS 18001 across our operations.

We are also working with suppliers and subcontractors to enhance standards throughout our sector; providing safety briefings and incorporating required health and safety standards into all contracts.

Despite these efforts, we saw increasing accident rates in 2015-2016. This increase is attributed to more accurate and vigorous reporting, but we recognise that there is still significant work to do in this area.

It is with great sadness and concern that we recorded two work-related fatalities as a result of traffic accidents in 2016.

We are now analysing the types of accident from data we have collected. Focusing first on the most common circumstances, we will develop a dynamic and transformative strategy to tackle the current high accident rate. Beyond regular training, we are

HEALTH AND SAFETY PLANS OF 2015 AND 2016

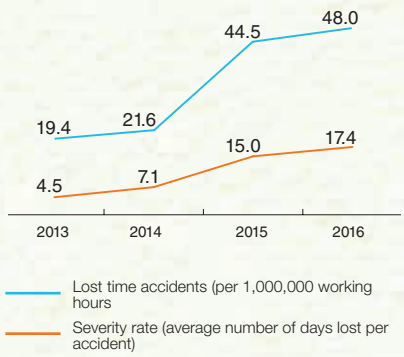
Programmes	2015	2016
Standards and Procedures	Standardised H&S SOP and Environment SOP across all plantations and mills	SOP briefing to all work units
System	Pilot an OHSAS 18001 project in one plantation	Internal audit and external audit of OHSAS 18001
Training Health & Safety (H&S)	H&S refreshment training in all work units	Re-training to all mills and workshop staffs (those with high risk jobs category)
Review and Monitoring Implementation	Initiated Coordination Programme with Operational Quality Control (OQC) Dept. to incorporate core elements of safety and health into their quality check routine	Audit team and OQC H&S inspection team training for routine checking of all regions; Train-the-trainer for the training school so that they can continue with future training requirement; Kick start the checking and quarterly review by OQC in 2nd Quarter
Infrastructure of Health & Safety	Formed a special task force to look into improvement on existing equipment, methods, processes and SOPs	Execution, recording and reviewing of approved recommendations; Engagement with governmental agencies on fire prevention and fire fighting re-training for in-house and community fire-fighting teams

HEALTH AND SAFETY PLANS OF 2017 AND 2018

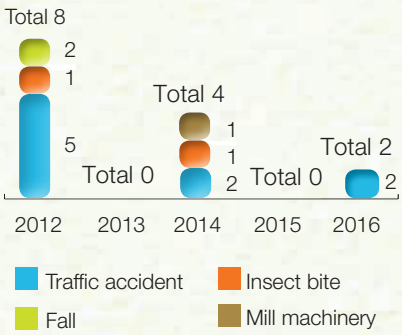
Programmes	2017	2018
Standards and Procedures	– Review, evaluate and update SOP	– Integrated procedures ISO 14001: 2015 and OHSAS 18001 into mills
System	– Internal and external audit of OHSAS 18001 – Implement 5R in mills and traction	– Internal and external audit of OHSAS 18001 – Implement 5R in plantation
Training Health & Safety (H&S)	– Health & Safety experts conduct inhouse training for HSE Committee secretary as required by regulation – Annual Fire management training with Manggala Agni for all areas, conducted on a rotational basis – Form task force to address accidents and fatalities	– Evaluation of HSE permit for operator (Boiler, Electrici, Heavy Vehicle and Transportation) and Health & Safety expert – Conduct inhouse training/ certification for operator (Surat Ijin Operator) when needed – HSE Refresh training for QC – Form task force to address accidents and fatalities
Review and Monitoring Implementation	– Evaluation and audit by QC Department to ensure the implementation is on track	– Conduct HSE joint internal audit to improve HSE Maturity level
Infrastructure of Health & Safety	– Review and evaluation of equipment to ensure compliance to regulation & standards	– Integrated procedures ISO 14001: 2015 and OHSAS 18001 implementation into 60% of mills

also forming a dedicated task force to reduce the number of workplace accidents and to completely eradicate fatalities. These measures will be incorporated into the KPIs for our estate management. In addition, designated environmental health and safety (EHS) officers will bear responsibility for the EHS performance of each estate.

ACCIDENTS



FATALITIES



FREEDOM OF ASSOCIATION

We respect the right of all our employees to join and form associations of their choice and to collective bargaining. Workers' unions are present in all of our operations and union representatives meet with management quarterly. In most cases unions are internal, but some workers have opted for external representation. We do not interfere in the workings or setup of any of these unions.

BONDED LABOUR AND MIGRANT WORKERS

As we do not employ foreign or migrant workers, bonded or forced labour does not represent a significant risk to our operations. We do not withhold personal documents or any other form of collateral, which could impede the free movement of workers.

CHILD LABOUR

We have a strict ban on hiring employees below the age of 18, whether for permanent or temporary positions. However, we recognise the risk that local employees may bring children to the field during high crop seasons to help their parents. We expressly prohibit this and continue seeking to raise awareness

PEOPLE

about the risks associated with field works for minors.

We provide good quality daycare and schooling during working hours for the children of employees, and we monitor attendance and investigate if children do not attend. While we focus on primary schooling, for older children, we have some initiatives, such as a vocational school.

In 2017, we will start work on a programme aimed at assessing and improving the rights of children on two of our pilot sites. These pilots would be used to benchmark our practices with our other plantations and with others in the industry. This programme is created under the auspices of Indonesia's Ministry of Women's Empowerment and Children's Protection, the RSPO, and a global organisation that promotes the rights of children.

NON-DISCRIMINATION

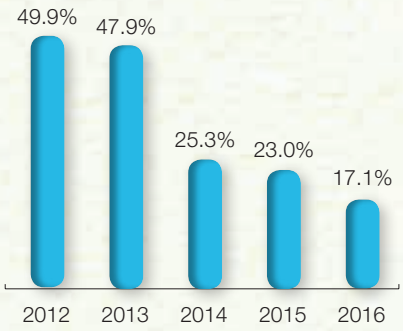
We have a zero tolerance policy towards gender discrimination and sexual harassment. Bumitama operates an anonymous sexual harassment reporting mechanism and investigates every report received.

Gender balance in our industry is generally very low. However, we wish to provide more opportunities for women in the company and are looking at ways to increase the proportion of female employees. Recent years have seen encouragement to participate in PAME (*Pelatihan Ahli Madya Engineering* – training designed to prepare candidates for mill officers) and PAJ (*Pelatihan Ahli Juwana* – training designed to prepare the prospective supervisors and administrative officers), opening new roles for women in our company. We will continue with this in the coming years.

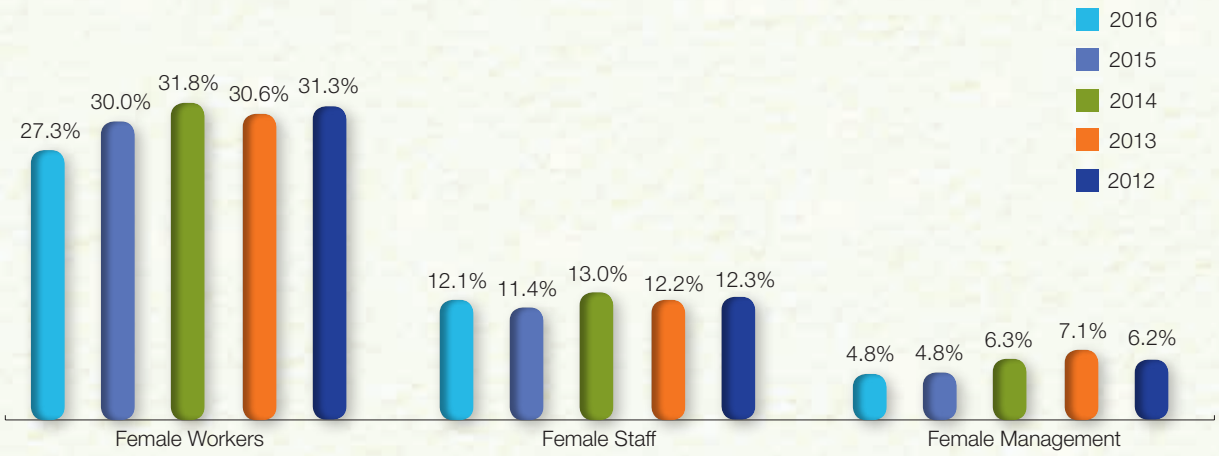
EMPLOYEE DEVELOPMENT AND RETENTION

As the palm oil sector grows across the region, it is critical for our business that Bumitama is seen as an attractive and preferred employer. It is therefore encouraging to report that our employee turnover has decreased dramatically over the last five years.

EMPLOYEE TURNOVER
(PERMANENT STAFF & WORKERS)



GENDER DISTRIBUTION



We believe this is in part due to our increased focus on our employee identity, as well as the strengthened training and development programmes we now extend to all employees.

Over the past years we have analysed and revised our Corporate Culture Values and have socialised these to our staff. We have launched a new employee orientation programme, and have introduced team-building activities for all staff with the involvement of management.

We established the Bumitama Academy in 2014 to focus on enhanced recruitment, competence development and leadership development at all organisational levels. The Academy will be transformed into a Corporate University in 2018 offering advanced learning programmes.

Since 2014, we have run a partnership programme with the Institute of Agricultural Stiper Yogyakarta (INSTIPER) to promote the improvement of managerial and leadership capacity among future unit leaders.

Overall, Bumitama offers employees three types of training:

- A basic programme for all employees to increase competencies, as well as performance coaching.
- Individual specific development programmes to fill competency gaps in accordance with employee specialisation.
- Workshops and meetings to keep staff up to date with the latest developments.

Since 2007 we have conducted training at our specialised Pundu Learning Centre, which has been ISO certified 9001:2008 since 2011. In 2013, we created an additional Learning Centre in the Kendawangan region. The training sessions held at these Centres are tailored to the needs of different employee groups. In 2016 we expanded our training platform to incorporate e-learning, thereby increasing both the reach and efficiency of our training programmes.

PEOPLE

SMALLHOLDERS AND OUTGROWERS

More than half of the FFB processed in our mills is produced by smallholders – around 22% by plasma scheme smallholders, and a further 29% by independent smallholders and outgrowers. It is therefore critical that we map, engage and support smallholders in our supply chain to ensure that all FFB originates from legal and responsible sources.

PLASMA SCHEMES

The Indonesian government mandates that a minimum of 20% of a concession's planted area is allocated to smallholder schemes – commonly known as 'plasma' schemes.

To date, Bumitama has developed and allocated approximately 26.4% of our total planted area – 46,277 hectares – to plasma schemes in Kalimantan and Riau. We enter into cooperation agreements with plasma members through their chosen representative and we help to develop the land and manage the plasma plantations. The development costs of the plasma plantations are initially funded by the company, before getting a loan from the bank. Plasma members enjoy a share in the profits of the plasma plantations after deduction of interest and loan instalments, plantation costs and a management fee.

In the financial year 2016, Bumitama distributed IDR 207 billion (around USD 1.5 million) in dividends to its plasma smallholders. Our current arrangement under the Plasma Programme lasts for 25 years, or until the end of the current planting cycle (whichever is earlier). We intend to renew the arrangement in the next replanting phase. Today, we have over 25,000 associated plasma scheme smallholders.

Since we provide direct agricultural assistance to plasma smallholders, and have exclusivity of their FFB, we can guide implementation of our policies and assist them in achieving RSPO certification, and its associated benefits, within three years of certification of the nucleus, or when all relevant permits are in place. Our current target to achieve RSPO certification for all plasma schemes is 2024, and we expect to complete certification of the first group by 2018. We are also conducting internal training at our mills with the aim of including two more mills in our certification programme in the coming year.

Beyond certification, the schemes are also playing an instrumental role in driving improvements and continue to yield social and economic progress. Starting at year-end 2016, we are now seeking to deepen the schemes further by introducing plasma cooperatives to an alternative livelihood programme known as the Plasma Advantage Programme which has been running successfully at the village/community level (see section on local economic empowerment).

INDEPENDENT SMALLHOLDERS AND OUTGROWERS

Some of the fruit we source from independent smallholders and outgrowers is purchased through third-party traders. The origin of the fruit changes daily, which makes traceability complex. Although challenging, we are putting our best efforts to trace the suppliers, to minimise concerns over the legality of fruit due to the occurrence of plantings in conservation areas or areas without appropriate environmental permits.

Our priority has therefore been to map independent smallholders, starting with those supplying to certified mills, and to complete this work by the end of 2017. By year-end 2016 we had made good progress, mapping 33 of the 54 independent smallholders supplying FFB to these mills (61% of the total). We are currently analysing the feedback obtained during the socialisation events that supported the programme, and we will use this to help us define the appropriate next steps. We may need to consider engaging an external consultant on the below programme to meet the revised deadline.

ACTION PLAN FOR INDEPENDENT SMALLHOLDERS

Programme	Action	Target
Socialisation of the Bumitama Sustainability Policy, Bumitama Code of Conduct.	Socialised to 55 smallholder groups which is 44% of total external FFB suppliers	Completed, 1st half 2017
	To socialise to the remaining 70 smallholder groups which is 56% of total external FFB suppliers	2nd half 2017
Pilot project on productivity & certification	Identify 1 group as a pilot – farmers group Tenera and well implement to certification stage	1st half 2018
Identify challenges in implementation of Policy and certification for independent smallholders	Analyse past experiences from Tenera and improve approach	2nd half 2018
Identify and evaluate partners to work with on this programme	Learn from the industry	2018
	Interview and look for evidence	
	Trial on one site	
Roll out to all PTs		2024, in accordance with the timebound plan

INDEPENDENT SMALLHOLDER ENGAGEMENT

We have started tracing FFB supplies from mill to smallholder at the certified Pundu Nabatindo Mill (PNBM) in Central Kalimantan. This pilot project is part of our 'supply shed' approach to traceability.

We also work with the community to educate and encourage smallholders towards sustainable land use, legality, best management practices in the planted area and RSPO certification. In 2016 we met with an independent smallholder group called The TENERA Farmers Group (Tenera), which responded positively to the RSPO certification proposal. Tenera, which has an internal supply base of 970 hectares and an external supply base of 1,170 hectares, supplies between 50,000 tonnes and 60,000 tonnes of FFB to PNBM and other mills in the area annually. Tenera also acts as an FFB trader, collecting FFB from surrounding smallholders.

Bumitama is assisting this smallholders group with legality, best management practices and certification. The programme will be split into three phases:

(1) Phase 1 will cover the farmers in Tenera who have already secured or are close to securing legal permit for their land (230.5 hectares).

(2) Phase 2 will cover farmers (Tenera and others) who are engaged in the process of applying/securing legal permit for their land (around 300-450 hectares).

(3) Phase 3 will cover farmers (Tenera and others) whose land is still in the mapping stage of legal permit application (around 350 to 450 hectares).

PEOPLE

ETHICS AND MARKETPLACE

ANTI-CORRUPTION & ETHICAL POLICIES

We operate in a part of the world – as well as in an industry – where stakeholders' respect and business success is predicated on the upholding of the highest ethical standards and ensuring that business dealings at all levels are free from bribery and corruption.

At the end of 2014, our Board of Directors approved a detailed Code of Conduct designed to guide all employees in their dealings with business partners and regulatory bodies. The Code of Conduct covers all employees, as well as the Board of Directors and others working on behalf of the company, and covers among other areas:

- Legality and the imperative to ensure legal compliance in all dealings with stakeholders, including regulatory bodies, business partners and colleagues.
- A complete ban on corrupt and unethical practices, such as bribery, cronyism and nepotism.
- A ban on political contributions and activity on behalf of the company (but allowing for personal political activity outside of the workplace).
- Transparency and record keeping.
- Detailed guidance on the giving and receiving of gifts.
- Guidance on behaviour toward stakeholders, including sexual harassment and complaints mechanisms.

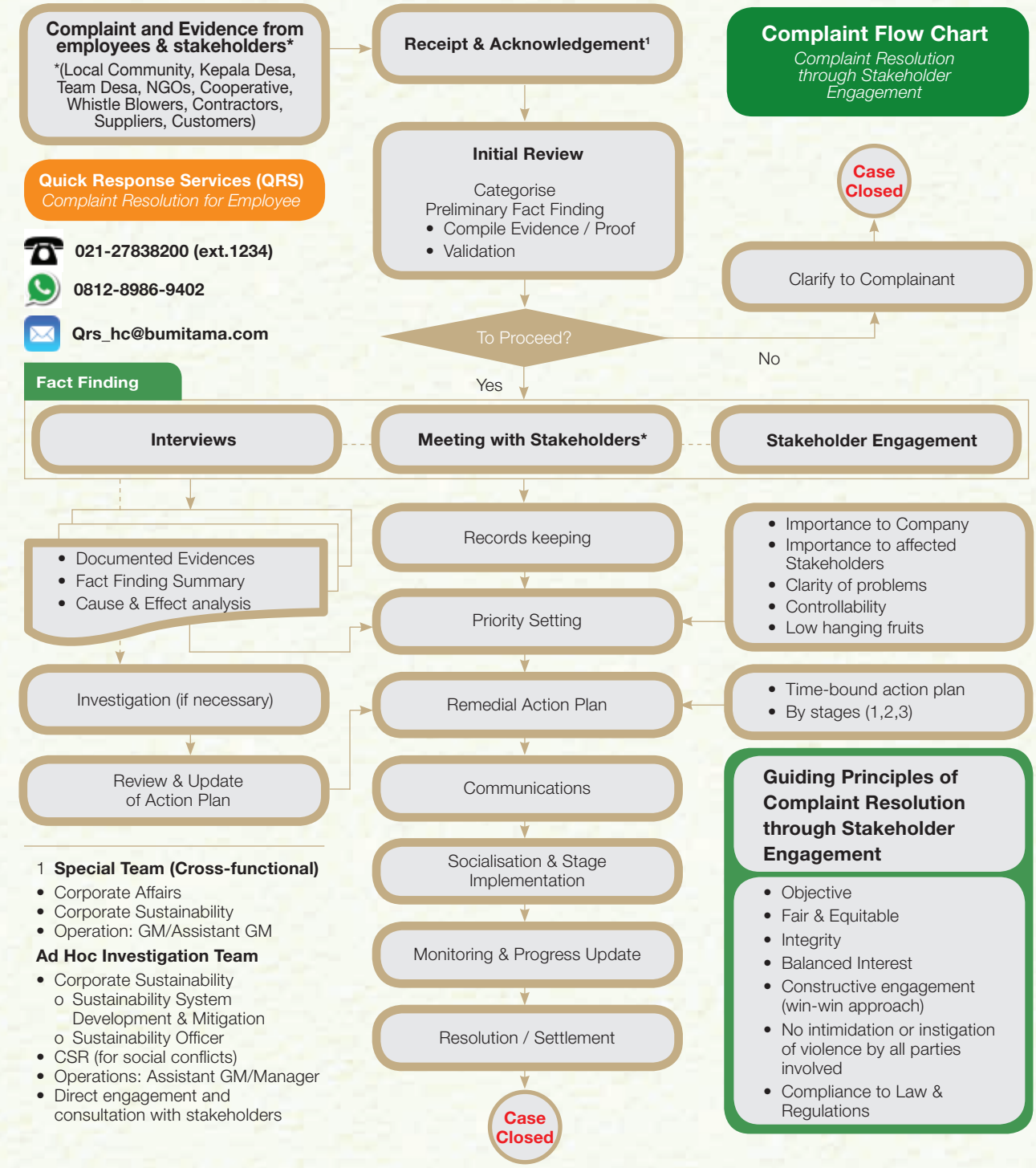
The Code of Conduct has been socialised with both employees and contractors on an ongoing basis since its launch, and all employees and contractors are required to sign a confirmation that they will adhere to the Code.

The Code of Conduct was developed in Indonesian, as this is the native language of the vast majority of our employees and stakeholders. However, to ensure that international stakeholders can also scrutinise our standards, we are in the process of translating the document into English. This translation will be published in 2017.

ETHICS AND MARKETPLACE

GRIEVANCE MECHANISM

In addition to undertaking proactive engagements with communities, commercial stakeholders and civil society, it is critical to the success of our sustainability efforts that we establish means by which grievances



Bumitama Complaint Flow Chart

and complaints can be raised effectively. In 2015, we introduced an enhanced grievance procedure to ensure a structured group-wide approach to complaints handling.

Having a relatively large footprint in our local communities, we understand that there will be grievances that need to be resolved. In some cases these are raised internally through our grievance procedures at the site-level, while some stakeholders choose to use the RSPO complaints process. In the 2015-2016 reporting period, two new complaints were raised. By liaising directly and constructively with all stakeholders, we were able to resolve and partially close one part of this case, related to gravesites, claims on termination of workers and asserted criminalisation of Bpk. Gusti Gelombang. The remainder of the allegations was registered with the RSPO as a new complaint in 2016, on behalf of 15 community members from Central Kalimantan, who disputed the circumstances of land surrender for a plasma scheme and related cooperative issues. We have engaged with both the RSPO and the complainants and are currently undergoing a facilitated process arranged by the RSPO and agreed upon by all parties. As at the time of reporting the case remains outstanding[2].

In addition to the formal RSPO complaints process, we also monitor complaints raised via other channels, for instance on social media or in NGO reports, through an in-house grievance tracker. Our policy is to engage proactively with stakeholders raising issues through the public domain. For details about our response to these grievances, please see report sections on legality (page 43), communities and indigenous peoples (pages 31–39), and biodiversity and wildlife protection (pages 18–19).

WHISTLE-BLOWING POLICY

Our whistle-blowing policy enables any stakeholder, including employees, customers, suppliers, contractors or local community members, to raise concerns about improprieties in financial reporting, unethical practices or other matters. The policy allows for confidential reporting without fear of reprisals. Anonymous disclosures are also accepted and anonymity honoured. The whistle-blowing policy and the procedures put in place to implement it have been reviewed and approved by our Board's Audit Committee.

RSPO COMPLAINT CASES

	2016	2015	2014	2013	2012
Total Number of Cases	6	5	4	4	1
Active	1	1	1	4	1
Closed for Monitoring	1	1	3	0	0
Closed	4	3	0	0	0

[2] See detail on the case and the new complaint here: https://www.rspo.org/members/complaints/status-of-complaints/view/91

ETHICS AND MARKETPLACE

CORPORATE GOVERNANCE AND SHAREHOLDINGS

Bumitama and its subsidiaries recognise the importance of attaining high standards of corporate governance, business integrity and professionalism in all business activities and operations. The Board provides oversight of management and leads the development of corporate strategies. The Board is also tasked with ensuring that our company's corporate governance practices are aligned to the Singapore Code of Corporate Governance.

The Board consists of six members, three of whom are independent and non-executive directors. There are three Singaporeans, two Indonesians and one Malaysian on the Board, with diverse professional and educational backgrounds to ensure that all aspects of the company's operations can be adequately assessed. The Chairman of the Board, Mr. Lim Gunawan Hariyanto, is also the CEO. To ensure adequate oversight, the company has appointed an independent lead director and all Board committees are chaired by an independent Board member.

The Board is strongly involved in the company's sustainability policy strategy and disclosures. Sustainability performance, emergent issues and progress against targets are reviewed at each Board meeting.

In 2016, Board members participated in a range of sustainability-related training sessions, including the ASEAN CSR Network – Conference on Corporate Governance & Responsibility 2016, the Singapore Alliance for Sustainable Palm Oil Seminar, the Sustainability Engagement Series for Directors/ Chief Executive Officers, and the Sustainable Palm Oil Leaders Summit.

In 2016, Bumitama was awarded seven awards from the Asiamoney Corporate Governance Poll 2016 for Singapore under the categories of Best Managed Small Cap Company, Best Overall for Corporate Governance, Best for Disclosure and Transparency, Best for Shareholders' Rights and Equitable Treatment, Best for Responsibilities of Management and the Board of Directors, Best for Investor Relations and Best for Corporate Social Responsibility.

For more detail on Bumitama's corporate governance processes, please see our Annual Report 2016.

BASE DATA

Category/Indicator	Measurement unit	FY2016	FY2015	FY2014	FY2013	FY2012
ECONOMIC						
Revenue	IDR billion	6,630	5,542	5,757	4,063	3,526
Profit before tax	IDR billion	1,516	1,002	1,805	1,268	1,164
EBITDA	IDR billion	1,891	1,531	2,145	1,468	1,285
Basic earnings	IDR per share	572	406	656	487	448
LAND AND PLANTATION						
Total land area	HA	225,000	207,000	199,000	200,000	198,000
Oil palm planted area	HA	175,243	164,177	153,268	149,683	133,367
	Old	3,810	3,809	–	–	–
	Mature	143,703	122,474	105,869	90,483	75,420
	Immature	27,730	37,894	47,399	59,200	57,947
Nucleus planted area	HA	128,966	119,679	115,463	114,952	101,182
	Old	3,810	3,809	–	–	–
	Mature	101,160	85,402	77,177	63,677	51,532
	Immature	23,996	30,468	38,286	51,275	49,650
Plasma planted area	HA	46,277	44,498	37,805	34,731	32,185
	Old	–	–	–	–	–
	Mature	42,543	37,072	28,692	26,806	23,888
	Immature	3,734	7,426	9,113	7,925	8,297
Average age	Years	7.9	7.3	6.0	5.4	5.0
Trend & Ratios	% by HA	26.4%	27.1%	24.7%	23.2%	24.1%
Production volume						
Fresh fruit bunches (FFB) – Nucleus	MT	1,513,422	1,578,815	1,401,040	1,105,358	948,603
FFB – Plasma	MT	672,018	711,374	603,729	514,853	499,413
FFB Total (Nucleus and Plasma)	MT	2,185,440	2,290,189	2,004,769	1,620,211	1,448,016
FFB purchased 3rd parties	MT	901,492	960,035	657,350	628,624	495,217
Crude palm oil (CPO)	MT	701,304	742,842	618,665	522,743	462,291
Palm kernel (PK)	MT	138,175	141,589	115,431	99,397	87,252
Productivity						
FFB yield per mature hectare	MT/HA	14.6	17.8	18.4	17.4	18.8
CPO yield per mature hectare	MT/HA	3.3	4.1	4.3	4.1	4.5
Indonesian Industry	MT/HA	3.6	3.8	3.8	3.7	4.1

BASE DATA

Category/Indicator	Measurement unit	FY2016	FY2015	FY2014	FY2013	FY2012
Productivity						
Extraction rate – CPO	%	22.7%	22.9%	23.2%	23.3%	23.8%
Extraction rate – PK	%	4.5%	4.4%	4.3%	4.4%	4.5%
EMPLOYEES						
Total number of employees	Persons	27,168	27,347	31,846	32,364	26,015
By contract type	Permanent	18,061	16,861	16,811	15,554	11,969
	Temporary	7,984	9,254	13,784	15,627	13,066
By category	Management	167	166	160	141	113
	Staff	956	1,066	1,091	1,042	867
	Workers	26,045	26,115	30,595	31,181	25,035
By gender						
Management	Male	159	158	150	131	106
	Female	8	8	10	10	7
Staff	Male	840	944	949	915	760
	Female	116	122	142	127	107
Workers	Male	18,928	18,285	20,854	21,638	17,202
	Female	7,117	7,830	9,741	9,543	7,833
Total	Male	19,927	19,387	21,953	22,684	18,068
	Female	7,241	7,960	9,893	9,680	7,947
Employee turnover (Permanent staff & workers)	%	17.1%	23.0%	25.3%	47.9%	49.9%
Employee turnover (incl permanent & casual staff & workers)	%	28.1%	35.4%	36.1%	81.3%	83.2%
LABOUR CONDITIONS						
Minimum starting wage						
Group	IDR per month	2,202,443	2,055,755	1,812,000	1,623,302	1,384,956
Central Kalimantan	IDR per month	2,289,868	2,107,260	1,908,528	1,688,960	1,456,000
West Kalimantan	IDR per month	2,110,000	1,980,000	1,812,000	1,578,000	1,260,000
Riau	IDR per month	2,325,000	2,125,500	1,755,000	1,509,000	1,389,450
Minimum Wage: National Requirements by Province						
Central Kalimantan	IDR per month	2,057,558	1,896,000	1,723,970	1,553,127	1,327,459
West Kalimantan	IDR per month	1,739,400	1,560,000	1,380,000	1,060,000	900,000
Riau	IDR per month	2,095,000	1,878,000	1,700,000	1,400,000	1,238,000

Category/Indicator	Measurement unit	FY2016	FY2015	FY2014	FY2013	FY2012
Minimum wage ratio: Company vs. National Requirements by Province						
Central Kalimantan	Ratio by IDR	1.11	1.11	1.11	1.09	1.10
West Kalimantan	Ratio by IDR	1.21	1.27	1.31	1.49	1.40
Riau	Ratio by IDR	1.11	1.13	1.03	1.08	1.12
HEALTH AND SAFETY						
Lost time incident rate (LTA)	Incidents per 1,000,000 working hours	48.0	44.5	21.6	19.4	21.8
Severity rate	Average number of lost time per incident	17.4	15.0	7.1	4.5	N/A
Fatalities		2	–	4	–	8
COMMUNITY AND CSR						
No. of Cooperative Members	Number (estimate)	25,000	25,000	19,000	17,000	14,500
Total	IDR billion	9.95	10.5	8.7	N/A	N/A
– Schools and childcare	%	61%	20%	14%	N/A	N/A
– Social & Culture activities	%	9%	13%	16%	N/A	N/A
– Infrastructure	%	3%	6%	32%	N/A	N/A
– Health (including company clinics)	%	2%	11%	6%	N/A	N/A
– Synergic Community Relation (Projects undertaken in collaboration with local authorities, law enforcement etc)	%	10%	10%	11%	N/A	N/A
– Local Business Development	%	4%	23%	8%	N/A	N/A
– Others	%	11%	17%	13%	N/A	N/A
No. of Schools	Units	36	36	35	29	24
No. of Teachers	Persons	298	267	256	207	177
No. of Students	Persons	4,486	4,375	4,067	3,602	3,012
Childcare centre	Persons	126	108	78	N/A	N/A
No. of Children	Persons	2,192	2,225	1,483	N/A	N/A
No. of Central Clinics	Units	7	6	5	5	4
No. of Branch Clinics	Units	42	37	41	27	24

BASE DATA

Category/Indicator	Measurement unit	FY2016	FY2015	FY2014	FY2013	FY2012
No. of Ambulance	Units	11	10	14	13	12
No. of Doctors	Persons	4	5	5	6	5
No. of Paramedics	Persons	89	90	101	72	62
ENVIRONMENT						
Emission CO_2-eq/mt FFB	CO_2-eq/mt FEB	0.37	0.328	0.547	N/A	N/A
Methane from POME	CO_2-eq mt	204,602	45,859	69,943	N/A	N/A
Fertiliser usage	MT/HA	0.89	0.90	1.16	0.95	0.89
Herbicide usage	Litres/HA	1.40	1.98	1.75	N/A	N/A
Water usage – by mill	m^3/MT FFB	1.25	1.30	1.59	1.66	1.61
Biological oxygen demand – New mill	PPM	400-4,593	204-1,715	158-573	203-781	142-2,937
Toxicity	Toxicity units per planted hectare	140	194	175	N/A	N/A
CERTIFICATION						
RSPO certified area	ha	41,594	41,550	26,622	–	–
RSPO	Certificate	4	3	2	–	–
ISPO	Certificate	1	1	1	–	–
NPP Notification	Notification	3	–	7	3	–
eTrace License	License	4	2	2	–	–
Total No. of Cases	Cases	6	5	4	4	1
Active	Cases	1	1	1	4	1
Closed for monitoring	Cases	1	1	3	–	–
Closed	Cases	4	3	–	–	–
CSPO & CSPK	MT	166,638	152,829	117,815	–	–

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The Global Reporting Initiative (GRI) is a multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators. We report in accordance with the 2016 version of the GRI Standards.

There are two options for preparing a report in accordance with the GRI Standards: Core and Comprehensive. This report has been prepared in accordance with the GRI Standards: Core option.

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	103-3	Evaluation of the management approach	Approach to sustainability Rights of workers	12-14 35-39
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Approach to sustainability Local economic empowerment and food security	12-14 33
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Suppliers and traceability to plantation Approach to sustainability Rights of workers Smallholders and outgrowers	11 12-14 35-36 40-41
	103-2	The management approach and its components	Suppliers and traceability to plantation Approach to sustainability Smallholders and outgrowers	11 12-14 40-41
	103-3	Evaluation of the management approach	Suppliers and traceability to plantation Approach to sustainability Smallholders and outgrowers	11 12-14 40-41
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Suppliers and traceability to plantation Smallholders and outgrowers	11 40-41
	414-2	Negative social impacts in the supply chain and actions taken	Suppliers and traceability to plantation Smallholders and outgrowers	11 40-41

ABOUT THE REPORT

REPORT CYCLE AND APPROACH TO ASSURANCE

This report is our second Sustainability report. We expect to publish Sustainability reports every year in accordance with the SGX requirements, where full sustainability report will alternate with summarised sustainability report in a two-year cycle. Sustainability updates are also included in our progress report and annual report every year. In addition, stakeholders can review our progress annually via our RSPO annual communications of progress published each year in Q3 and accessible from www.rspo.org/members/2551/BUMITAMA-AGRI-LTD.

We have not engaged third party assurance, as 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 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.

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 Bumitama.

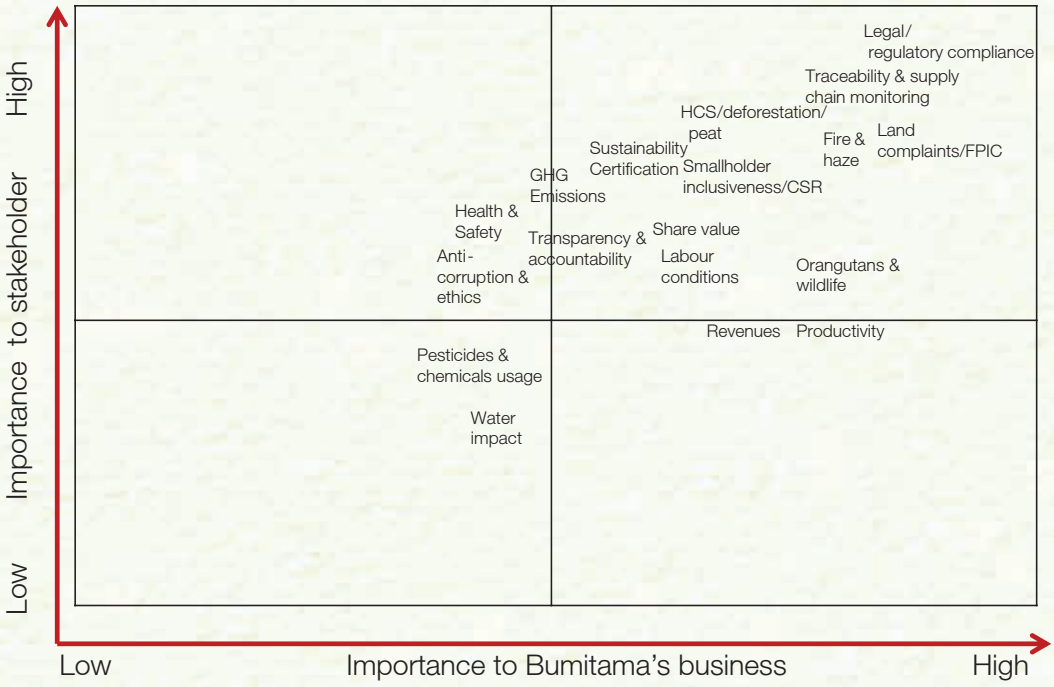
In developing our report content, we have worked with Helikonia, a consultancy with extensive experience in palm oil disclosure. Together, we have reviewed NGO and investor reports, as well as social media coverage. We have also engaged with our implementation partner Aidenvironment, a sustainability consultancy with close links to civil society, to help identify critical issues and expectations of Bumitama. We have also benchmarked our report content against disclosure platforms such as the Zoological Society of London's (ZSL) Sustainable Palm Oil Transparency Initiative (SPOTT) and the CERES Reporting Guidance for Responsible Palm as we see these as a proxy to understand the indicators expected by a broad range of stakeholders. Finally, we have reviewed disclosures by peers in the industry to ensure that our report content meets best practice and is comparable to the sector leaders.

Based on this analyses, as well as internal discussions with management teams in Bumitama, we have reviewed our materiality matrix to reflect the changes in stakeholder expectations over the last two years.

With the exception of smallholders, 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.

BUMITAMA'S MATERIALITY MATRIX



GLOSSARY

BIODIVERSITY
The diversity (number and variety of species) of plant and animal life.

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_2 EQUIVALENTS
Carbon dioxide equivalents (CO_2eq) 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 process 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.

FREE, PRIOR AND INFORMED CONSENT (FPIC)
FPIC is the principle that implies that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.

FRESH FRUIT BUNCH (FFB)
Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg, depends on the size and age.

GLOBAL REPORTING INITIATIVE (GRI)
A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

HIGH CONSERVATION VALUES (HCVS)
HCVs are biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level.

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.

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.

INDEPENDENT SMALLHOLDER
Small growers with less than 50 hectares, which are self-financed, managed, and equipped and are not bound to any one mill. They may deal directly with local mill operators of their choice or process their own palm oil using personal or community manual palm oil presses (more common in Africa).

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.

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.

GLOSSARY

INDONESIAN SUSTAINABLE PALM OIL (ISPO)

The Indonesian Sustainable Palm Oil scheme is a mandatory certification scheme regulated by the Indonesian Ministry of Agriculture that aim to improve Indonesian palm oil competitiveness in the global market align with objective set by the President of Indonesia to reduce greenhouse gas emissions from Indonesian oil palm plantations and operations.

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 AND PEATLAND

Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests. 65% organic matter with depth of more than 50 cm is considered peatland.

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".

CONTACT

We welcome feedback from our stakeholders. Questions or comments on this report and our performance can be sent to:

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