



**ANJ**



# **Consolidating Resources** for Responsible Development

PT. Austindo Nusantara Jaya Tbk. | **2018**  
SUSTAINABILITY REPORT

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# Preface

## Consolidating Resources

For ANJ, 2018 has been a year of consolidation as we bring together the different aspects of our business into a more sustainability-driven, integrated enterprise. At the same time, we have been taking steps to better understand our social and environmental footprint, and determining how we can minimize the negative and amplify the positive impacts of our activities. We have continued to pursue our responsible development approach, through which we seek to maintain a sustainable balance between the Company's people, planet and prosperity objectives. To implement this approach more effectively, we have been engaging all departments and business units in a series of collaborative projects, from an integrated ecotourism development project in Belitung to a vocational school program aimed at upskilling prospective engineers in Papua, that are showing how, by consolidating our resources, we can align these triple bottom line perspectives to the mutual benefit of the Company, our stakeholders and the environment.



# Key Performance



**7.6%**

### FFB PRODUCTION

ANJ's total FFB production grew 7.6% to 786,104 tonnes in 2018.



**18.3%**

### CPO PRODUCTION

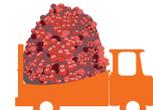
ANJ's total CPO production grew 18.3% to 248,694 tonnes in 2018.



**22.7%**

### PK PRODUCTION

ANJ's total PK production grew 22.7% to 54,033 tonnes in 2018.



**17.8%**

### CPO SALES VOLUME

Total CPO sales volume increased by 17.8% to 246,138 tonnes in 2018.

## Total Revenue



**USD 151,701,360**

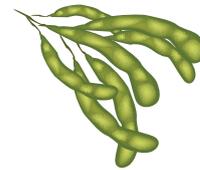
ANJ earned USD 151,701,360 in total revenue in 2018.

## Sago Production



Sago starch production increased 140.3% to 1,894 tonnes in 2018.

## Edamame Production



Edamame production grew 55.8% to 1,229 tonnes in 2018.

## Number of Smallholders



**3,203** oil palm smallholders working with ANJ under the single management nucleus plasma scheme.



**37** edamame smallholders working with ANJ under the partnership scheme.

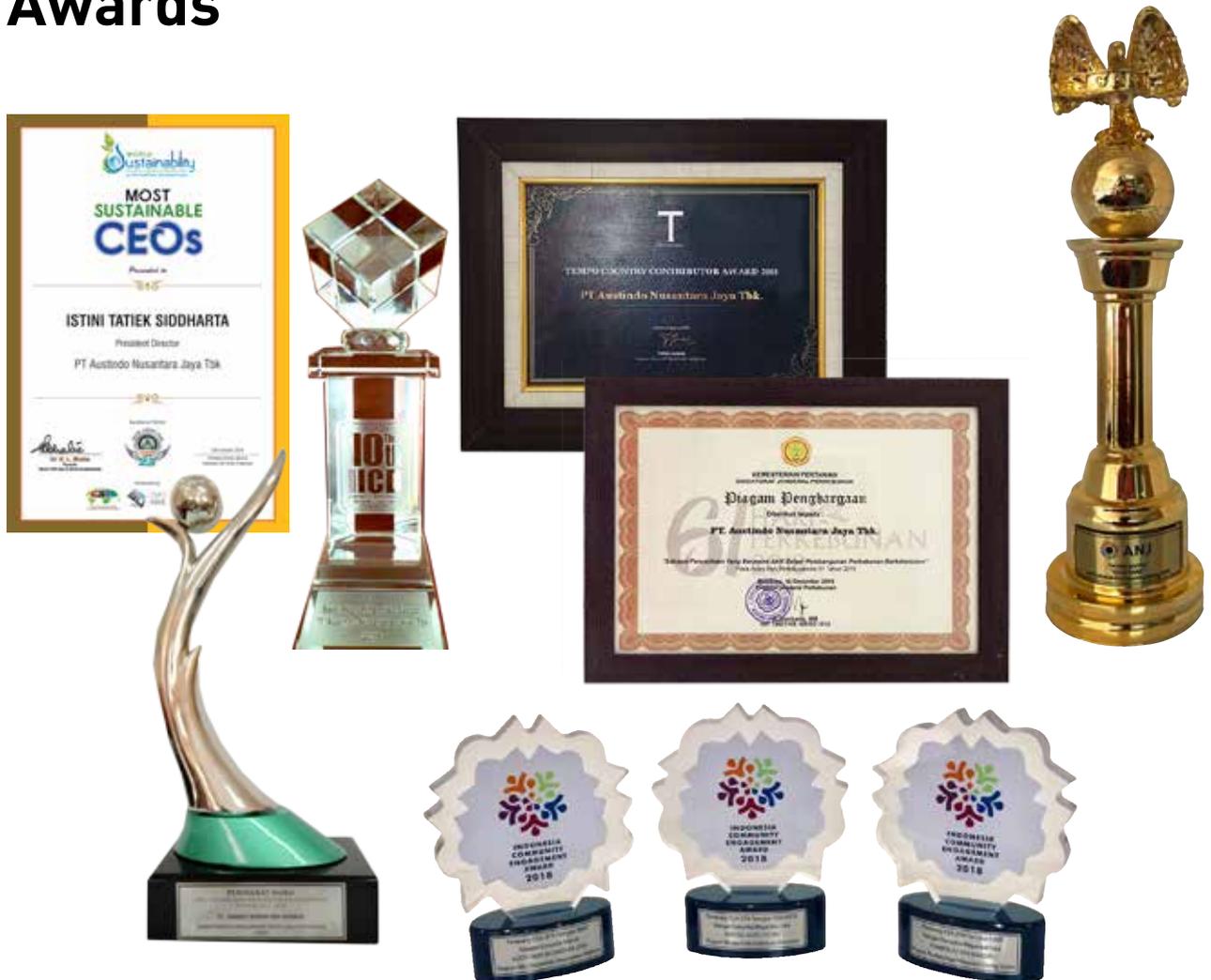
## Conservation Areas



**58,390.1** hectares ANJ was actively managing 58,390.1 hectares of conservation area in 2018.



# Awards



In 2018, ANJ was recognized for its leadership and action on sustainability, winning awards for, among others, community engagement, environmental management compliance, tax compliance and sustainability reporting.



## Message from the CEO (102-14)

Every decision we take for the business must be seen through the lens of our social and environmental commitments and objectives: **this is the essence of responsible development.**



**Istini Tatiek Siddharta**  
President Director

Welcome to ANJ's 2018 Sustainability Report. During an economically challenging year for our business we remained steadfast in our commitment to sustainability. As such I am pleased to present our report, which covers the full spectrum of our agribusiness operations in oil palm, sago and edamame, as well as our renewable energy business. It focuses on aspects of the business that are directly relevant to our stakeholders and gives insights into our approach to managing the social, environmental and economic impacts of our operations.

ANJ's vision of being a world-class agribusiness-based food company that elevates the lives of people and nature is the foundation for the Company's commitment to sustainability. Every decision we take with regard to the growth of the business, therefore, must be seen through the lens of our social and environmental commitments and objectives: we see this as the essence of responsible development.

In our 2018 Sustainability Report, we show how our approach to sustainability adds value to the business by contributing to higher productivity, efficiency and quality; to our stakeholders by improving livelihoods through better access to decent work, health and education; and to the environment through responsible plantation management, waste management and energy use, and active management of conservation areas.

Our responsible development approach calls for a thorough understanding of the impacts, both positive and negative, that are associated with our operations. We are increasingly focused on minimizing and managing these impacts by aligning and consolidating our resources to drive innovation

and achieve better and more sustainable outcomes. For example, we are using the biomass waste from our palm oil and sago operations to produce energy. This simultaneously reduces our costs, manages waste more efficiently, and decreases our reliance on fossil fuels, thereby reducing GHG emissions from our mills. As another example, our Agronomy, Conservation and Community Involvement and Development (CID) departments are working closely together with the independent farmers around our plantations to improve the sustainability of our production while creating livelihoods and opportunities for rural communities.

In the past year we have worked hard on delivering our vision of elevating people's lives. In addition to improvements in the Company's overall safety performance, we have continued to promote equality and diversity in the workplace. We continue to address under-representation of women in agribusiness, including at the management level, through a variety of measures, including establishing women's and children's protection committees at some estates and actively targeting women for promotion and training opportunities. Highlights in 2018 include welcoming ANJ's first female agronomist on our Management Trainee program. We are also targeting the development of the local workforce, particularly in West Papua, where we, in a joint initiative between the Human Resources, Engineering and Community Involvement and Development (CID) departments, ran our first Vocational School program to train technical operators for our new CPO mill.

Throughout the year we continued to strengthen our commitments to minimizing and managing environmental impacts. We actively manage more than 58,000 hectares of



conservation area across our palm oil and sago estates. In all of these areas we work closely with the local authorities, local people and conservation experts and organizations to ensure that biodiversity and ecosystems of high conservation value are maintained and protected from threats such as fire, illegal logging and poaching. Where possible, we are developing initiatives to ensure that local communities can derive economic benefit from the conservation areas as this will help to ensure that they are sustainably and effectively conserved over the long term. In West Kalimantan and Belitung, for example, we are developing initiatives to exploit the considerable ecotourism potential of our thriving protected forests. Our plantations also provide habitats for iconic conservation species, such as orangutans, and we are actively protecting them through various measures, such as a strict prohibition on hunting and preservation of food trees.

As a company that strives to operate with integrity, we continue to improve the transparency of our operations, through our disclosures and our engagement with stakeholders in the community, the media and the NGO sector, including our critics. In 2018 the Company's sustainability policies and practices were assessed using the Sustainability Policy Transparency Toolkit (SPOTT), an initiative of the Zoological Society of London. This evaluates the public availability, quality and scope of a company's policies and commitments. With a score of 62.7%, ANJ was in the upper range of medium-ranked companies (scores between 33% and 66%), and achieved particularly high scores on Disclosures of Sustainability Policy and Leadership and on Policies on Deforestation and Biodiversity.

In financial terms, however, 2018 was a challenging year for ANJ. While global palm oil production reached record highs in 2018, the crude palm oil (CPO) price underwent a steep decline from an average USD 613 per metric tonne (MT) in 2017 to USD 504 per MT in 2018. This led to a 6.2% decrease in ANJ's consolidated revenue to USD 151.7 million from USD 161.8 million in 2017, which was 19.4% below our budget assumption for the year. Nevertheless, we recorded our highest-ever CPO production at 248,694 MT, an 18.3% increase compared to the previous year. ANJ's strong performance was contributed by significant improvements in productivity and efficiency. These were delivered in part by strong agronomic management, including timely replanting and the development and application of organic composting and fertilizer as well as

biological pest and disease control, which have a beneficial effect on the environment as well as our costs. In addition, our increasing substitution of biomass for diesel, as well as using energy-efficient technologies, has reduced costs as well as greenhouse gas emissions. We also increased the volume of fruit purchased from our independent farmer partners. This is an important aspect of our responsible development policy: it supports local farmers, thereby helping to drive local economies; it enables us to work with farmers on improving their production standards; and it improves efficiency by optimizing our mill utilization.

Despite the tough operating environment, we continued to lay the foundations for future productivity improvements through our replanting program, which enables us to optimize the balance between mature and younger trees, and the construction of our new CPO mill and surrounding infrastructure in West Papua, which will serve the PPM and PMP estates. The mill is currently undergoing commissioning.

Aside from the low CPO price, another challenge for our palm oil operation in 2018 was the suspension of further development of the Company's third concession in West Papua, for which the RSPO's approval of the New Planting Procedures (NPP) is still pending. We believe that the criteria have been fulfilled, and that the development of palm oil in Papua, a government-designated development province, accords not only with national commitments to the achievement of the Sustainable Development Goals but also with the RSPO's own principles on sustainable development that balances national and regional priorities on poverty alleviation and the fulfillment of food and energy needs with responsible environmental management.

To close this report, on behalf of the Board of Directors I would like to thank ANJ's Commissioners, management and all our employees, our partner farmers and our investors for their continued commitment to realizing our sustainability goals.

Our appreciation also goes to all our stakeholders, who include local communities and community leaders; our business partners; our partners in the government, the scientific community, the NGO community and the media; and the general public. We are grateful for your continued support and cooperation and look forward to continuing the journey to a more sustainable future for all.

**Istini Tatiek Siddharta**  
President Director



# About This Report

**This is ANJ's third Sustainability Report.** As the Company has now published annual Sustainability Reports for 2016, 2017 and 2018, it is an established part of our reporting cycle. Our last Sustainability Report, covering 2017, was published in July 2018. Our 2018 report **presents our economic, social and environmental performance** for the period January 1, 2018 to December 31, 2018 and covers the entities and areas shown below. [\(102-45, 102-50, 102-51, 102-52\)](#)

Subsidiary	Location	Field of Business
PT. Austindo Nusantara Jaya Tbk.	Jakarta	Holding company, palm oil production
PT. Austindo Nusantara Jaya Agri Binanga (ANJA)	North Sumatra	Palm oil production
PT. Austindo Nusantara Jaya Agri Siais (ANJAS)	North Sumatra	Palm oil production
PT. Sahabat Mewah dan Makmur (SMM)	Bangka Belitung	Palm oil production
PT. Kayung Agro Lestari (KAL)	West Kalimantan	Palm oil production
PT. Galempa Sejahtera Bersama (GSB)	South Sumatra	Palm oil production
PT. Putera Manunggal Perkasa (PMP)	West Papua	Palm oil production
PT. Permata Putera Mandiri (PPM)	West Papua	Palm oil production
PT. ANJ Agri Papua (ANJAP)	West Papua	Sago starch production
PT. Gading Mas Indonesia Teguh (GMIT)	East Java	Vegetables
PT. Austindo Aufwind New Energy (AANE)	Belitung	Renewable energy

This sustainability report has been prepared in accordance with the GRI 'core option' standard. There is no restatement of the information presented in the previous report. In preparing this report, we have not sought any 'external assurance'. We have also endeavored to adapt to the regulation issued by the Financial Services Authority (OJK), POJK No. 51/POJK.03/2017, which calls on public companies to disclose their contribution to sustainability. [\(102-48, 102-54, 102-56\)](#)

As in the previous year, decisions on the content of this report were based on the following principles: stakeholder inclusiveness, sustainability context, materiality and completeness. The principles of balance, comparability, accuracy, timeliness, clarity and reliability were also taken into account to ensure the report's quality. [\(102-46\)](#)

In preparing the report, we therefore:

1. Identified stakeholders who are relevant to ANJ's business;
2. Listened to the aspirations, input and concerns of our stakeholders through our interactions in the field, regular stakeholder meetings, risk assessments, social assessment

reviews, grievance mechanisms, and the whistleblowing system, and made these a central focus of the report's content;

3. Held several intensive discussions between the Board of Commissioners and the Board of Directors to determine the priority topics, taking into account their materiality and their relevance to the economic, social and environmental aspects of our business;
4. Conducted a validation process to ensure that the information presented was complete with regard to the topics, topic boundaries and timeframe;
5. Undertook a final review to provide assurance that this report is based on, informed by and accurately reflects the stakeholder engagement processes conducted routinely throughout the year and specifically for this report; and that the information is appropriately framed within the broader sustainability context.

The basis for selecting stakeholders, and the means through which they were engaged, are shown below. [\(102-40, 102-42, 102-43, 102-44\)](#)



**Stakeholder Selection Table**

<b>Stakeholders</b>	<b>Basis for Inclusion</b>	<b>Topic</b>	<b>Mode of Engagement</b>	<b>Frequency</b>
<b>Shareholders and Investors</b>	Corporate investors	Company performance, corporate governance	General Meetings of Shareholders (AGMS/ EGMS)	Annually, and as needed
<b>Employees and laborers</b>	Corporate asset in operations	Efficiency and productivity	- Labor union - Training and seminars - Daily briefings - Regular meetings (weekly, monthly) - Other meetings	- Daily - Weekly - Monthly
		Occupational health and safety	Drafting of collective labor agreement	Every 2 years
		Training and development	Internal magazine	Monthly
		Fulfillment of employees' and laborers normative rights	Family gatherings	Annually
		Socialization of industry updates & related regulations	Socialization Meetings with government	As needed
<b>Government/regulator</b>	Mandatory compliance	Compliance with laws and regulations	Licence and permit activities	At all times
		Up-to-date and transparent information Good corporate governance	Annual report reporting to OJK	Annually
<b>Local government</b>		ANJ contribution to economic, environmental and social aspects	Participation in regional development planning forum (musrenbang)	As needed, at least twice a year
		Support for GCG and sustainability practices	Coordination of CSR working practices with local administration working units (SKPD)	
		Compliance with law and external initiatives	Dialog and cooperation	
		Consultation and assistance related to land disputes and resolution	Facilitation and mediation	
<b>Partners Smallholders</b>	Vendors of products/ services that support operations	Mutually beneficial relationship	Regular meetings	Annually
			Workshops	Periodically
			Training & assistance	Periodically
<b>Customers (B2B)</b>	Buyers of products	Sustainable plantation management practices and other external initiatives	Business partnership Socialization of company's sustainability policy	Periodically
		Local workforce involvement	ISPO and RSPO certification	Periodic evaluation related to implementation of agreed practices
<b>Community (Including Local Leaders)</b>	Parties impacted by company operations	Environmental and social/ community development policies	Grievance mechanism socialization meetings	Response to grievances as needed
		CSR activities	Community development program	Response to benefits
		Local workforce involvement	Stakeholder meetings	As needed annually
			Stakeholder dialog	Response to and updates on issues
	Representatives of parties impacted by company operations	Land acquisition and plantation development	Information dissemination and dialog	Minimum twice a year or as needed



Stakeholders	Basis for Inclusion	Topic	Mode of Engagement	Frequency
Media	Communication and publication channels	Financial performance/share value	AGMS/EGMS	Annually
		Corporate actions and strategies	Annual report	Annually
		Latest corporate information/information transparency	Media briefings and interviews Site visits	As needed
NGOs	Partners in maximizing the sustainability agenda	Social, community, environment	Cooperation on community development	Monthly coordination meetings Monthly progress reporting
	Information transparency		Direct meetings Preparation of annual & sustainability reports	Response to and update on issues

To determine the relative priority of each of the topics included in this report, we took the following factors into account:

**Environmental stewardship:** how the Company manages its impacts on the environment through environmental management, sustainable development and compliance with best practices on pest management, waste and pollution management, chemical use and water management in peat and wetland areas.

**Business performance:** how the Company generates and distributes economic value, including its commitments to responsible business practices, and national and international

regulations and conventions.

**Social responsibilities:** how the Company ensures fair and equal treatment for all employees and ensures a safe and secure environment for them; how the Company ensures that basic human rights are upheld; and how it engages with local communities to understand the actual and potential impacts of its operations on them, and manages and compensates for these impacts by taking into account their expectations and needs.

The material aspects and their boundaries were determined as follows:

### Material Topics and Boundaries Table (102-47, 103-1)

No.	Material topic	Basis for selection	Disclosure	Boundaries					
				Internal	Government	Partner	Community	Media	NGO
<b>Economic</b>									
1	Economic Performance	Significant impact on stakeholders	201-1	✓	✓	✓	✓	✓	
<b>Social</b>									
2	Local communities	Contribution to local community	413-1	✓	✓	✓	✓	✓	✓
3	Occupational Health & Safety	Key asset in operations	403-2, 403-3	✓	✓				
<b>Environment</b>									
4	Managing waste	Protecting the environment	306-2	✓	✓	✓	✓		
5	Emissions	Significant impact on environment	305-1	✓	✓	✓			✓
6	Biodiversity	Significant impact on sustainability	304-1, 304-2, 304-3, 304-4	✓	✓	✓	✓		✓
7	Education and Training	Improving human resources	404-1	✓			✓		
8	Supplier environmental assessment	Significant impact on sustainability	308-2	✓	✓	✓			

The list of material topics and topic boundaries has undergone no significant change since the previous reporting period. (102-49)



## Our Vision, Mission, and Values (102-16)



ANJ CEO Istini Tatiek Siddharta harvesting edamame with the farmers.

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**Our commitment to sustainability, and the way we put it into practice, is underpinned by our value philosophy.** This philosophy, which **reflects our respect for human rights**, forms the basis of our responsible development policy, through which we endeavor to ensure that **our business, the communities amongst which we work, and our surrounding environment, can grow and prosper together in a balanced manner.**

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Our approach to responsible development incorporates people, planet and prosperity, which we interpret as follows:

1. People: moving forward together with the community as equal partners;
2. Planet: maintaining environmental balance and community welfare in every ANJ operation;
3. Prosperity: obtaining a fair return on viable businesses.

The fundamentals of our value philosophy are articulated in our Vision, Mission and Values statements, and expanded further in our Code of Ethics on Business Conduct and our Sustainability Policy. Every member of the ANJ organization, including all employees, management, supervisors and the Directors and Commissioners, are required to comply with the Code and the Sustainability Policy, and they also apply to our business partners, vendors and investors.



## Vision

To be a world-class agribusiness-based food company that elevates the lives of people and nature.



## Mission

- **People and nature oriented:**  
People and nature as the north star of the company, guiding every aspect of all business activities.
- **Striving for world-class excellence:**  
A continuous quest to comply with and exceed local and global standards, exercising good corporate governance.
- **Sustainable growth for prosperity:**  
Achieving widespread economic prosperity while being environmentally responsible.
- **Integrity:**  
Doing the right thing at all times, in all circumstances.

## Values



Integrity



Respect for People  
and the Environment



Continuous  
Improvement



ANJ's Vision, Mission, Values, Code of Ethics and Sustainability Policy are subject to periodic review by the Board of Directors and Commissioners to ensure that they are aligned with and reflect the development of our business. The Corporate Vision and Mission were most recently amended in 2018.

Our value philosophy is disseminated to all employees and backed up by the example provided by senior management, the Commissioners and our Company Value Champions. The Value Champions are carefully selected and trained employees from various levels in all our business units who help to model and communicate our values to their colleagues and monitor their implementation. There were a total of 33 Value Champions across the ANJ Group at the end of 2018.

The Value Champions in each business unit are coordinated by one of two Value Coordinators who are based, respectively, in the Western region (covering Sumatra, Belitung and Kalimantan) and the Eastern region (covering Papua and East Java). They review monthly reports on values implementation and compliance from the Value Champions, which are then analyzed by the Value Committee, based in our Head Office

in Jakarta. The Value Committee's analysis is submitted to the Company's two Value Guardians, Commissioners George Santosa Tahija and Anastasius Wahyuhadi, who decide on any further action that may be needed.

Violations of our values and Code of Ethics are taken very seriously, and may lead to the imposition of sanctions, including the termination of employment. The position of the Value Champions is also taken seriously, and if any of them prove unable to fulfill the high standards of conduct expected of them, they could be asked to resign from that role and may be subject to further investigation if warranted.

The Company's whistleblowing system further reinforces the application of our value philosophy. Through this channel, any employee or stakeholder can report concerns about suspected misconduct by any member or associate of the Company, in confidence and without fear of reprisal. Whistleblower reports are investigated by the Internal Audit Unit. If the allegations of misconduct are upheld, the Company imposes sanctions ranging from verbal warnings to dismissal, and may refer cases to the criminal justice system for further processing. **(102-17)**

## Making an Impact by Walking the Talk



**Gritje Fonataba**

**Gritje Fonataba, 52, is Head of ANJ's Papua Regional Office and Head of Government and Stakeholder Relations, while Airlangga Djati, 38, is Head of Business Process.**

Both are ANJ Value Champions. In that role, they both try to apply and model the ANJ values through their actions as well as their words. Gritje draws on her experience of dealing with demonstrations against PPM in 2015 and resolving social problems in the field in 2017 and 2018, saying, "I hope that as a Value Champion I can make an impact by 'walking the talk'." Airlangga, meanwhile, has found it really interesting to learn how the senior leaders make decisions while upholding the ANJ values, and tries put this into practice himself.

As Value Champions, they discuss the ANJ values with colleagues whenever necessary, as well as preparing and facilitating Value Champion workshops and making monthly reports for the Value Guardians and the CEO.



**Airlangga Djati**

They aim to provide an example of how to uphold and implement the ANJ values in their personal lives as well as in the context of their work, and guide their colleagues on how to do this, for example by serving as internal facilitators and counselors on the ANJ values. However, Airlangga believes that the Value Champions' work could be improved if they met regularly to share ideas and experiences. "This would make us better prepared and able to serve more effectively as role models," he said.

Gritje also feels that the Value Champions' role could be optimized further. "We need to be more active, more courageous and more resilient, particularly in dealing with the challenges here in Papua, which demand a real commitment to elevating people and nature," she concluded.



# ANJ'S Sustainability Policy

ANJ's Sustainability Policy articulates how, through **the three key components of our business—environmental stewardship, social responsibility and business policy**—we set out to **minimize the negative impacts and amplify the positive impacts of our corporate activities on our stakeholders, our environment, and sustainable development.** The Sustainability Policy was adopted on November 28, 2016 by the Board of Directors. The three components are further explained below.



**Environmental Stewardship Policy**

Our focus is on maintaining and, where possible, enhancing landscape-level ecology in and around our operational areas. The policy covers our commitment to reducing greenhouse gases (GHG) and maintaining areas with high conservation value (HCV) or high carbon stock (HCS), as well as commitments to peatland and wetland conservation, zero burning during land clearing, waste treatment, the responsible use of chemical substances and reducing pollution.



**Social Responsibility Policy**

This covers our commitments to gender equality and human rights, including labor rights, the right to a safe and healthy workplace, and the rights of the local communities who live around our operational areas. It also includes community empowerment through the provision of education, health and economic opportunities, in cooperation with partners including the local government.



**Business Policy**

This focuses on economic feasibility based on good corporate governance (GCG) and high quality products. It includes our commitments to complying with national regulations and international conventions, upholding our code of conduct, and seeking fair and sustainable returns on our investments. This includes implementing responsible business practices that require the Company to take into consideration ethical, environmental and social factors in striving for profitability.



# Governance Structure (102-18)

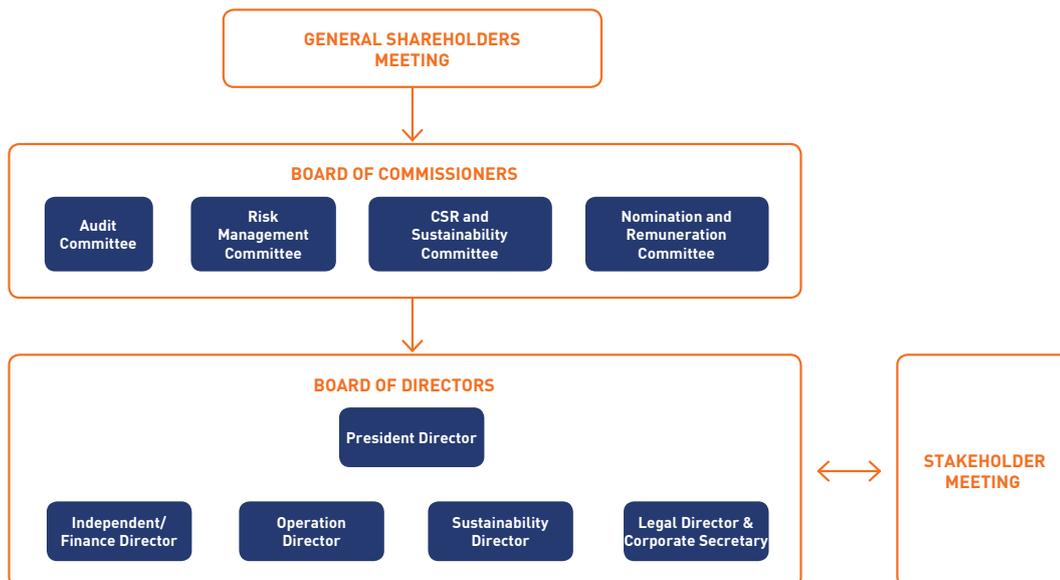
The Company's governance arrangements are fully compliant with Indonesian law, particularly Law No. 40/2017 on Limited Liability Companies (the Company Law), and reflect ANJ's recognition that good corporate governance plays a vital role in enhancing the Company's value for its shareholders and stakeholders and sustaining the business over the long term.

The Company has three mutually independent governance bodies, of which the Shareholders hold the highest decision-making authority, which is implemented through the annual and extraordinary meetings of shareholders. The Board of Commissioners exercises oversight to ensure that the Board of Directors is managing the Company in the Company's interests, and provides strategic guidance; while the Board of Directors is responsible for the management of the Company, in compliance with Indonesia's Company Law and associated regulations, and ANJ's Articles of Association.

To support the implementation of its oversight function, the Board of Commissioners is supported by the Audit Committee, the Risk Management Committee, the Nomination and Remuneration Committee, and the Corporate Social Responsibility (CSR) and Sustainability Committee. The latter

is responsible for advising the Board of Directors on the ANJ Group's CSR and sustainability plans and monitoring their development and execution. Each of the Board committees is chaired by one of the Company's Commissioners.

While the Board of Directors makes the majority of the decisions on economic, environmental and social issues, certain cases require the Board of Commissioners' approval (as specified on page 112 of the 2018 Annual Report). The Finance Director has overall responsibility for economic and financial matters. Responsibility for sustainability compliance rests with the Sustainability Director, through the Community Involvement and Development (CID), Conservation, and Government & Stakeholder Relations departments/functions. The Company also has two compliance managers who report directly to the Operations Director. All the Directors work under the supervision of the President Director, and the Board of Directors collectively reports to the Board of Commissioners through joint meetings that are held at a minimum every quarter. Further details regarding the governance of the Company can be found in the Corporate Governance section of the 2018 Annual Report.



# ABOUT PT. AUSTINDO NUSANTARA JAYA TBK.



CPO Mill at KAL, Ketapang, West Kalimantan.





PT. Austindo Nusantara Jaya Tbk. (ANJ) is a holding company that engages principally in **plantation management, producing and processing crude palm oil (CPO) and palm kernel (PK), harvesting and processing sago and edamame, and generating renewable energy from biogas.**

## Corporate Data

### Company Name (102-1)

PT. Austindo Nusantara Jaya Tbk.

### Date of Establishment

April 16, 1993

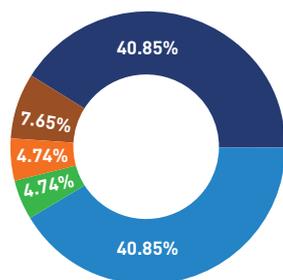
### Legal Form & Share Ownership (102-5)

Listed Company

> Listed on the Indonesia Stock exchange (IDX) since 2013 under the stock code ANJT

> Shareholders:

● PT. Austindo Kencana Jaya	40.85%
● PT. Memimpin Dengan Nurani	40.85%
● Sjakon George Tahija	4.74%
● George Santosa Tahija	4.74%
● Public	7.65%



### Products (102-2)

- > Crude Palm Oil (CPO)
- > Palm Kernel (PK)
- > Sago starch
- > Edamame
- > Renewable energy

### Headquarters (102-3)

BTPN Tower, Floor 40  
 Jl Dr Ide Anak Agung Gde Agung Kav. 5.5-5.6  
 Jakarta 12950  
 Tel: +62 21 2965 1777  
 Fax: +62 21 2965 1788  
 Email: corsec@anj-group.com, anj.corcomm@anj-group.com  
 Website: www.anj-group.com

### Operating Area (102-4)

ANJ operates entirely within Indonesia in the following provinces:

- > North Sumatra
- > West Kalimantan
- > Bangka Belitung
- > West Papua
- > South Sumatra
- > East Java

### Total HGU\* Area

\*Area with land use rights

### Oil Palm

Operational site	Conservation Area within HGU Area for Nucleus & Partner (Ha)	HGU Area (Nucleus)	HGU Area (Partner)
ANJA	591.64	9,465	-
ANJAS	2,271	9,182	157.5
SMM	1,568.48	16,277	-
KAL	3,844.52*	10,920.12	2,958.12
GSB	1,564.84	12,800***	**
ANJ (West Papua)	**	30,516	5,990.18
PMP	14,804.20	18,860	3,818.11
PPM	25,595.40	26,571	5,454.48

\* Includes 2,330.88 ha of conservation area outside KAL's HGU

\*\* Not yet determined

\*\*\* Land compensation and HGU is still in process

### Sago

ANJAP	8,150	40,000 hectares
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### Edamame

GMIT	203 hectares
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### Marketing (102-6)

- > Domestic and overseas
- > Agents, distributors and companies that process CPO and sago starch into derivative products

### Workforce (102-7)

Total workforce	7,998
> Male	6,437
> Female	1,561

### Significant Changes to the Organization (102-10)

There have been no significant changes to the organization or its supply chain.

## Organization Scale as of December 31, 2018 (102-7)

Description	Unit	2018	2017	2016
Number of employees	people	7,998	7,596	7,392
Operating areas	plantations/sites	7	7	7
Development areas	plantations	4	4	4
Revenue	USD	151,701,360	161,797,280	134,443,317
<b>Total capitalization</b>				
Total liabilities	USD	215,815,703	174,141,753*	170,459,795
Total equity	USD	386,389,213	395,354,420*	358,480,018*
Total assets	USD	602,204,916	569,496,173*	528,939,813*
Net profit (loss)	USD	(491,612)	46,539,619*	9,199,245
<b>Products</b>				
FFB production	metric tonnes	786,104	730,356	663,399
FFB from third parties	metric tonnes	375,181	234,452	177,883
Processed FFB	metric tonnes	1,161,285	964,808	841,282
CPO production	metric tonnes	248,694	210,248	177,273
PK production	metric tonnes	54,033	44,037	38,283
CPO sales	metric tonnes	246,138	209,000	177,850
PK sales	metric tonnes	54,285	42,797	39,434
Edamame production	metric tonnes	1,229	789	752
Edamame sales	metric tonnes	864	716	658
Sago starch production	metric tonnes	1,894	788	-
Sago starch sales	metric tonnes	1,771	518	-
Electricity production	kWh	8,734,408	7,909,133	8,994,778

\*After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69, 'Agriculture'.

ANJ manages productive agribusiness land that consists of oil palm plantations in North Sumatra, Belitung and West Kalimantan that produce CPO and PK; sago forest in West Papua; and land in East Java planted with edamame. In addition, to support our sustainable growth strategy, we manage development plantations in South Sumatra and West Papua. Part of our producing oil palm plantation has been allocated to local smallholders under the government's Plasma Program aimed at supporting independent farmers.

We have Cultivation Rights Titles (*Hak Guna Usaha*), or 'HGU' titles, which confer cultivation rights, for all our palm oil and sago plantation areas except for a 12,800 hectare concession in South Sumatra, for which the application is being processed by the Ministry of Agrarian Affairs and Spatial Planning. All the sites, including mills and other facilities, comply fully with the applicable regulatory requirements, including decrees of the Minister of Environment and Forestry, business permits, location permits, environmental permits and plantation permits.



### Location Map of Operations (102-7)



- 1**  **PT. AUSTINDO NUSANTARA JAYA AGRI (ANJA)**  
Binanga, North Sumatra

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- 2**  **PT. AUSTINDO NUSANTARA JAYA AGRI SIAIS (ANJAS)**  
Padang Sidempuan, North Sumatra

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- 3**  **PT. SAHABAT MEWAH DAN MAKMUR (SMM)**  
Belitung, Bangka Belitung

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- 4**  **PT. KAYUNG AGRO LESTARI (KAL)**  
Ketapang, West Kalimantan

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- 5**  **PT. GALEMPA SEJAHTERA BERSAMA (GSB)**  
Empat Lawang, South Sumatra

- 6**  **PT. PUTERA MANUNGGAL PERKASA (PMP)**  
**PT. PERMATA PUTERA MANDIRI (PPM)**  
**PT. AUSTINDO NUSANTARA JAYA Tbk.**  
Maybrat and South Sorong, West Papua

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- 7**  **PT. ANJ AGRI PAPUA (ANJAP)**  
South Sorong, West Papua

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- 8**  **PT. AUSTINDO AUFWIND NEW ENERGY (AANE)**  
Belitung, Bangka Belitung

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- 9**  **PT. GADING MAS INDONESIA TEGUH (GMIT)**  
Jember, East Java



## Our Markets (102-6)

Our palm oil products are sold either directly to domestic and/or foreign companies that process them into derivative products, or to agents and distributors. Our largest export markets are other Asian countries, including India.

In 2018 almost all of our sago starch production was sold for further processing to domestic food manufacturers, including, for the first time, to two major industrial customers in the food industry. We are currently exploring export and retail opportunities that will be pursued further when production increases. The edamame we produce is currently sold in fresh form to distributors in East Java, Central Java and Bali, but a portion of our production in Q4 2018 was used for process

trials in our new frozen line and cold storage facility. We expect to begin exporting edamame to Japan in 2020 when the factory commissioning and food safety audits have been completed.

The sole offtaker for the renewable energy generated by PT. Austindo Aufwind New Energy (AANE) is PLN, the state electricity company. AANE produces electricity from methane, a by-product of the palm oil waste at our Belitung plantation operated by PT. Sahabat Mewah dan Makmur (SMM). AANE was licensed as an independent power producer (IPP) in 2013 and has been operating commercially since 2014.



## Our Employees (102-8)

As of December 31, 2018, **ANJ had a total headcount of 7,998 people**, of whom 7,168 (89.6%) were permanent employees and 830 (10.4%) were on fixed-term contracts. In 2017, 94.3% of the total workforce of 7,596 employees were permanent staff.



Women are increasingly represented among top level management: Strategic meeting at the ANJ Learning Center in Belitung.

### ANJ Employees by Gender and Status

Subsidiary	Male			Female			Grand Total
	Contract	Permanent	Total	Contract	Permanent	Total	
PT. Austindo Nusantara Jaya Tbk.	7	74	81	2	29	31	112
PT. Austindo Nusantara Jaya Agri Binanga (ANJA)	4	1,251	1,255	30	247	277	1,532
PT. Austindo Nusantara Jaya Agri Siais (ANJAS)	1	976	977		312	312	1,289
PT. Sahabat Mewah dan Makmur (SMM)	4	1,496	1,500		326	326	1,826
PT. Kayung Agro Lestari (KAL)	7	1,464	1,471	25	468	493	1,964
PT. Galempa Sejahtera Bersama (GSB)	97	33	130	4	7	11	141
PT. Putera Manunggal Perkasa (PMP)	359	108	467	12	23	35	502
PT. Permata Putera Mandiri (PPM)	133	81	214	4	18	22	236
PT. ANJ Agri Papua (ANJAP)	123	102	225	2	14	16	241
PT. Gading Mas Indonesia Teguh (GMIT)	6	47	53	7	5	12	65
PT. Austindo Aufwind New Energy (AANE)	1	13	14				14
Regional Office Medan	2	48	50		26	26	76
<b>Grand Total</b>	<b>744</b>	<b>5,693</b>	<b>6,437</b>	<b>86</b>	<b>1,475</b>	<b>1,561</b>	<b>7,998</b>

Source: ANJ Human Resources Department



All figures in the table above refer to full-time employees. There is very little seasonal variation in the number of employees reported in the table.

The majority of our employees are engaged in the palm oil segment (ANJA, ANJAS, SMM, KAL, GSB, PMP and PPM), while far fewer are employed in the sago (ANJAP), vegetables (GMIT) and renewable energy (AANE) segments. This reflects the overall balance of our operations. The portion of our activities that is performed by workers who are not employees of the Company is insignificant or negligible.

ANJ's commitment to gender equality starts at the top: the Company is led by a female CEO, Istini Tatiek Siddharta. We have initiated a number of actions and policies aimed at creating a more gender-balanced and inclusive workforce, such as establishing women's and children's protection committees at some estates, providing greater opportunities for female candidates to be promoted, and targeting a minimum of 30% women in certain functions. We also actively mentor female future leaders through our Management Trainee (MT) program. The 18<sup>th</sup> MT batch included ANJ's first female agronomy specialist.



Learning to collaborate on the Management Trainee program.

## Education and Training (404-1)

ANJ is committed to developing its employees through a systematic Learning and Development program to ensure the achievement of ANJ's vision, mission and strategy. This also forms part of our retention strategy and internal succession policy. The MT Program is geared to preparing future leaders, while the Management Development Program (MDP) is for developing existing managers, and the Leadership Development Program (LDP) and the Executive Coaching Program are designed for developing current General Managers and Heads. These programs support ANJ in realizing our commitment to grow from within: in 2018, 80% of vacancies were filled through internal promotion. **(103-2)**

Future leaders who successfully complete the 9-month MT program receive ongoing mentoring and coaching post-training, at which point they are expected to be ready for a managerial post. We also develop the mentors so that they can provide effective mentoring to the participants. Line managers are directly involved in the monitoring and evaluation of the participants' development.

Many MT program alumni are actively involved in Quality Improvement Projects (QIP) and Responsible Development (RD) projects. We are turning the ideas of these young people, most of them fresh out of university, into innovative

projects that represent best management practices that are contributing to our sustainable development objectives. The 'Innovations for Sustainable Human Resource Management' section below focuses on two of our Quality Improvement projects, and several more QIP and RD projects are highlighted throughout this report.

Our sustainable growth strategy calls for the continuous development of our employees' capabilities, and we offer a range of training and professional development opportunities for employees throughout the organization (see tables). One of our priorities, which aligns ANJ's business objectives with our mission of elevating the lives of people and nature by enhancing local economic conditions and ensuring equal opportunities, is the employment and upskilling of local people. In 2018 we ran the first in a planned series of Vocational Training programs for employees who will be working in our new palm oil mill in West Papua. As one of our Responsible Development initiatives, the Vocational Training program is a cross-functional effort that involves the CID and Engineering departments as well as Human Resources. It is aimed particularly at finding and developing local potential, and over half of the participants on the first intake were indigenous Papuans, recruited with the assistance of the CID Department and our NGO partners. The initial 1-month training, provided at the ANJ Learning Center (ALC) in Belitung, was followed by on-the-job training at KAL's palm oil mill in West Kalimantan. **(103-3)**



Training takes place in the field as well as the classroom.

### Participation in training in 2018

Level of Participants	Total Participants	TECHNICAL SKILL		SOFT SKILL		CERTIFICATION		Total Training Hours	No. of People	Training Hours/ Person
		Training Hours	No. of Participants	Training Hours	No. of Participants	Training Hours	No. of Participants			
Non-staff	7,245	12,908	2,735	12,780	4,384	4,208	126	29,896	7,328	4.1
Staff	1,272	13,040	232	7,984	1,015	1,336	25	22,360	403	55.5
Manager (Assistant Manager, Manager, Senior Manager)	797	2,405	135	5,310	650	456	12	8,171	217	37.7
General Manager/Regional Manager/Group Head	60	376	22	302	35	88	3	766	38	20.2
Boards of Directors	18	248	16	16	2	-	-	264	12	22.0
<b>TOTAL</b>	<b>9,392</b>	<b>28,977</b>	<b>3,140</b>	<b>26,392</b>	<b>6,086</b>	<b>6,088</b>	<b>166</b>	<b>61,457</b>	<b>7,998</b>	<b>7.7</b>
- Male	8,329	24,269	2,806	23,072	5,357	6,088	166	53,429	6,437	8.3
- Female	1,063	4,708	334	3,320	729	-	-	8,028	1,561	5.1

All our employees receive at least the statutory minimum wage and holiday allowances and have health insurance through the national BPJS scheme. Estate staff receive free housing and utilities and access to on-site health facilities. ANJ has collective bargaining agreements. At SMM, this is in the form of a Collective Labor Agreement (CLA), which is renegotiated every two years

between management and employees through the Bipartite Joint Committee. In other subsidiaries, it is in the form of company regulations, which, along with the CLA, have been registered with and authorized by the Ministry of Manpower and Transmigration. **(102-41)**



## Learning about Teamwork in the Vocational School Program



**High school graduate Habel Wafom, 26, from Sorong, is a Loading Ramp Operator at the PMP Mill.**

I was interested in taking part in ANJ's Vocational School Program because I wanted to develop and make myself into a better person. At first I didn't know much about the benefit I would get from the program but after joining I felt the extraordinary benefits of the program and I'm proud of the changes in myself.

My most memorable experience from the program was gaining technical skills; before, I didn't know anything about palm oil mill operations. Now I can not only do my job with confidence, but also explain the plant operations to other colleagues who need help, especially in the area where I work now as a loading ramp operator.

My biggest challenge when I joined the Vocational School Program was understanding the job. But with comprehensive guidance from my mentors and supervisors at the mill, I am getting better at understanding effective work patterns. If I have any difficulties, the mentors guide me and give me the confidence to overcome them.

While I was studying with my colleagues, the bond between us grew very strong, like family. This also helps me in teamwork with other colleagues.



**Born in South Sorong, Yunus Erick Onim, 26, graduated from high school and is now a Sterilizer Operator at the PMP Mill.**

When I joined the recruitment for ANJ's Vocational School Program, I learned that ANJ has very good values. I could see that ANJ has a strong commitment to elevating the lives of people and nature. That made me think that if I joined the program, it would make me a better, more disciplined person.

During the Vocational School Program, I gained a lot of new knowledge and experience. This program also created a strong sense of teamwork. I got to know and learn a lot from mentors and coworkers, both from Papua and outside Papua.

I'm now an operator at the sterilizer station in the mill. The things I learned during the Vocational School Program have made me confident about doing my day-to-day work, and the guidance from my mentors and supervisors has of course also helped me a lot.

One of the most important things about the Vocational School Program is that it has increased my awareness and understanding of occupational safety and health issues. I also apply this knowledge in everyday life, with my family and in my community.



ANJ is encouraging women to fulfill their leadership potential in field as well as non-field operations.

### Non-discrimination in the Workplace (406-1)

**Our goal is to attract the best people**, regardless of their background, and we have a policy of **zero tolerance for discrimination** based on race, religion, gender, nationality, political views or physical condition.

This is reflected in our commitment to treating all employees equally in terms of remuneration and opportunities for advancement. During the reporting period, there were no cases of discrimination against any of our employees. Our company regulations include policies on gender equality and the protection of human rights, including SOPs and Internal Memoranda (IM) on recruitment, job rotation and promotion; protection of reproductive rights for women; and handling sexual harassment. One of our estates, ANJAS, received an award for enacting such policies from the National Leadership Board of the Employers' Association of Indonesia (DPN APINDO) in June 2018.

Our bipartite cooperation institution (LKS Bipartit) plays a key role in maintaining good relations between the Company and

the employees by facilitating and mediating communication between management and the workers, particularly on matters related to employment and the CLA.

This helps to ensure that issues and potential disputes are resolved through respectful, constructive dialog. The LKS Bipartit thus offers a channel for resolving employee grievances in addition to the Company's whistleblowing system. The LKS Bipartit also supports employees in channeling their interests, passions and aspirations into environmental and community initiatives, such as sports and other recreational activities for employees and their families. The management fully supports the optimizing of the function of the LKS Bipartit in this way.



Thinning using a mechanical planter.

### Innovations for Sustainable Management Practices

**We are constantly seeking to make our operations more sustainable, and in 2018 a number of innovative solutions to key sustainable palm oil management problems were proposed, tested and applied through our Quality Improvement Project scheme. The examples below have contributed to our business sustainability policy by saving costs while taking into account ethical, social and environmental factors, including employee morale, health and safety.**

We typically face high turnover among harvesters: they have to carry a lot of heavy equipment, and it takes a long time to evacuate the fruit to the collection points. This means that a lot of additional labor is needed, but locally, labor is in short supply. The Mechanical Assisted Infield Collection Becak Langsir (MAIC Belang) system significantly reduces the physical burden on the harvesters and increases the volume of fruit each person can transport to the collection points, while making evacuation faster as well. After introducing the MAIC Belang system at our ANJA estate, turnover fell by 11% and output per harvester increased by an average 49%. It also yielded significant savings in harvesting personnel costs.

At the SMM estate, we had difficulty meeting the high demand for labor for planting *Peuraria javanica* (kudzu) as a cover crop in replanting areas. The QIP team developed an innovative thinning process using a minitractor fitted with a mechanical seed planter. This has significantly improved labor productivity, thus reducing both labor and costs. Because planting is faster, it has reduced the risk of failing to meet targets due to bad weather. Employee

morale has improved as the equipment is safer and easier to use, and the planting quality has improved.

The Main Nursery Holer Machine (MNHM) developed by a QIP team at the ANJA estate has significantly accelerated the process of transplanting seedlings from the pre-nursery to the main nursery and reduced the incidence of replanting shock. Using the machine has also boosted employee motivation as it almost doubles the number of holes that can be made each day, while minimizing the risk of hand injuries. It has also yielded significant cost savings and will be applied throughout the ANJ Group's plantations.

In the KAL estate in Ketapang, frequent attacks by rhinoceros beetles (*Oryctes rhinoceros*) were negatively affecting production. Conventional control methods were ineffective and labor intensive. To address this, employees created a modified tool that targets the application of insecticide more accurately. This has enabled employees to increase their output from 1 hectare to 5 hectares per day, delivering significant cost efficiencies, while minimizing the incidence of rhinoceros beetle attacks.



## Our Supply Chain (102-9)



Transporting palm fruit to the CPO mill.

### Oil Palm

Our oil palm supply chain incorporates several external parties, including independent farmers and cooperatives, from whom we purchase additional palm fruit for processing at our mills. These parties are shown in the table below.

Our development plantations in South Sumatra and West Papua operated by GSB, PPM, PMP and ANJ do not yet have operational mills and therefore do not purchase any fruit from external suppliers.

#### FFB suppliers by supplier type and business unit as of December 31, 2018

Subsidiary	Partner Cooperative Unit and Village-owned enterprise (BUMDes)	Limited Liability Company (PT)	Non-plasma cooperative unit/group	Business entity (UD/CV)	Sole proprietorship
ANJA	0	0	1	3	2
ANJAS	1	0	0	2	1
SMM	8	6	4	2	0
KAL	3	1	0	3	0

The inclusion of small-scale, independent farmers in our supply chain is consistent with our commitment to generate positive, sustainable impacts for local stakeholders. As of the end of 2018, 100% of our FFB suppliers and more than 90% of our non-FFB suppliers or agents were local. We require all our partners to comply with our sustainability policy and practices, as part of our commitment to sustainable and responsible growth, and to this end we are working with a growing number of our independent smallholder suppliers on improving plantation management and regularizing their ownership status with a view to eventually obtaining ISPO and/or RSPO certification.

Alongside these efforts, we are also developing electronic traceability systems that are currently being piloted in some of our estates. One of these, in ANJA, is being implemented as one of our Responsible Development projects. Using GPS, we mapped existing and potential vendors in the vicinity of the estate, as well as infrastructure and land status. This enabled us to collect more detailed data on smallholders, the condition of their farms, and their needs, and to track the source of the FFB purchased. This is providing input for a more transparent FFB purchase scheme that will also include training, education and support for smallholders, which will ultimately lead to meeting ISPO and RSPO sustainability standards.



Grading fresh fruit bunches at a CPO mill.



## Sago

All our sago starch is derived from our natural sago forest in West Papua, which is harvested and processed by ANJAP. We manage this resource sustainably: we harvest selectively, replant as we harvest, and restore soil and biomass that is disturbed during harvesting. We also manage the water channels properly to ensure that there is no environmental impact. We pay a mandatory forest resource levy (Provisi Sumber Daya Hutan, or PSDH) on the harvested sago. We continue to conduct agronomic research on sago cultivation and management to improve product quality and productivity, and to develop a model for large-scale sago production.

The development of this industry is aligned with the province's strategy of promoting sago as a commodity that can potentially make an important contribution to the local economy and to sustainable development in Papua, particularly with regard to food security.



Sending sago logs to the mill at ANJAP.

## Promoting Sago, Improving Local Economies



Ilham Billy Nugraha



Nova Kushandita

**Ilham Billy Nugraha and Nova Kushandita, both 22 years old, are Food Science & Technology graduates of the Bogor Institute of Agriculture and recently completed ANJ's Management Trainee (MT) program.**

Both agree that while the MT program provided numerous valuable experiences, such as being able to learn about ANJ's core business directly from senior management, including the directors, the best part was having the opportunity to go to Metamani district, West Papua, to do one of their

on-the-job training rotations at ANJAP. There, they were tasked with developing processed sago products that could help promote sago consumption and support the economic development of the local communities. Their experiences changed their outlook on Papua.

The friendly welcome they got from the people in the villages made an immediate impression. Later on, as they learned about the traditional methods of harvesting sago and exchanged ideas about processing sago starch into food products, they were able to learn more about the daily lives of the people in these close-knit communities. Noted Ilham, "Getting to know Papua for myself rather than hearing about it from others was a very valuable experience for which I'm very grateful."

As they taught the local women about using sago starch to make various types of food, they realized that the local people were determined to learn and develop. However, the process required a lot of patience and effort. The MT graduates were learning too, as the women and employees taught them some of the local Iwara language.

The MT experience exposed them both to how ANJ puts its values into practice. According to Nova, "ANJ is very firm about upholding its values. You can really see how they are elevating the lives of people and nature. The Company appreciates every employee and every citizen living in the Company's surroundings. Moreover, ANJ's business process puts a lot of emphasis on protecting the natural environment, as evidenced by the Company's commitment to conservation." She was also surprised and impressed when ANJ's President Director, Mrs. Istini Tatiek Siddharta, visited the Management Trainees' accommodation and saw the food products being produced, even buying some without being asked.

The MT experience also clarified both their personal career aspirations and what they want to contribute to sustainability through their work with ANJ. For Ilham, the dream is to benefit both people and nature through his expertise as a food technologist. "I'm particularly keen to explore more about the sustainability potential of food in Indonesia. I'd like to create food products that are affordable, nutritious, and contribute to Indonesia's food sovereignty and security. As for my career, I hope to reach manager level within six years," he said.

Nova meanwhile, wants the public to know about the important contribution made by food processing. "By developing sago-based food products, ANJ is not only contributing to community development but also supporting food diversification. I want to share this knowledge with many people, and develop as a professional. In terms of my career path, I want to become a manager within seven years."



A GMIT partner farmer tending edamame plants in Jember, East Java.

## Vegetables

**Our vegetables business**, operated by GMIT, currently **focuses on edamame**, an immature soybean popular in Asian cuisine.

In 2018, 60% of our edamame was produced by smallholder farmers while the remaining 40% was produced by GMIT staff on land rented from local farmers. The smallholder farmers operate under two different partnership models: regular partnership, where the Company bears part of the production cost by providing seed, fertilizer and other inputs; and a cooperation model, where we support all the production costs and provide financing for farmers to increase their production area. All our farmers have access to information and coaching through our Edamame School and outreach by GMIT field assistants.



Sorting edamame on the frozen line at the GMIT factory, Jember.

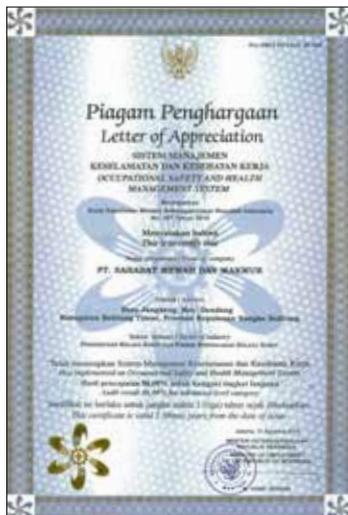


## Certification (102-12)

The sustainability of our business rests in part on the Company's reputation and our stakeholders' trust that our policies, systems and practices are consistent with national and international standards and best practice. Our certification (shown below) by recognized accreditation bodies helps to provide such assurance.

### ANJ's certification as of December 31, 2018

	Certificate	Date/Validity	Issuer
<b>ANJA</b>	ISCC	November 2, 2018 Valid until November 1, 2019	ISCC Organization
	ISO 14001	June 16, 2017 Valid until July 6, 2020 (based on the first certificate obtained, July 7, 2014)	ISO Organization
	ISPO	July 19, 2016 – July 18, 2021	ISPO Commission
	OHSAS 18001	June 16, 2017 Valid until June 15, 2020	British Standards Institution
	PROPER	Blue Rating for year 2017-2018	Ministry of Environment and Forestry, Republic of Indonesia
	RSPO	November 14, 2017 Valid until November 13, 2022	RSPO
	SMK3	May 16, 2016 – May 15, 2019	Ministry of Labor and Transmigration, Republic of Indonesia
<b>KAL</b>	ISO 14001	January 4, 2018 Valid until January 3, 2021	ISO Organization
	ISPO	July 27, 2018 – July 26, 2023	ISPO Commission
	OHSAS 18001	January 4, 2018 Valid until January 3, 2021	British Standards Institution
	SMK3	July 14, 2017 Valid until July 13, 2020	Ministry of Labor and Transmigration, Republic of Indonesia
<b>SMM</b>	ISCC	January 17, 2018 Valid until January 16, 2019	ISCC Organization
	ISO 14001	April 11, 2018 – April 8, 2021	ISO Organization
	ISPO	December 8, 2014 – December 7, 2019	Ministry of Agriculture, Republic of Indonesia
	PROPER	Green Rating for year 2017-2018	Ministry of Environment and Forestry, Republic of Indonesia
	RSPO	January 6, 2016 – January 5, 2021	RSPO
	SMK3	August 31, 2015 – August 30, 2018 (in renewal process)	Ministry of Labor and Transmigration, Republic of Indonesia
	OHSAS 18001	April 11, 2018 - April 10, 2021	British Standards Institution



	Certificate	Date/Validity	Issuer
ANJAS	ISO 14001	November 10, 2017 Valid until November 11, 2020 (based on the first certificate obtained, November 12, 2014)	ISO Organization
	ISPO	April 30, 2015 – April 29, 2020	Ministry of Agriculture, Republic of Indonesia
	OHSAS	November 11, 2017 Valid until November 10, 2020	British Standards Institution
	RSPO	September 25, 2014 – September 24, 2019	RSPO
	SMK3	July 14, 2017 – July 13, 2020	Ministry of Labor and Transmigration, Republic of Indonesia

The table shows ANJ's certification for our producing palm oil estates. All our development plantations are operated under the terms of the RSPO New Planting Procedures. We will apply for full RSPO certification, as well as other quality and safety certification, when these estates are producing commercially and have access to an operational CPO mill.

By the end of 2018 GMIT's new frozen line and cold storage facility had obtained BPOM (Indonesian Food and Drug

Administration) and Halal A Grade certification and expects to obtain ISO 22000, HACCP, BRC and FDA certification, which will enable it to export edamame to international markets.

There are currently no certification schemes for sustainable sago forest management. However, ANJAP is preparing documentation in anticipation of being able to reference existing certification frameworks at a future date.



## Membership of Associations (102-13)

**ANJ actively participates in national and regional associations that exist for the purpose of disseminating information and improving standards and compliance among producers and other stakeholders. Other than an annual subscription fee, these memberships involve no material additional cost for the Company.**

### ANJ's membership in associations in 2018

Association	Role
Indonesian Public Listed Companies Association (AEI)	Participates as an active member.
Indonesian Palm Oil Producers' Association (GAPKI): North Sumatra Branch	Participates in forums to encourage a conducive climate for the palm oil industry, increase capacity for sustainable palm oil, advocate for solutions to problems in the palm oil industry and synergize with the government on related policies.
Association of Large Private Plantations (APBS) Belitung	Participates in forums to coordinate compliance with government policies, to discuss solutions to industry problems, and to share information.
Indonesian Chamber of Commerce and Industry (KADIN)	Participates in fostering the development of the business community and all its stakeholders, with regard to economic policy formulation and implementation throughout Indonesia.
Indonesian Sago Community (MASSI)	Participates in promoting the development of sago as part of the national food security effort.
Roundtable on Sustainable Palm Oil (RSPO)	Participates in the development and implementation of global standards on sustainable palm oil management that can help to minimize the negative impacts of palm oil cultivation on the environment and communities in palm oil-producing regions.
Palm Oil & NGO (PONGO) Alliance	Founding member; Chair from January-August 2018. Participates in forums to encourage improved management of orangutan populations and their habitats within oil palm plantations, and within larger multifunctional landscapes in which these plantations are operated.

# Awards

## Awards received in 2018

	Award	Rank/Rating	Date	Issuer
ANJAS	APINDO Award for Policy on Gender Equality and the Protection of Human Rights		June 2018	National Leadership Board of the Employers' Association of Indonesia (DPN APINDO)
ANJ	Tempo Country Contributor Award 2018 for PT. Austindo Nusantara Jaya Tbk.	One of the Most Compliant and Best Corporate Taxpayers.	Aug 6, 2018	Pusat Data & Analisis Tempo (PDAT - Tempo Media Group) & Center for Indonesia Taxation Analysis (CITA)
ANJ	Most Sustainable CEO Award	Sustainability Leadership Award for CEO	Oct 24, 2018	World CSR, CMO Asia, World Federation CSR
ANJ	Asia Sustainability Reporting Rating 2018	Gold Rating	Dec 8, 2018	National Center for Sustainability Reporting
ANJ	10 <sup>th</sup> IICD Corporate Governance Awards	<ul style="list-style-type: none"> <li>• Top 10 Mid-Market Cap Listed Companies</li> <li>• Top 3 Mid-Market Cap non-Financial Sector Companies</li> </ul>	Dec 10, 2018	Indonesian Institute for Corporate Directorship (IICD)
ANJ	Commitment to Sustainable Plantation Development	One of top 7 companies with a strong commitment to sustainable plantations	Dec 10, 2018	Directorate General of Plantations, Ministry of Agriculture, Republic of Indonesia
PPM	Indonesia Community Engagement Award for Community Facilitating Program in South Sorong	Gold Award	Dec 20, 2018	CSR.id Magazine, Indonesia CSR Society, IBCSD, Filantropi Indonesia and APPRI
ANJ	Indonesia Community Engagement Award for Responsible Development Platform	Gold Award	Dec 20, 2018	CSR.id Magazine, Indonesia CSR Society, IBCSD, Filantropi Indonesia and APPRI
KAL	Indonesia Community Engagement Award for Forest Fire Mitigation Program	Bronze Award	Dec 20, 2018	CSR.id Magazine, Indonesia CSR Society, IBCSD, Filantropi Indonesia and APPRI
SMM	PROPER (Green Category)	National Rating (Beyond Compliance) for Company's Performance on Environmental Management	Dec 27, 2018	Ministry of Environment and Forestry, Republic of Indonesia



## Precautionary Approach (102-11)

To mitigate our exposure to the various economic, environmental and social risks associated with our business, **we have adopted a precautionary approach through the application of our comprehensive risk management and quality control systems.**



Monitoring operations from the control room at a CPO mill.

We implement a company-wide approach to risk management. This is supervised by the Risk Management Committee, which works with the Board of Directors and the Internal Audit Unit to conduct regular reviews of the corporate risk appetite and exposure, including sustainability-related risk, the identification of risks by each division and the measures put in place to control them.

The Risk Management Committee also advises the Board of Directors on risk management actions and issues. The key risks and control measures are summarized in the table below, but a more detailed presentation can be found in ANJ's 2018 Annual Report (pages 133-136). The Risk Management Committee ultimately reports to the Board of Commissioners.

## Summary of risks and control measures

Risk	Control measures
CPO price fluctuations	Increasing efficiency; forward sales contracts under certain circumstances.
Delayed expansion due to land compensation issues	Extensive public consultations; offering fair compensation and attractive community development plans; establishing inclusive land compensation committees.
Delays in obtaining land rights	Compliance with regulations and principles of responsible and sustainable plantation management to reduce potential for legal obstacles; starting permit processes well in advance.
Social conflict and land ownership disputes in the community	Engaging regularly with community stakeholders and cooperating with local government and independent parties (including NGOs) to resolve disputes and improve practices.
Difficulties in hiring suitably qualified employees	Ensuring competitive remuneration and benefit packages, living standards as well as career development opportunities.
Transportation and logistics disruptions	Developing flexible and reliable transportation systems, improving planning and creating synergies.
Disruptions arising from adverse weather, crop disease, pests and natural disasters, including risks associated with longer term climate change.	Applying best agronomic practices to minimize impacts. Engaging in monitoring and modelling climate change impacts on precipitation, evaporation, soil moisture and temperature, and how these affect production.
Forest and land fires affecting our estates and the communities living around them	Monitoring, awareness-raising among employees and local communities, establishment of farmer firefighting groups in higher risk areas, strong collaboration with local authorities.
Contamination of water sources from mill effluent	Treating and (independently) testing all effluent to ensure it is within legal safe limits.
Pollution of local environment from toxic and/or hazardous waste	All toxic and/or hazardous waste is stored in licensed units before being collected and managed by licensed waste management contractors.
Disruption by environmental groups, NGOs or other interest groups	Ensuring responsible plantation development and environmental management, including adhering to sustainability guidelines and commissioning independent assessments; maintaining proactive dialog with interest groups.
Low community understanding of plasma program	Regular communication and capacity building for cooperative members.
Labor cost increases	Incentives and standards to improve productivity.
Loss of livelihoods in local communities due to plantation development	Providing decent work opportunities, including training, on our estates; developing sustainable income generation initiatives to enhance livelihoods of communities surrounding our estates.
Biodiversity loss due to plantation development	Implementing sustainable natural resource management, including active management of the Company's conservation forests and the biodiversity they support.

We also apply the precautionary approach through our quality control systems and practices. To assure the quality of our palm oil products, we apply rigorous selection processes to the inputs: for example, for seedlings, we use the 25% standard of selected samples, and for FFB we use the standard of 98% ripe fruit. Moreover, we follow specific standard operating procedures (SOPs) for each stage of the process, from seedling selection to planting, harvesting, grading and processing. SOPs have also been put in place to manage the impacts of our plantation activities, covering, for example, peatland management, soil and water conservation, and marginal land

management. We are committed to continuously improving our SOPs, including incorporating risk management in all process SOPs.

We are developing and refining similarly comprehensive SOPs for our nascent sago and edamame operations. ANJ is the first company to attempt to selectively harvest sago from natural forest. Our documentation of the practices and processes that we have pioneered will not only serve our own operation but will also, we hope, provide a valuable resource for the sustainable harvesting of sago in future.

# SAFEGUARDING OUR ENVIRONMENT



*Bulbophyllum tortum*, an orchid endemic to Papua, in our conservation area.

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## Conserving Biodiversity



Information board showing protected species in the conservation area.

Many of ANJ's concessions include and/or are close to areas that contain high biodiversity. **Identifying, managing and conserving this biodiversity is one of the principal commitments in our responsible development approach to sustainable agribusiness, as underlined in our Sustainability Policy.**

ANJ's Sustainability Policy confirms the Company's commitment to Sustainable Development Goal 15, 'Life on Land', and is aligned with the Principles and Criteria (P&C) of the Roundtable on Sustainable Palm Oil (RSPO), the Indonesian Sustainable Palm Oil Standards (ISPO) and the International Sustainability and Carbon Certification (ISCC), as well as the following laws and regulations, among others: **(103-2)**

1. Law No. 5/1990 on the Conservation of Natural Resources and their Ecosystems;
2. Law No. 41/1999 on Forestry;
3. Law No. 18/2013 on the Prevention and Eradication of Forest Destruction;

4. Government Regulation No. 7/1999 on the Preservation of Flora and Fauna Species;
5. Ministry of Environment and Forestry Regulation No. P20/2018 on the Preservation of Flora and Fauna Species.

As a member of RSPO, ANJ has also committed to following the new Principles and Criteria (P&C) that were adopted and ratified by the RSPO in November 2018. These standards govern our palm oil operations.

The Company was not subject to any fines related to breaches of these or any other environmental laws and regulations in 2018. **(307-1)**

On September 27, 2018, Global Forest Watch Blog published an article titled “Places to Watch: 3 Forests Experiencing Rapid Clearing Right Now.” The article states that PPM is one of the three most rapidly cleared forest sites globally. The total cleared area as detected by Global Land Analysis & Discovery (GLAD) – University of Maryland, is approximately 456 ha. Two months later, on November 21, 2018, Chain Reaction Research issued a report accusing PMP of violating the requirements of the new RSPO 2018 Principles and Criteria with regards to HCV and HCS approach.

Following a meeting between ANJ and RSPO’s Investigation and Monitoring Unit (IMU) in November 2018, ANJ was enquired to provide a series of documents and maps requested by the RSPO IMU team to facilitate investigation and further course of action.

On May 24, 2019, IMU has written to ANJ confirming that all of the documents listed in the action plan have been submitted to the IMU within the stipulated timeline, and the IMU has completed the review of the submitted documents where the submission has been considered satisfactorily. Additionally, the IMU has completed geospatial verification and verified that no further land clearance has occurred at PPM and PMP after November 14, 2018. Subsequently, no new land clearance has been detected in the concession area during the monitoring phase.

On the transition from HCV to HCV-HCS assessment, IMU requests ANJ to comply to the guidelines set by the No Deforestation Task Force of RSPO.

The Post-Investigation Monitoring for ANJ was therefore closed. The information on this monitoring is available on the RSPO webpage.

We believe that at present, there are no similar standards or guidelines that relate specifically to sustainable sago forest management. However, we apply the same responsible approach to conserving and managing biodiversity in our sago harvesting operation in West Papua, operated by ANJAP, which is close to areas of high biodiversity value.

ANJ has two Conservation Managers who are responsible for our biodiversity conservation program. They report directly to the Sustainability Director. The Sustainability Directorate, through the Community Involvement & Development (CID) Department, is responsible for holding public consultations and stakeholder meetings, which are one of the channels through which the public can convey complaints or grievances related to biodiversity management. The public is also free to voice complaints and concerns about ANJ’s activities directly to the Company at any time.

### Proximity of Operational Sites to Protected Areas (304-1)

Subsidiary	Location		HGU Area (HA)	Designation	Nearest Protected Area	
	Province	District			Name	Distance (km)
ANJA	North Sumatra	North Padang Lawas	9,465	Palm Oil Plantation	Batang Gadis National Park	57
ANJAS	North Sumatra	South Tapanuli	9,182	Palm Oil Plantation	Siondop Protected Forest	Adjacent
SMM	Bangka Belitung	East Belitung	16,277	Palm Oil Plantation	Senusur Sembulu Protected Forest	4
KAL	West Kalimantan	Ketapang	10,920	Palm Oil Plantation	Gunung Palung National Park	2
GSB	South Sumatra	Empat Lawang	12,800	Palm Oil Plantation	Nature Park Bukit Kaba	15.39
PPM	West Papua	South Sorong	32,025	Palm Oil Plantation	Suabor Protected Forest	3.5
PMP	West Papua	South Sorong & Maybat	22,678	Palm Oil Plantation	Suabor Protected Forest	0.175
ANJT	West Papua	Maybrat	36,506	Palm Oil Plantation	Suabor Protected Forest	0.02
ANJAP	West Papua	South Sorong	40,000 (IUPHHBK-HA Sagu)	Sago Plantation	Suabor Protected Forest	0.131

IUPHHBK-HA: *Izin Usaha Pemanfaatan Hasil Hutan Bukan Kayu - Hutan Alam* (Business License for the Utilization of Non-Timber Forest Products – Natural Forest)



We understand that some of our operational activities in the field could potentially, either directly or indirectly, harm the plant and animal species that live not only in the areas we have set aside for protection but also in buffer zones, river systems, and any areas in the vicinity that are inhabited or traversed by wildlife. The potential impacts of our operations, and the actions we take to mitigate them, are shown in the table below.

**Significant Impacts of Operations on Biodiversity (304-2)**

Phase	Methods	Potential Impacts	Impact Mitigation	Results
<b>OIL PALM PLANTATIONS (ANJA, ANJAS, SMM, KAL, PMP, PPM, ANJ, GSB)</b>				
Land clearing	Use of heavy machinery	<ul style="list-style-type: none"> <li>Loss of fauna habitat</li> <li>Injuries to fauna</li> <li>Reduction in plant species diversity</li> </ul>	<ul style="list-style-type: none"> <li>Assessing High Conservation Value (HCV) areas</li> <li>Designating identified HCV areas to be maintained as forest</li> <li>Monitoring during land clearing activities by conservation staff</li> <li>Disseminating information about protected plant and fauna species</li> </ul>	<ul style="list-style-type: none"> <li>HCV area has been decided by an independent consultant accredited by RSPO.</li> <li>No fauna injured during the oil palm development process.</li> <li>Information has been disseminated in each village surrounding the plantation.</li> </ul>
Land preparation	Use of heavy machinery	<ul style="list-style-type: none"> <li>Injuries to fauna</li> <li>Erosion</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring during land clearing activities by conservation staff</li> <li>Disseminating information about protected plant and fauna species</li> <li>Keeping 1 large tree in each block that will be cleared (1 tree 1 block program)</li> <li>Terracing slopes</li> </ul>	<ul style="list-style-type: none"> <li>No fauna injured during the oil palm development process.</li> <li>Information has been disseminated in each village surrounding the plantation.</li> <li>Management units have allocated one tree in each block in PPM and PMP.</li> <li>Terracing system has been implemented in slope areas.</li> </ul>
Planting	Manual planting	Injuries to fauna	Disseminating information about protected plant and fauna species	<ul style="list-style-type: none"> <li>Information has been disseminated in each village surrounding the plantation.</li> </ul>
Fertilizer	Manual application of chemical and organic fertilizers	Pollution of soil and water	<ul style="list-style-type: none"> <li>Not using chemical treatments (fertilizer or spraying) in river boundary areas</li> <li>Building isolation ditches and embankments in areas adjacent to river boundaries</li> <li>Conducting regular river water analysis (2x/year)</li> </ul>	<ul style="list-style-type: none"> <li>Organic fertilizer is used in the river buffer areas (refer to Sustainability Compliance)</li> <li>River water is analyzed by an independent laboratory every semester (2x/year).</li> </ul>
Cultivation	Use of manual and chemical methods	Poisoning of fauna	<ul style="list-style-type: none"> <li>Disseminating information to workers</li> <li>Not applying toxic substances close to conservation areas</li> </ul>	<ul style="list-style-type: none"> <li>Workers in each management unit have been informed about impacts of toxic substances and instructed not to apply them in and around conservation areas.</li> </ul>
Transportation of FFB	Use of trucks	Injuries to fauna	<ul style="list-style-type: none"> <li>Placing warning signs in areas traversed by fauna</li> <li>Disseminating information about protected plant and fauna species</li> <li>Building wildlife crossings above and in culverts underneath roads</li> </ul>	<ul style="list-style-type: none"> <li>Sign boards have been placed along every road near the HCV area.</li> <li>Flying bridges for wildlife have been installed in some management units.</li> </ul>



Measuring the rate of subsidence and water table height in a peatland area.

Phase	Methods	Potential Impacts	Impact Mitigation	
<b>OIL PALM PLANTATIONS (ANJA, ANJAS, SMM, KAL, PMP, PPM, ANJ, GSB)</b>				<b>Results</b>
CPO processing and production	Mechanical processing of fresh fruit bunches (FFB), as follows: receiving station - loading ramp - sterilizing - threshing - pressing - clarification - purification for CPO, and to the Kernel station for separation of the kernels from their shells.	<p><b>Environmental impacts:</b></p> <ul style="list-style-type: none"> <li>• Liquid waste (POME) which is used as fertilizer for oil palms</li> <li>• Dust and air pollution from the boilers</li> <li>• Noise from machine operation</li> </ul> <p><b>Social impacts:</b></p> <ul style="list-style-type: none"> <li>• Improvement in local economy due to absorption of local workforce</li> <li>• Agricultural and fishery products from local community are needed for consumption at the operational site</li> </ul>	<p><b>Environmental impacts:</b></p> <ul style="list-style-type: none"> <li>• Building collection ponds to process the liquid waste using anaerobic and aerobic bacteria</li> <li>• Building flat beds in the plantation area for the utilization of liquid waste as fertilizer additives</li> <li>• Sending liquid waste samples to accredited laboratories to analyze the liquid waste content</li> <li>• Conducting standardized ambient air quality measurements (2x/year)</li> </ul>	<ul style="list-style-type: none"> <li>• In all ANJ subsidiaries that already have palm oil mills, waste materials are applied to oil palm plants using the flat bed system.</li> <li>• The Company has entered into a cooperation with a second party that has legal permission to transport and process toxic and hazardous waste.</li> </ul>
Processing of solid waste from CPO mills	Waste processing	Pollution of soil and water	<ul style="list-style-type: none"> <li>• Utilizing waste for bioenergy</li> <li>• Applying liquid waste to soil in oil palm plantations as liquid fertilizer</li> <li>• Processing solid waste into compost</li> </ul>	<ul style="list-style-type: none"> <li>• ANJAS and SMM have implemented a composting project. Liquid waste is used in the composting process with empty fruit bunches.</li> </ul>
<b>SAGO FOREST (ANJAP)</b>				
Land clearing	Use of heavy machinery	<ul style="list-style-type: none"> <li>• Sedimentation</li> <li>• Reduced water quality</li> <li>• Air and noise pollution</li> </ul> <p>Potential impacts are still being analyzed</p>	<ul style="list-style-type: none"> <li>• Conducting standardized testing of ambient air and water quality as well as noise levels (2x/year)</li> <li>• Monitoring wildlife species</li> </ul>	<ul style="list-style-type: none"> <li>• The Company cooperates with accreditation bodies to monitor and test ambient air and water quality.</li> </ul>



Firefighting unit receiving a briefing from the conservation team in KAL.

Each of our concessions, including our sago concession, has a substantial area of high conservation value forest set aside for the protection of flora, fauna and their habitats (see page 43). We manage these areas using a participatory approach that engages the local communities, local authorities, conservation experts and researchers and NGOs, including Conservation International, Yayasan Konservasi Alam Nusantara, Tropenbos Indonesia, PONGO Alliance and International Animal Rescue Indonesia. Frequent communication, information and education initiatives, including outreach to schools, are an essential component of our strategy for building a shared understanding among our employees, contractors, suppliers and local communities of the importance of protecting biodiversity, tackling illegal logging and eliminating the hunting and trapping of endangered species within conservation areas, and preventing forest fires. Local community members are also engaged extensively in patrolling and monitoring the conservation areas as well as fire prevention (see 'Preventing Forest Fires'). These activities are managed by the conservation staff in each business unit.

In our producing estates in North Sumatra, Belitung and West Kalimantan, our engagement with stakeholders as well as our ongoing efforts to ban hunting, trapping and snaring throughout the plantation and conservation areas have had a clear impact on restoring biodiversity in the forests, and we are even seeing an increase in certain species around the plantation areas, such as whistling ducks and mynahs. This is an indicator that the Company's existence may provide an alternative habitat for those species. Increasing the number of species is one of our successes in implementing responsible development, namely the development of our palm oil business, while upholding our responsibility to the environment. Around our development estates in West Papua, forest-dependent livelihoods and customs are still prevalent (such as animal trading, and the exchanging of birds as gifts). However, following intensive communication and education campaigns, which are ongoing, we have seen changes in attitudes and behaviors, including a reduction in hunting. Our economic empowerment initiatives (see the following chapter, 'Prospering Together') are also contributing to reducing the illegal use of protected forest resources by providing people with alternative livelihood opportunities. **(103-3)**

### Palm Oil Conservation and Habitat Restoration Areas (304-3)

Operational site	Conservation area (Ha)	HGU Area		% of total HGU area	Management	Local community involvement	Program interventions in 2018	Results
		Nucleus	Plasma					
ANJA	591.64	9,465	-	6.25%	ANJA	Yes	Reforestation of river buffer, biodiversity inventory, development of jungle track and monitoring of replanting project.	<ul style="list-style-type: none"> <li>The Company allocated 50 meters on the river bank as a river buffer area.</li> <li>The river buffer was planted with forest and fruit plants.</li> <li>A jungle track has been developed in a conservation area.</li> </ul>
ANJAS	2,271	9,182	157.5	24.32%	ANJAS	Yes	Developing Environment Education Center, biodiversity inventory and development of Community Conservation Agreement program in Binasari village with stakeholders.	<ul style="list-style-type: none"> <li>A Green Environmental Education Center has been established in the conservation area.</li> <li>Student visits and camps were conducted twice in 2018.</li> <li>Biodiversity has been inventoried in collaboration with the community and Conservation International.</li> <li>Together with Conservation International, the Company has developed a Conservation Community program.</li> </ul>
SMM	1,568.48	16,277	948.1	9.11%	SMM	Yes	Management of Balok forest for ecotourism education purposes, study on Tarsier population, biodiversity inventory and reforestation of river buffer.	<ul style="list-style-type: none"> <li>Balok forest has been developed as a tourist destination in collaboration with the community of Balok village.</li> <li>The Tarsier study was carried out with Malaysian Environment Consultants.</li> <li>The river buffer area was planted with forest and fruit plants.</li> </ul>
KAL	3,844.52*	10,920.12	2,958.12	27.70%	KAL	Yes	Management of orangutan population, biodiversity inventory, management of Essential Ecosystem Area with stakeholders and development of local plant nursery with stakeholders, environment education for students.	<ul style="list-style-type: none"> <li>In collaboration with Yayasan Inisiasi Alam Rehabilitasi Indonesia (YIARI), the Company monitored orangutans and other wildlife using camera traps and regular patrols were carried out by Company forest rangers.</li> <li>Together with other stakeholders, the Company formulated the draft of the Essential Ecosystem Area Action plan 2018- 2021.</li> <li>A forest plant nursery was developed with the community and Tropenbos Indonesia.</li> </ul>



Operational site	Conservation area (Ha)	HGU Area		% of total HGU area	Management	Local community involvement	Program interventions in 2018	Results
		Nucleus	Plasma					
GSB	1,564.84	12,800	-	12.23%	GSB	Yes	HCV area delineation at land clearing block, biodiversity inventory, dissemination and placement of HCV sign boards.	<ul style="list-style-type: none"> <li>The accredited assessors delineated the HCV area in the land clearing block.</li> <li>Stakes and sign boards were installed around all of the HCV area in the land clearing blocks.</li> <li>Biodiversity monitoring has been carried out regularly every month.</li> </ul>
ANJ (West Papua)		30,515.8	5,990.2					
PMP	14,804.20	18,860.3	3,818.1	65.28%	PMP	Yes	HCV area ground verification, biodiversity inventory and dissemination.	This is work in progress.
PPM	25,595.40	26,570.7	5,454.5	79.92%	PPM	Yes	HCV area ground verification, biodiversity inventory and dissemination.	This is work in progress.
<b>Sago Conservation and Habitat Restoration Areas</b>								
ANJAP	8,150	40,000		20.38%	ANJAP	Yes	Biodiversity inventory and dissemination.	This is work in progress.

\* includes 2,330,88 ha of conservation area outside KAL's HGU

In our conservation set-asides, we have recorded numerous species that are endangered and/or protected according to the IUCN Red List, the Convention on International Trade of Endangered Species (CITES) list, Government Regulation No.7 Year 1999 (PP No.7/1999) and Ministry of Environment and Forestry Regulation No. P20/2018 on the Preservation of Flora and Fauna Species. The monitoring of these flora and fauna, as well as the identification of additional species, is an ongoing process led by our conservation staff with the help of our employees and local communities.

A key sustainability innovation was introduced at our KAL estate in 2018 through our Quality Improvement Project (QIP) scheme. KAL's High Conservation Value area was hard to monitor due to its large size. Using SMART (Spatial Monitoring And Reporting Tools) has enhanced the planning and implementation of our HCV patrols, making them more cost-effective, accurate (in terms of locating flora and fauna) and easier to supervise, and the quality of our spatial-based HCV reporting has improved.



Ironwood (*Eusidiroxylon Zwageri*), a protected species found in the KAL conservation area.



Cerek kernyut (*Pluvialis fulva*) in the ANJAS conservation area.



Mambruk (*Goura cristata*), a species endemic to Papua, in our West Papua conservation area.

One of the major success stories of our biodiversity protection efforts is the conservation area at KAL. This supports a population of more than 150 orangutan (*Pongo pygmaeus wurmbii*). To enhance their habitat, we have planted fruit trees, developed wildlife corridors and installed several flying bridges to enable them to range more freely between our conservation area and the other protected habitats within the Ketapang Essential Ecosystem Area (see below).

Furthermore, our efforts have fully eliminated illegal logging and hunting and significantly reduced the threat of fires. KAL's conservation area also provides a habitat for Malayan sun bears, pig-tailed macaques, maroon leaf monkeys, gibbons, monitor lizards and at least 63 different species of birds, including great slaty woodpeckers, rhinoceros hornbills and black hornbills. Other rare and endangered species we have identified in our conservation areas include the Malay tapir (ANJAS), the kukang or slow loris (GSB), the twelve-wired bird of paradise (West Papua), and the tarsier (SMM). **(103-3)**

#### Protected Species with Habitats in ANJ's Operational Sites (304-4)

FAUNA									
SUBSIDIARY	Total identified fauna species on the IUCN Red List (CR, EN, VU, NT, DD, LC)							Total IUCN	Total identified fauna species protected under PP7/1999
	CR	EN	VU	NT	LC	DD	NE		
ANJA	1	0	2	3	13	1	2	22	12
ANJAS	1	6	5	0	1	0	0	13	25
SMM	0	1	2	2	25	0	0	30	9
KAL	2	2	3	4	20	0	0	31	26
GSB	1	2	0	2	40	0	0	45	11
PPM	1	1	6	4	91	1	0	104	46
PMP	1	0	5	2	50	0	0	58	19
ANJT	0	0	0	0	0	0	0	0	0
ANJAP	0	0	0	0	57	0	0	57	31

The species above were identified through direct observation by company staff or external consultants, camera trapping, tracks or interviews with community members.



FLORA									
SUBSIDIARY	Total identified flora species on the IUCN Red List (CR, EN, VU, NT, DD, LC)							Total IUCN	Total identified flora species protected under PP7/1999
	CR	EN	VU	NT	LC	DD	NE		
ANJA	0	0	1	0	2	0	0	3	1
ANJAS	1	3	3	0	6	0	0	13	7
SMM	0	0	0	0	2	0	0	2	0
KAL	0	0	3	0	10	0	0	13	8
GSB	0	0	0	0	1	0	0	1	0
PPM	0	1	1	0	7	1	0	10	4
PMP	0	2	3	0	4	0	0	9	3
ANJT	0	0	0	0	0	0	0	0	0
ANJAP	0	0	0	0	10	0	0	10	0

Legend

- CR** Critically Endangered
- EN** Endangered
- VU** Vulnerable
- NT** Near Threatened
- LC** Least Concern
- DD** Data Deficient
- NE** Not Evaluated



Pitcher plant (*Nepenthes*), a protected species found in our conservation areas at ANJA and ANJAS.

The presence and quality of the flora and fauna in our conservation areas indicates that the forests and their wildlife are doing relatively well under our proactive, participatory management model, compared to adjacent forest areas not managed for conservation. In Siais, North Sumatra, conservation management is implemented by ANJAS in collaboration with Conservation International through the

Community Conservation Agreement (CCA) program, which has been cited as a model for biodiversity management. Nevertheless, we understand that to effectively preserve the integrity of ecosystems on a more sustainable basis, a landscape-level approach is needed.

This is particularly important for larger species, such as orangutans, that need to range over large areas. In Ketapang, West Kalimantan, ANJ initiated a multistakeholder effort to link a series of protected HCV areas, including the conservation set-asides of KAL and other plantation companies as well as national parks and protected forest. This was designated as the Essential Ecosystem Area in November 2017

by Governor’s Decree No. 716/DISHUT/2017. The Essential Ecosystem Area is managed through a collaborative effort by the various partners, who include the local community, local government, universities and NGOs. We hope to apply the learnings from this innovative approach to future landscape-level conservation initiatives, particularly in West Papua. **(103-3)**

## The PONGO Alliance



Orangutan (*Pongo pygmaeus wurmbii*) in the KAL conservation area.

ANJ is a member of the Palm Oil NGO (PONGO) Alliance ([www.pongoalliance.org](http://www.pongoalliance.org)), a partnership of visionary oil palm growers and practically-oriented conservation practitioners. The PONGO Alliance was initiated in 2015 through a meeting between several palm oil producers, including ANJ, and non-governmental groups. Established formally at the end of 2017, the PONGO Alliance assists the palm oil industry in achieving sustainability goals by “making resilient landscapes for wildlife and people a reality”. The initial focus is a paradigm shift: facilitating the co-existence of orangutans in both mixed forest and oil palm landscapes.

One of the biggest challenges of the PONGO Alliance is to set in motion a general move away from separating orangutans and plantations, and from rescuing orangutans from plantations on the assumption that they will do better somewhere else. Based on research, female orangutans live in communities of related females and are intolerant of unrelated females. Because females tend to be disproportionately lost during land conversion, any remaining female still residing on her ancestral land is of critical genetic value to the species, and should not be moved somewhere else. Males require access across agricultural landscapes between fragmented protected forests as well as remaining natural forests on plantation concessions.

The PONGO Alliance believes that the time has come to seek ways to allow free-ranging orangutans to live and breed in plantation landscapes that incorporate patches and corridors of both original and restored forests.

ANJ contributes to the PONGO Alliance through organizational support (ANJ chaired the group from January to August 2018 and again in 2019), financial support, and most importantly through proven management of orangutans within ANJ’s KAL estate, where up to 150 orangutans remain in a generally safe situation. Without ANJ’s management this population would likely have been much reduced in size by now. The many lessons learned about orangutan management in a plantation setting are shared with other members of the PONGO Alliance and thus contribute to broader positive impacts on orangutan survival on both Borneo and Sumatra.

ANJ is now also working with the PONGO Alliance on a larger, landscape-level approach to orangutan conservation in the Ketapang District of West Kalimantan, in which it is hoped that through multi-stakeholder engagement including national and local government, communities, NGOs, companies and researchers, we can ultimately achieve a situation in which the KAL orangutan population is safely embedded in a connected landscape that includes areas protected by government, by companies and by communities, connected through forested corridors and habitat “islands”.



## Sustainability Research



Field research in the KAL conservation area.

**Both sustainable and responsible development are complex goals.** The global Sustainable Development Goals (SDGs), for example, have 17 sub-goals, each of which addresses a specific aspect of sustainability.

Achieving all goals simultaneously can, however, be difficult, and win-wins may not always be possible. For example, reconciling the goal to reduce biodiversity loss with the goal to protect people's traditional rights to hunt and harvest forest products, may not easily be compatible unless ways are found to limit hunting and collecting efforts to species that are not in global decline. Finding out where the balance lies requires research and monitoring of impacts. Monitoring of impacts is a legal and regulatory requirement for ANJ, but conducting research is done on a voluntary basis.

In 2018, ANJ commissioned research on a number of topics. This included the facilitation in KAL of PhD research on the behavior of orangutans in a multi-functional, oil palm-dominated landscape. Issues like crop-raiding by orangutans were studied, as well as the best measures for reducing their impacts. The research also looked into behavior of orangutans in small forest patches, trying to understand how viable these populations are and what management interventions may be needed to sustain them. Information from this study will be used to adaptively change orangutan management approaches in KAL if and when needed.

ANJ also facilitated research by MSc students from the Norwegian University of Life Sciences, working with Indonesian counterparts from Tanjungpura University in West Kalimantan on the pollination of oil palm and common food plants, such as eggplants, watermelon, chili and tomatoes. The studies aimed to demonstrate the importance of forest set asides for maintaining healthy pollination services, both in the oil palm areas and in nearby villages where people still grow insect-pollinated food crops. Because of the relatively short duration of the study, the study of pollination on oil palm flowers was inconclusive, but the study of bee visitation on food crops indicated declining pollination services with distance from forests. This shows that forests are important for maintaining healthy pollination services to food and other bee-pollinated plants, further justifying ANJ's decision to invest in forest protection.

A third study that was initiated and which is ongoing is ANJ's mapping of smallholder oil palm around its estates, and the ensuing collaboration with the European Union Joint Research Center and Liverpool John Moores University on developing

new techniques to reliably map smallholder oil palm as well as oil palm in larger industrial settings from medium-resolution imagery. Such research will help ANJ to map all their smallholder suppliers and thus more easily determine whether smallholder plantations have been developed legally with regard to the local land use allocation and regulations on production practices and licensing.

Finally, our research collaboration with the *Centre de Coopération Internationale en Recherche Agronomique pour le Développement* (CIRAD) on oil palm agronomy also continues, seeking to increase yields, minimize pesticide and herbicide use and optimize estate design with regard to soil types, hydrology and other important factors.

Studies like the examples above help ANJ to continuously improve its approaches to responsible development. Linking environmental sciences with ongoing socioeconomic studies will also indicate where possible win-wins exist that benefit the Company, the communities that live in and around our estates, and the global environment.



Researching biofertilizer applications in SMM.



## Environment-Safe Pest Control

One of the risks faced by agribusiness operations is the vulnerability of crops to various types of pest and diseases. At the same time, the application of hazardous chemicals to control such risks can also pose a threat to biodiversity. ANJ has therefore engaged in developing environmentally friendly methods and approaches to integrated pest monitoring and control, as shown in the table.

Our own extensive research on our oil palm estates has yielded several innovative means of preventing pest attacks and keeping palms healthy. For example, our research collaboration with the French Agricultural Research Centre for International Development (CIRAD) resulted in the discovery of natural biological methods of reducing rhinoceros beetle (*Oryctes rhinoceros*) infestation during replanting, including developing local, more effective strains of the entomopathogenic fungus *Metarhizium*, and timing its application more effectively, which has been very successful so far in the replanted blocks in SMM. Based on the experience of CIRAD in Indonesia, we have also identified a root miner of oil palm in peatlands in the KAL and ANJAS estates that were planted several years before the

restrictions on peatland planting came into effect. We are now testing natural biological methods to control the spread of this pest into the ecosystem of the regions concerned.

GMIT, which operates our edamame business, mitigates the risk of pest attacks naturally by limiting planting in the dry season, when insect populations are at their height. By doing the bulk of the planting in the rainy season, GMIT minimizes the need for pesticide. Any pesticides that are used are produced by reputable manufacturers and tested for their environmental safety.

ANJAP is currently researching natural agronomic management methods for controlling pests and diseases and improving yields in sago forest areas.

As of the end of 2018, ANJ has committed not to use paraquat or any pesticides that are categorized as World Health Organization Class 1A or 1B or that are listed by the Stockholm or Rotterdam Conventions.



Barn owls (*Tyto alba*) are used in some estates as a natural, environment-safe method of pest control.

## Environment-safe pest control in oil palm estates

Pest type	Control method	Results
Nettle caterpillars ( <i>Darna trima</i> )	<p><b>Immature (non-producing) palms:</b></p> <ul style="list-style-type: none"> <li>• Picking off caterpillar larvae.</li> <li>• Spraying with <i>Bacillus thuringiensis</i> bacteria.</li> </ul> <p><b>Mature (producing) palms:</b></p> <ul style="list-style-type: none"> <li>• Fogging with <i>Bacillus thuringiensis</i> by Bio Fogger type K22 bio.</li> <li>• Regular planting of beneficial plants such as <i>Turnera subulata</i>, <i>Antigonon sp</i>, <i>Cassia cobanensis</i>.</li> <li>• Spraying with environmentally friendly chemicals in case of outbreak.</li> </ul>	Under control: no second generation attack and no new attacks.
Tirathaba bunch moth ( <i>Tirathaba mundella</i> )	3 <sup>rd</sup> year palm planting until first harvesting: Spraying with <i>Bacillus thuringiensis</i> bacteria.	Under control: good palm vigor, successful bunch formation, estimated high yield at first harvesting.
Rhinoceros beetle ( <i>Oryctes rhinoceros</i> )	<p>Application of a locally specific strain of the entomopathogen <i>Metarhizium</i>, explored and produced by our own R&amp;D division, during the initial phase of replanting.</p> <p>Planting <i>Pueraria javanica</i> and <i>Mucuna legumes</i> in the replanting area prior to palm planting.</p> <p>Winkling the rhinoceros beetle when found in the frond tip.</p> <p>Carbosulfan granules are currently applied to protect the growth of the frond tip against damage by the rhinoceros beetle. We are developing a replacement for this non-environmentally friendly chemical using the best strain of <i>Metarhizium</i> to control rhinoceros beetle at the adult stage. Compost application also reduces beetle infestation.</p>	Under control: very mild attacks, no palm death and minimal damage.
Rats ( <i>Rattus</i> )	<p>Use of natural predators such as barn owls (<i>Tyto alba</i>).</p> <p>Application of environmentally friendly rat bait products in case of intense damage by rats.</p>	Under control: mild damage, good bunch formation and healthy fruits. This works very well in SMM, including in the FFB areas, and will be developed at other estates.
Termites ( <i>Isoptera</i> )	<p>Regular and systematic monitoring of palm census.</p> <p>Following palm census results, we have used earlier spraying with Fipronil to control this pest but we are currently developing more environmentally friendly biological control methods, including new strains of <i>Beauveria</i> and <i>Bacillus</i>, to replace the chemical.</p>	Controlled with continued and systematic monitoring: very mild attacks, reduced death of palms.



## Preventing Forest Fires

**Fire is a constant risk in any plantation operation.** It poses a serious threat not only to the crop itself but also to the environment, with the potential destruction of plants and wildlife, air pollution and increase in GHG emissions.



Farmer firefighting group training in KAL.

We have assessed the risk in all our oil palm and sago estates and taken appropriate mitigating actions, including establishing emergency response, firefighting and patrol teams, installing lookout towers, placing warning and information signs in strategic locations, and communicating regularly with employees and local communities about fire risks, prevention and what to do if a fire is detected. No fires were reported on any of our estates in 2018. In August 2018, there was one case of fire occurring outside KAL HGU, but it was handled immediately through the combined efforts of the Company, KTPA, and firefighting authorities. The Company also utilized a helicopter that deployed a Bumby Bucket. These collaborative efforts successfully controlled the fire and prevented it from entering our HGU area.

In certain estates that have a higher fire risk, namely KAL, ANJAS and SMM, we have also established a number of farmer firefighting groups. This initiative has been taken in coordination with the local communities and local authorities, including the local forest fire brigades (*Manggala Agni*), the Ministry of Forestry's Agriculture and Plantation Agency, and local police and military units, and grew from our recognition

that the local communities are essential stakeholders in fire prevention. The first firefighting groups, known by their Indonesian acronym KTPA (*Kelompok Tani Peduli Api*), were formed in two villages adjacent to our KAL estate following a series of fires that broke out along the boundary between the estate and community farmland in 2015. KAL now has KTPA in three villages, and similar groups have been formed at the SMM and ANJAS estates. Each group is based on an MOU between KAL and the relevant village authorities, and receives equipment from KAL as well training in collaboration with *Manggala Agni* on how to recognize and tackle different types of forest fire. At KAL some of the experienced KTPA members have received more advanced training and certificates, and this will also be introduced at SMM and ANJAS.

The KTPA initiative, which combines risk mitigation with community empowerment, supports the estates' compliance with Law No. 39/2014 on Plantations, Ministry of Agriculture Regulation No. 5/2018 concerning Brigades and Guidelines for the Prevention and Control of Land and Plantation Fires, and Minister of Environment and Forestry Decree No. 32/ 2016 concerning Forest and Land Fire Control.



## The KTPA has Empowered Me to be an Effective Leader



**Runa, 48, member/leader of Kuala Tolak KTPA.**

Being formally sworn in as a KTPA member in 2017 by the Village Head has given me and the other KTPA members the self-confidence to talk to community about the dangers of forest and land fires. Since that time, the number of fires in Kuala Tolak village has significantly decreased.

Over the years, I've observed that most of the fires around Kuala Tolak were caused by people throwing cigarette butts away carelessly while they are fishing, or hunters who deliberately set fire to the long grass to make it easier to hunt. In addition, there are several cases of land being cleared using burning.

Most of the people here have experience of forest fire hazards, especially those who own and manage gardens or plantations. Fire has always been the main enemy of farmers; I myself have seen my plantation destroyed by fire five times since 1996. We farmers have therefore agreed to avoid any careless burning of the land, and to make ground wells to provide a source of water in the event of a fire.

In Kuala Tolak, the team and I have not encountered any significant challenges when raising awareness about anticipating and preventing forest and land fires, because most people understand the danger. It's just that we must continue to monitor and remind the community about it.

My most interesting experience as a KTPA member was when I attended the forest and land fire prevention training at KAL, where, alongside the other KTPA members, I gained a good, structured understanding about firefighting and prevention. I also enjoy disseminating information to the community; I am more self-confident and able to answer all their questions.

In future I'd like to see the KTPA becoming more proactive. It would also help to have special uniforms for the KTPA – this would enable people to identify KTPA members more easily when we are on duty, and make the KTPA members more confident. Our personal protective equipment should also be renewed every year.



Farmer firefighting group (KTPA) simulation in ANJAS.



# Managing Peatlands

Peatlands not only support specific ecosystems but are also very efficient at sequestering carbon. Any damage to such ecosystems can therefore result in the release of significant amounts of carbon (carbon dioxide) into the atmosphere. In line with its commitment to reducing carbon emissions, the Indonesian government has issued a number of regulations on preserving peatlands, as follows:

- Minister of Agriculture Regulation No. 14/2009 on the Guidelines on Peatland Development for Oil Palm Cultivation;
- Government Regulations No. 71/2014 and No. 57/2016 on the Conservation and Cultivation of Peatland Ecosystems; and
- Presidential Regulation No. 1/2016 on the establishment of the Peatland Restoration Agency.

As our Sustainability Policy states, we have committed to no new development and planting on and sourcing from peatlands and wetlands at all depths of peatland as defined by the RSPO and Indonesian regulations. According to the Indicative Map of the Moratorium on Issuing New Licenses (PIPPIB), which refers to the Ministry of Environment and Forestry Decision Letter SK No.351/MENLHK/Setjen/PLA.1/7/2017, as well as independent soil analyses by external consultants, ANJ's plantations contain a total of 11,075.82 hectares of peatland, located in our ANJAS and KAL estates, or 55.56% of the total plantation area of those two estates. From this identified peat area, we have protected 657 hectares in KAL and 200 hectares as a voluntary conservation area in ANJAS. The remainder was already planted before the peatland regulations came into force. Any newly identified peatlands within our undeveloped concession areas are automatically treated as conservation areas.

No peatlands have been detected in our plantations operated by ANJA, SMM or GSB, according to the Indicative Map above. PPM has been advised by the team from the Ministry of Environment and Forestry, that based on their Regulations No. 14, 15 and 16/2017 concerning technical guidelines of peat ecosystem management, PPM was requested to submit a Peat



Controlling water levels in peatland.

Ecosystem Compliance Point Monitoring Plan. Based on a soil investigation study by an independent third party, PPM's area contains 513 hectares of peatland, of which we have planted 258 hectares in 2015.

We manage all peatlands in our concession areas, especially the water level within them, in line with best practices in order to prevent carbon release and fire, and to beneficially use ecosystem services such as flood buffering and water supply to the estates.

Our peat policies and practices extend to all our suppliers, including smallholders and independent suppliers. As mentioned, we are currently mapping all smallholder suppliers and once this spatial information is available, it will facilitate us in monitoring the traceability of the FFB from external suppliers. We therefore expect that in future, all the FFB we receive will fulfil traceability principles.

## Reducing Supply Chain Impacts (308-1, 308-2)

The underlying principle of our policies on sustainability and procurement is to minimize the negative environmental, social or economic impacts of activities undertaken throughout the ANJ supply chain. Our procurement policy requires that all goods and services used in our operations are procured professionally, independently, efficiently and effectively, and in compliance with good corporate governance principles. All vendors are therefore required to qualify not only on specific

technical, financial and administrative criteria but also to meet our standards on environmental, health and safety management systems, and to commit, in their contracts and through an Integrity Pact, to the provisions of our Sustainability Policy. We disseminate the Sustainability Policy to all vendors, and both new and existing vendors are invited to attend periodic information sessions in order to refresh their knowledge and receive any new information. (103-2)

### ANJ Sustainability Policy Information Sessions for Vendors in 2017 and 2018

Subsidiary/Location	Date	Number of Participants
KAL	April 20, 2017	40
Sorong City	September 5, 2017	52
PPM (for PPM, PMP, ANJ)	September 6, 2017	15
SMM & AANE	October 12, 2017	18
GSB	October 19, 2017	4
ANJAS	January 16, 2018	15
ANJA	January 18, 2018	12
GMIT	March 22, 2018	17

Procurement & Logistics has overall responsibility for monitoring and providing assurance on vendor compliance, with assistance from the Compliance Management Department (under the Operations Directorate). They do this by monitoring feedback from the end users in the supply chain, such as our palm oil mills or our cooperatives, and by tracking the completion of contracts. This feedback is coordinated through monthly meetings.

In 2018, ANJ worked actively with a total of 404 vendors. None of them were found to have caused negative environmental or social impacts, and no warning letters were sent, indicating a satisfactory level of compliance with conservation and EHS practices. A number of vendors related to infrastructure were blocked due to failure to complete contracts.

Our strategies to prevent or mitigate negative environmental supply chain impacts also include working with existing and

potential suppliers, particularly independent smallholder farmers, in the vicinity of our estates to improve livelihoods, reduce the risk of social conflict, and in the case of potential suppliers, help them to comply with our vendor policies. In Belitung, for example, SMM, through an inter-departmental collaboration involving the estate, mills and the External Affairs and CID departments, has continued to empower smallholder oil palm farmers and cooperatives by providing coaching on good agricultural practices and cooperative management in an effort to improve the quality and delivery of their fruit. ANJAS has introduced a similar initiative in cooperation with the local government to improve fertilizer and planting techniques. In a number of cases, we are also supporting farmers to secure the proper ownership documents for their land. These are important preparatory steps towards obtaining sustainability certification, which will support our efforts to improve the traceability of our palm oil products. (103-3)



# Managing Waste (306-2)

We are attempting to minimize the impact of the significant volumes of waste generated by the harvesting and processing of oil palm, sago and edamame through the adoption of a 'waste to energy' approach where feasible, as well as reusing and recycling, and the safe disposal of hazardous waste. We report all utilization and disposal of waste to the relevant authorities. (103-2)

We are increasingly using solid waste from palm oil and sago processing (fiber from empty fruit bunches, palm kernel shells and sago fiber) as biomass to fuel the boilers that power the steam turbines at our CPO and sago mills. Empty palm fruit bunches, which have high nutrient content, are being applied directly to the soil and, in two estates (ANJAS and SMM), being composted and applied as organic fertilizer. At these two estates, palm oil mill effluent (POME) is also used in the composting program after being treated anaerobically to ensure that it meets legal quality standards. Treated POME is also being used for high-nutrient land application at ANJA, KAL and SMM.

Biogas (methane) is being extracted from the POME from SMM's CPO mill in Belitung and used to generate electricity by our subsidiary AANE, which operates the country's first independent biogas power plant. The power is sold to the state electricity company, PLN.

Anaerobically treated POME that is not used for fertilizer, as well as treated effluent from the sago starch extraction process, is discharged into rivers after we have ensured that it is within safe limits for biological oxygen demand (BOD) and other parameters, in accordance with national and local regulations and certification requirements. We have increasingly noted the importance of our POME sedimentation ponds for migratory and other bird life attracted by these organically rich biotopes, including whistling ducks, Rajah shelducks, a variety of egrets, night herons, terns, waders (e.g., common sandpipers), wagtails, crakes and rails, and we are putting management practices into place to ensure that birds experience minimal disturbance in these areas.

Liquid Waste (m³)	2016	2017	2018
SMM	255,919.00	297,420.00	314,460.00
ANJA	204,436.14	252,822.92	282,049.14
KAL	60,032.74	82,698.58	25,973.22
ANJAS	160,591.30	153,897.86	172,325.89



## AANE: A Reliable Partner of PLN

**Joko Nur Astanto, Manager at PLN Belitung since 2017.**

AANE has been supplying PLN in Belitung since 2012. The electricity supplied by AANE goes to the grid and is part of the supply for the whole of the island of Belitung. In practice, AANE's energy goes mostly to customers in three districts in Eastern Belitung: Dendang, Simpang Pesak, and Gantung. I think the fact that AANE's energy is derived from biogas is very good; it's in line with the current government policy of trying to generate more electricity from non-fossil or renewable sources. As for the future, we hope that the supply from AANE will continue to increase and become ever more reliable.

Some non-hazardous organic domestic waste is used in the composting program at the ANJAS and SMM palm oil estates. Other non-hazardous domestic waste at the estates operated by ANJA, ANJAS, KAL, SMM and GSB is kept in temporary storage units before being collected by third parties and transported to a landfill near the respective concession area. In the West Papua estates operated by PPM and PMP, inorganic non-hazardous domestic waste is stored temporarily onsite before being collected by or sent to third parties, while organic matter is collected and taken to a landfill in the vicinity of the concession area.

Our palm oil estates and mills also generate some hazardous waste, mainly used oil, used neon bulbs (categorized as electronic waste), fabric, clinical waste, pesticide packaging,

used hoses, and oil packaging cans. All such waste is stored in licensed temporary on-site storage units before being collected by third-party waste management companies. We do not reuse, process, compost, incinerate, transport or send any of this hazardous waste to landfill, but rely on licensed third-party waste management companies to process it further.

Waste water from our edamame and sago operations is recycled where possible. GMIT is developing a reverse osmosis process to filter and reuse the water used to wash edamame in the frozen line. Similarly, ANJAP is developing a system to recycle the water used in the process of extracting starch from sago fiber. Both processes will cut waste water losses and reduce the overall volume of water consumed.

Toxic & hazardous waste (kg)	SMM			ANJA			ANJAS			KAL		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Used oil	7,632	10,261	9,426	6,632	5,566	4,799	733	2,050	3,492	1,761	5,246	3,289
Used vehicle batteries	1,000	587	708	939	451	248	64	260	435	80	353	407
Waste contaminated with toxic/hazardous substances	1,162	710	1,004	733	614	894	84	214	551	327	296	408
Contaminated cloths/gloves	114	400	485	16	19	21	21	76	116	47.5	65	89
Packaging from chemicals/toxic or hazardous substances (oil drums)	2,261	1,884	1,578	1,476	1,236	1,100	365	860	1,366	2,001	773	159
Medical/clinical waste	82	76	53	233	165	213	23	80	114	102	85	74
Used neon bulbs	43	53	41	0	8	8	0	0	6	13	4	0

All waste categorized as toxic and hazardous as shown in the table above is properly managed by ANJ and third parties. We have taken a number of initiatives to reduce toxic and hazardous waste, including deploying barn owls (*Tyto alba*) to reduce the use of rodenticides (thereby reducing the volume of toxic and hazardous packaging waste) and switching to longer lasting types of motor oil, which reduces the volume of oil waste generated.

Much of the data collection on waste management, particularly from newly implemented management systems, began in 2018. ANJ companies report their toxic and hazardous waste balance every 3 months to the district and provincial environment offices and the Ministry of Environment and Forestry. At SMM, ANJA and ANJAS, toxic and hazardous waste is reported online through the Electronic Environment Reporting Information System (SIMPEL) managed by the Ministry of Environment and Forestry.

All our third-party waste management contractors are required to fulfill several requirements, including the following:

- Units used to transport toxic and hazardous waste must be licensed for such purpose;

- There must be a contract/agreement between the transporter and the user of toxic and hazardous waste;
- The third party must be licensed to utilize/destroy toxic and hazardous waste;
- To ensure that the toxic and hazardous waste is managed properly, the third party must return the 7<sup>th</sup> waste manifest to the waste producer;
- A third party may only transport, use or destroy waste in accordance with the terms of their license.

One of our sustainability innovations developed through the Quality Improvement Project scheme in 2018 focused on reducing excessive wastage of calcium carbonate (CaCO<sub>3</sub>), which is used in the waste treatment process. We found that foam in the solution was contributing to rapid CaCO<sub>3</sub> saturation. To resolve this, employees developed and installed a foam skimmer. This has reduced CaCO<sub>3</sub> usage and reduced waste, thus yielding operational cost efficiencies. It has also reduced our environmental impact and made the process safer. Several of the skimmer components were recycled from used materials. **(103-3)**



## Reducing Greenhouse Gas Emissions (305-1)



Capturing biogas for power generation at AANE.

Recognizing the long-term harm caused by greenhouse gases (GHG), and in keeping with our commitments under the terms of our RSPO, ISPO and ISCC certification, **ANJ has sought to identify and reduce GHG emissions from our processing and transportation operations.**

These efforts also support the government’s efforts to control emissions, which are specified in the following regulations, among others: **(103-2)**

1. Presidential Regulation No. 71/2011 on the National Greenhouse Gas Inventory;
2. Presidential Regulation No. 61/2011 on the National Action Plan for Greenhouse Gas Reduction;
3. Presidential Regulation No. 62/2013 on the Managing Agency for the Reduction of Greenhouse Gas Emissions from Deforestation, Forest Degradation, and Peatland; and
4. Regulation of the Minister of Environment No. 15/2013 on the Measurement, Reporting and Verification of Climate Change Mitigation Actions.

Under our waste-to-energy approach, we are phasing out the use of coal and diesel to power our mills by replacing them with biomass and biogas, which generate much lower GHG emissions than fossil fuels. As of the end of 2018 we had already deployed biomass boilers in the power plants for our palm oil mills at ANJA, ANJAS, SMM and KAL. ANJAP also uses

biomass-powered turbines, which can be fully operated when the volume of production reaches its economy of scale. The SMM electricity turbine in Belitung is powered by biogas, derived from the methane released from the POME lagoons. Capturing the methane before it is released into the atmosphere results in a significant reduction in potential emissions. We are planning to install small-scale biogas facilities at other mills, starting with KAL in 2021, to further reduce fossil fuel consumption, costs and GHG emissions.

On a smaller scale, some of the quality improvement innovations that were developed and piloted in 2018 were focused on improving energy efficiency. As an example, the mower used to cut the grass around the mill at the ANJAS estate was originally fueled by premium grade petrol, which is expensive and sometimes hard to find. The petrol mower also caused air and noise pollution. The QIP team replaced the petrol engine with a modified electric motor from a water pump. As well as saving on the cost of petrol, pollution has been significantly reduced and mowing is faster. **(103-3)**

The emissions data presented below are from our operational palm oil estates (ANJA, ANJAS, SMM and KAL). The development palm oil estates operated by GSB, PPM, PMP and ANJ do not yet have fully operational mill/processing plants and are therefore not yet reporting GHG emissions, although they are preparing to do so. ANJAP and GMIT are also preparing to report emissions data. The data are based on the calculations

used for the RSPO, ISPO and ISCC reporting standards.

The calculation of GHG emissions shown in the table is the RSPO PalmGHG calculation, and is used for reporting to the RSPO through the RSPO Certification/Surveillance audits. ISCC and ISPO use alternative methods.

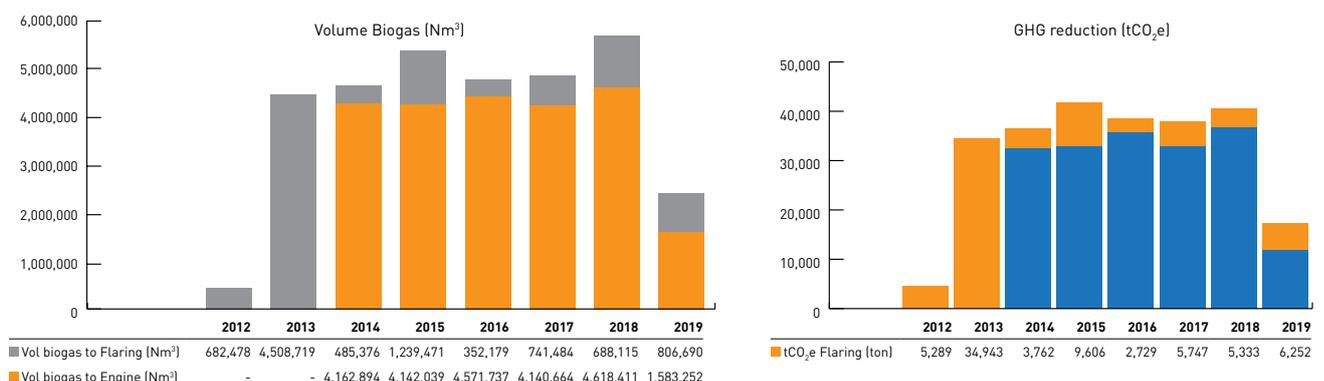
Subsidiary	Estate Emissions Ton CO <sub>2</sub> /Ton FFB		Mill Emissions Ton CO <sub>2</sub> /Ton FFB		Total Emissions Ton CO <sub>2</sub> /Ton CPO	
	2018	2017	2018	2017	2018	2017
	ANJA	0.16	0.17	0.13	0.12	1.06
ANJAS	1.29	1.17	0.11	0.12	5.49	4.80
SMM	0.02	0.07	0.06	0.07	0.57	0.52
KAL	3.18	3.73	0.2	0.2	13.72	15.85

### Reduction in energy consumption as a direct result of conservation and efficiency initiatives (302-4)

Subsidiary	Diesel consumption in liters		Total reduction in liters
	2018	2017	
	ANJA	143,747	
ANJAS	255,820	311,515	55,695
SMM	267,870	424,157	156,287
KAL	263,682	353,097	89,415

Source: monthly reports on energy consumption. The Company only began to calculate this indicator in 2017, hence no figures for 2016 are shown.

### GHG Emissions at AANE





Portable footbridges for harvesting and compost application named 'Titi PUSPA', an initiative of Quality Improvement Project from ANJAS.

## Mitigating Climate Change Risks

Our efforts to improve energy efficiency and reduce carbon emissions are part of our policy of becoming a zero emission company, in order to contribute to global efforts to halt and reverse the progression of climate change. However, in our day-to-day operations we are already being confronted with some of the impacts that could be attributed to this process, such as changing weather patterns. We are already developing innovative solutions to mitigate some of the risks associated with climate change, including adverse weather conditions, through our Quality Improvement Projects.

The ANJAS estate has several thousand meters of ditches. Some already have wooden footbridges that are used by estate workers when evacuating fruit or applying compost, but many more bridges are needed. However, there are environmental concerns about using wood, and the existing bridges are

susceptible to weathering and shifting during heavy rainfall and flooding. One of the QIP teams at ANJAS used alternative materials to develop 'portable footbridges for harvesting and compost application' ('Titi PUSPA') that not only avoid using wood but are stronger, more durable and more portable than wooden bridges, meaning they can be moved from place to place as needed.

Also at ANJAS, the process of collecting pollen has been disrupted in recent years by heavy rainfall. Using manual tools, pollen can only be collected in sunny conditions, and the design of the tools leads to significant losses of pollen. Another QIP team at ANJAS modified a vacuum cleaner to develop an innovative pollen collection machine that minimizes pollen losses and enables pollen to be collected even during overcast conditions.

## Modified Vacuum Cleaner for Mechanized Pollen Collection



Amelia Widiastuti, 24, is on the R&D staff at ANJAS, and is a 2016 graduate of ANJ's Management Trainee program.

As a researcher, my job is to develop experiments to resolve issues and to run and to apply and monitor trials. I also monitor potential plant pests and diseases to prevent outbreaks. My current challenge is the root miner *Sufetula sunidesalis*; I still haven't been able to observe its full life cycle so that we can learn how to control it.

Everything we learned on the MT program was important. ANJ is very good at giving opportunities to people who have potential but not much experience.

In my current work, one of the best experiences was being trusted by the General Managers to make a presentation on our R&D experiments to the Company's shareholders and Board of Directors. This greatly increased my confidence in making presentations.

When I heard about the QIP Award, I thought about our pollen problem. Here in Siais, we are very focused on the development of *Elaeidobius kamerunicus* as pollinator insects, and they need to be provided with pollen every day. However, we were losing up to 31% of the pollen during collection. My idea (for mechanized pollen collection using a modified vacuum cleaner) was very simple, and I wasn't sure whether to submit it, but my manager was very supportive and told me that it had great potential.

My innovation reduces the labor needed for pollen collection from 10 people to just two. Secondly, the workers do not need to carry a lot of equipment or carry sharp tools, so the potential hazards are reduced. Moreover, this machine is environmentally friendly, as it uses rechargeable dry batteries, and it does not disturb the development of *Elaeidobius kamerunicus* insects, because it works without cutting the male flower (their habitat). So in these ways it is contributing to people, planet and prosperity.



The pollen vacuum, one of ANJ's sustainability innovations.

# PROSPERING TOGETHER



The Board of Directors of ANJ Group take part in a stakeholder meeting in West Papua.

# Forum





## Respecting Human Rights (408-1, 409-1, 410-1, 411-1)

**We believe that our operations as an agribusiness company are directly and indirectly contributing to reducing hunger and alleviating poverty, two fundamental human rights.**



Training on voluntary principles on security and human rights (VPOSHR) in Sorong.

We also recognize, however, that our operations, particularly those in the plantation sector, could potentially infringe a number of other human rights. We are deeply committed to upholding the human rights of all our employees and stakeholders, and we endeavor to make this commitment transparent through both our policies and practices. Our commitment to human rights is explicitly stated in our Sustainability Policy and further codified in our employment policies and regulations. In addition, it is an inherent aspect of our compliance with national employment laws and the RSPO Principles and Criteria (P&C) on human rights and community engagement, and the United Nations Universal Declaration on Human Rights. Our subsidiaries ANJA, ANJAS and SMM all hold RSPO certification, while KAL's application is still in

process. Our development plantations GSB, PPM, PMP and ANJ are all upholding the RSPO P&C and will be eligible to apply for certification once they are operating commercially.

ANJ's policies and SOPs that are related to human rights include prohibitions on the employment of underage workers and on any form of forced or compulsory labor, and these provisions apply equally to our vendors and partners. Responsibility for upholding and enforcing our policies on human rights is embedded in every department. Throughout 2018, there were no cases of employment of child labor or of forced or compulsory labor by any of our subsidiaries or suppliers, and there were no indications that there were significant risks of such cases at any of the entities concerned.

The ANJ Group has adopted a constructive, ongoing, rights-based approach to community engagement that prioritizes openness and a joint approach to problem solving. To uphold and protect the rights of indigenous peoples, before any plantation development takes place we hold consultations with local communities that adhere to Free Prior and Informed Consent (FPIC) principles. This is designed to ensure that the people affected by the development have a comprehensive understanding of the planned activities and their implications, and ensures that no development goes ahead without their collective consent, which must be granted without coercion or manipulation in any form. The process guarantees their right to withhold consent.

Each of our business units also holds routine public consultations and stakeholder meetings to provide updates on our projects, discuss Community Involvement and Development (CID) initiatives and the plasma program, and address community concerns and grievances. In addition to Company personnel, smallholder farmers and community members and leaders, representatives from the local government, including the forestry, social affairs, health, education and cooperatives offices, are frequently present at these meetings to provide explanations and answer questions on specific issues.

All concerns and grievances are recorded and dealt with in good faith. They may be addressed to the Company through stakeholder meetings as above, or directly, or through the whistleblowing mechanism, and are handled in accordance with our SOPs, which state that any complaint must be followed up within 14 days of receipt. The majority of grievances arise over entitlements in relation to the plasma program, the provision of local infrastructure, and land compensation. With regard to compensation, most of the issues have arisen as a result of disagreements between clans over boundaries of customary land rights that affect the distribution of the compensation. We are working with the communities concerned and the local government to secure mutual agreement on these boundaries.

The two principal cases we dealt with in 2018 concerned two clans that had released some of their customary land for PPM's concession (HGU). Following the distribution of the wood cubication fee to one of these clans in February 2018, which was witnessed by the tribal chief and other community members, the Company facilitated several meetings about part of the HGU land that was still the subject of an inter-clan dispute. These discussions were attended by representatives of the clans and sub-tribes concerned as well as the Company (including the Board of Directors). In April 2019, the parties to the dispute finally signed a statement acknowledging that

the clan land boundaries needed further discussion, and the Company facilitated the planning of a Customary Deliberation, which was to be held on June 24, 2019 at PPM.

At the same time, there was an ongoing internal conflict among members of another clan over the distribution of compensation monies to clan members in June 2016.

The Company remained neutral but took steps to mediate, with the CID department facilitating a number of meetings over the next few months. The dispute is now in the hands of the local government and the Papuan Customary Council (DAP).

Due to the Company's neutral stance and the fact that all compensation obligations have been fulfilled, the community is satisfied that this is not a conflict with the Company. By being transparent and facilitating communication between both of the contesting parties, the Company has largely managed to ensure that the dispute has not escalated into a conflict that could disrupt our operations. However, a resolution must be reached, and we are hoping to bring the two sides to a settlement through the newly established Plasma cooperative, where they will have to work together side by side.

Intensive, positive engagement with the local stakeholders and customary leaders plays a key role in our community-based approach to mitigating identified risks to the safety and security of our employees and assets. All security personnel at ANJ's business units, including members of the local police force assigned to our sites, have undergone the national certified training program on human rights, ethics and voluntary principles, and receive frequent refresher training



A clan meeting to resolve an internal issue, facilitated by government officials and community leaders.



VPOHSR training at ANJAP.

on this as well as on ANJ's security policy and procedures, including our grievance procedures. In Papua, where security risks are higher, two trainings on voluntary principles on security and human rights (VPOSHR) were provided in 2018.

VPOSHR training was also provided at two of our producing estates, ANJAS and SMM, during the year. At our remaining producing estates, as well as at GSB, our development estate in South Sumatra, no VPOSHR training was provided yet in 2018. VPOSHR training covers the following:

- The concept of Human Rights and the regulations governing it;
- An understanding of social, security and business conflicts and their correlation with human rights;
- An understanding of how weaknesses in upholding human

rights can potentially give rise to security and social disturbances that could impact the Company's operations;

- Negotiation and communication in the implementation of security duties;
- Strategies, methods and regulations governing the handling of security disturbances and their relation to upholding human rights principles;
- Implementing human rights principles in carrying out security duties in order to maintain the Company's Image, operational continuity and the safety of security personnel.

## Handling Complaints Effectively through a Grievance Mechanism



**Firdaus Alfredy Betram, 44, has been a Security Manager at ANJ since January 2017.**

He has undergone several trainings on human rights and Voluntary Principles on Security and Human Rights, both at ANJ and at his previous workplaces.

“When handling local grievances, we seek a win-win solution by immediately engaging in dialog with the local community, both individually and in groups, and facilitating the submission of their complaints to the relevant Department. This reassures them that their concerns are being heard and that we are addressing the issue. This helps to reduce the likelihood of actions that could disrupt the Company’s operations, such as barricading.

“We have learned that when responding to local community grievances, it is important to do these things:

1. Be a good listener. Give the local community the opportunity to express their aspirations, and listen to their complaints. This can be difficult as almost everyone wants to share their respective aspirations or concerns, and as a result they sometimes do not focus on the key aspirations.
2. In meetings, keep the situation under control and do not be provoked when the atmosphere gets heated. Even when everyone wants to talk or shout and things get emotional, the community members often shake hands at the end of the meeting, saying, “We were not angry, it was just emotion...”.
3. Give explanations in language that can be easily understood by the local people so that there is no misunderstanding. In the past, sometimes even agreed results have been misinterpreted, thus triggering future problems.

“The Company has done a lot to strengthen the grievance system. For example, we have disseminated information about the grievance procedures to both individuals and groups, and grievance forms are available at every security post to assist local community members in submitting their complaints to management. We hold weekly grievance meetings to discuss the complaints and solutions and advise the management. However, there is constant coordination between departments about outstanding grievances, and if there is anything that can be resolved immediately, it is not left until the weekly meeting.

“ANJ’s grievance mechanism has greatly reduced the incidence of unaddressed complaints, thus reducing the risk of barricading and other actions that could impact the Company’s operational activities. It has made maintaining good relations with the local communities easier.”



## Creating a Safer, Healthier Workplace (403-2, 403-3)

One of the leading priorities under our responsible development approach is the safety and wellbeing of our employees.

Each of our subsidiaries has a Health and Safety Committee that is tasked with ensuring that the health and safety management systems and procedures comply with both ANJ's policies and the provisions of Law No. 1/1970 on Occupational Safety and Government Regulation No. 50/2012 on Occupational Safety and Health Management Systems. These committees, which comprise both management and employee representatives, also function as a grievance mechanism for employees' concerns, alongside the bipartite forum and the whistleblowing system (see pages 142 of the 2018 Annual Report).

The Health and Safety Committees work under the supervision of the Environment Health and Safety (EHS) Department, which has overall responsibility for designing safety policy, standards and guidelines as well as monitoring compliance. In addition, each business unit has a minimum of two EHS Officers, who monitor safety and compliance, provide daily safety briefings for estate workers and run safety drills and some training. ANJ is committed to building a culture of safety and accountability, where all employees take personal responsibility for safety in their work environment. All new employees receive comprehensive safety training as part

of their induction and take part in compulsory safety drills, demonstrations, simulations and training throughout the year.

Our health and safety management systems and procedures are set out in a series of SOPs, almost all of which have now been standardized across the Group. We regularly review our policies and SOPs to ensure that they are aligned with national and global standards and best practice, as well as with the criteria of the various health and safety, quality and forest management certification awarded to our business units (see page 30). The above standards are already being implemented in our development estates as well as our sago and edamame business units in preparation for certification.

Incidents and accidents in the workplace are recorded and classified by the EHS Department in compliance with the following Ministry of Manpower and Transmigration regulations: Ministerial Regulation No.03/MEN/1998 on the Recording and Inspection of Accidents and Director General of Industrial Relations and Employee Supervision No.:KEP.84/BW/1998 on the Completion of Accident Reports and Statistical Analysis. (103-2)



Keeping workplaces clean and orderly is a primary safety rule.

## Accident and Incident Performance of the ANJ Group

Year		Accident					Incident				
		Lost Time (LT)	Medical Treatment (MT)	Restricted Work (RW)	Fatality (FAT)	Occupational Disease (OD)	Total	Environmental Pollution (EP)	Property Damage (PD)	Fire Incident (FI)	Total
2017	SMM	1	2	0	0	0	3	0	0	0	0
	ANJA	0	1	0	0	0	1	0	3	1	4
	ANJAS	0	2	0	0	0	2	0	3	1	4
	KAL	2	3	0	0	0	5	0	0	1	1
	ANJAP	5	0	0	0	0	5	0	0	0	0
	PPM	1	2	0	0	0	3	0	0	0	0
	PMP	1	2	0	1	0	4	0	0	0	0
	Total	10	12	0	1	0	23	0	6	3	9
2018	SMM	2	0	0	0	0	2	0	0	2	2
	ANJA	0	1	0	0	0	1	0	0	0	0
	ANJAS	1	1	0	0	0	2	0	0	0	0
	KAL	1	1	0	0	0	2	0	0	0	0
	ANJAP	4	6	0	0	0	10	0	3	0	3
	PPM	0	2	0	0	0	2	0	0	0	0
	PMP	3	21	0	0	0	24	0	5	1	6
	Total	11	32	0	0	0	43	0	8	3	11

Although the trend at our producing estates is improving, the combined total of lost time accidents and medical treatment cases across the Group increased to 43 in 2018 from 23 in 2017, largely due to the increased activity at our development estates as they prepare to commence commercial operations in 2019. As in 2017, the Group recorded zero fatalities and zero instances of occupational disease in 2018 for the whole company.



We also measure our performance by the number of findings in the external audits of our ISO 14001 and OHSAS 18001 compliance at our producing estates. We have set a target of a combined total of a maximum of three minor findings and no major findings from all the estates concerned on both audits. In 2018 we had no major findings and six minor findings across all estates, an improvement on the previous year's total of 11 minor findings. Our Belitung estate operated by SMM also underwent an external SMK2 audit in 2018, achieving a 'Golden Flag' rating with a score of 89.16%. However, this was slightly below our target of 95%. **(103-3)**

Certain jobs in our operations are associated with higher risks, such as pesticide mixing and spraying. The EHS Department works with the EHS Committees and Officers at each site to conduct regular inspections and reviews of such risks and other potential health and safety hazards, decide on appropriate mitigating actions, and codify these actions in SOPs. The mitigating actions include both administrative controls, such as training, the implementation of permitting and lockout-tagout (LOTO) systems, and supplemental nutrition for employees who are exposed to chemical substances (even within safe limits); and the provision of personal protective equipment. Additional protections are mandated for pregnant women by reassigning them from certain job duties where their pregnancy exposes them to a higher level of risk, such as handling chemicals.

### High risk activities and their mitigation

Hazardous Activities at ANJ Estates	Location	Administrative Controls	Personal Protective Equipment (PPE)
Harvesting of FFB	Estate	Awareness-raising and training	Boots, safety goggles and safety helmets
Mixing of chemicals (pesticides/herbicides)	Estate	Awareness-raising and training	Boots, safety goggles, respirators, rubber gloves and aprons
Harvesting near power lines	Estate	Awareness-raising, training and supervision during work	Boots, safety helmets and cotton gloves
Welding and cutting	Central workshop & transportation	Welding and cutting permit	Safety shoes, welding goggles, leather gloves and aprons
Working at heights	Mill	Working at heights permit	Safety shoes, safety helmets and full body harness
Working in restricted spaces	Mill	Entry permit and gases check	Safety shoes, safety goggles and respirators
Working in power plant (generator, boiler)	Mill	Awareness, work authority	Safety shoes, ear plugs, helmet
Travelling (by car, helicopter, airplane, boat)	All operations	Safety briefings, quality controls, safety training	Safe vehicles, seat belts, hearing protection, safety vest

## Empowering Communities for a Better Life (413-1, 203-1)



Fun time after class in Papua.

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**The sustained growth of our business rests on our ability to maintain the goodwill and cooperation of the communities in the vicinity of our operations.** We interact with these communities in multiple ways: we rely on them as a source of labor; we purchase goods and services from local businesses; with their free and informed consent, we purchase or utilize land that they may have had customary rights to own, occupy or use; and we work with them as joint custodians of the protected forests around our estates.

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Empowering mothers in West Papua: learning to prepare healthy food using sago starch.

We have ethical and legal obligations to ensure that these relationships are based on respect for the people, their human rights and a commitment to minimize any potential environmental and societal harms caused by our activities. However, it is also in the interests of our business to contribute to the social and economic development of these communities for the benefit of our mutual resilience and prosperity.

Our Sustainability Policy sets out our commitment to engaging and empowering our stakeholders. This commitment is further embodied in the principles, criteria and conditions of the RSPO, ISPO and ISO 26000 certification held by our business units. Moreover, our work with communities is also intended to contribute to Indonesia's achievement of the Sustainable Development Goals (SDGs), particularly 1 (No Poverty), 2 (No Hunger), 3 (Good Health and Well-being), 4 (Quality Education), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 15 (Life on Land), 16 (Peace, Justice and Strong Institutions), and 17 (Partnerships for the Goals). **(103-2)**

At times, our efforts in respect of one goal may come at the expense of one or more of the others. The development of our oil palm estates in West Papua, for example, is delivering decent work opportunities and economic growth for hundreds of people and numerous communities in a region designated by the President of the Republic of Indonesia as a national development priority. However, these activities have resulted in some loss of biodiversity in this specific area of our operation. We are attempting to balance this by implementing sustainable approaches to natural resource

management throughout our operations, which include the active management of our extensive conservation forests and the biodiversity and ecosystems they support. We believe that balancing our efforts in this way will contribute to the successful achievement of all the SDGs, including the goal of zero net deforestation. In Papua, however, we acknowledge that, as a high forest cover area, the development process there will lead to some deforestation, but our priority is to ensure that this is done in a sustainable manner.

Each of our business units has a stakeholder engagement and community relations team that leads local community engagement and empowerment efforts. These teams are directed and overseen by the External Affairs (EA) Department and the Community Involvement and Development (CID) Department, which also provide regular training for teams on communicating and negotiating, resolving conflicts, customary laws and human rights, and other relevant subjects.

Each stakeholder engagement and community relations team regularly conducts social mapping, ethnographic studies and assessments to determine the social and environmental risks and impacts associated with various operational activities and identify appropriate strategic actions. We seek community input, consent and cooperation on these actions through various mechanisms that are considered to be appropriate to the local context, such as public consultations, regular stakeholder meetings and committees, as well as free prior and informed consent (FPIC), a rights-based approach designed to preclude land-related conflicts with local communities. The ultimate aim of all these approaches is to ensure that the members of

the local communities understand the Company’s plans and their potential impacts, and to empower them to participate as equal partners in planning, implementing, monitoring and evaluating community empowerment programs and initiatives. **(103-3)**

These programs and initiatives are designed to empower communities to improve their quality of life by improving access to quality education and health care; improving livelihoods through the plasma program, the provision of support and training to our smallholder partners, and income generation programs; and developing social infrastructure to facilitate social and economic activities. To maximize program impact

and sustainability, we work in partnership with experienced NGOs, experts and local authorities.

ANJ’s investments in community engagement and empowerment play a major role in promoting and maintaining a positive relationship between ANJ and local stakeholders and managing potential conflicts, and thereby contributing to the sustainability of our business. In addition to addressing the impacts of our operations, our programs are also delivering tangible benefits for the target communities by facilitating solutions to a number of longstanding issues in the communities concerned.

## Education

Our key focus for education is enhancing access to quality education, in line with SDG 4, from early years through to adult learning. In West Papua, we are prioritizing access to Early Childhood Education (ECE) in order to develop the cognitive, social, physical and emotional capacity that is necessary for a child’s ability to learn. Working in five villages as well as the school on our estate, our NGO partner, the Early Childhood Care and Development Resource Center (ECCD-RC), trained 10 teachers across the different locations to deliver child- and culture-friendly education.



Preparing children for lifelong learning through early childhood education.

Having observed and been coached in the techniques modelled by the ECCD-RC facilitators, all the teachers are now confidently able to lead ECE classes. By the end of 2018, a total of 170 children were enrolled in ECE, and five ECE centers were registered with the district Ministry of Education office. At the same time, several local mothers were trained as community change agents and role models for home-based learning and parenting. The growing awareness of the importance of ECE is reflected in the increase in the

number of parents who get their children ready for ECE in the morning by ensuring that they have bathed and had breakfast, take them to school, and attend parents’ meetings. The important role ECE plays in a child’s development is also a frequent topic of church sermons. In addition to early childhood education, we are also supporting a number of students in West Papua with educational scholarships.



## Encouraging the Reading Habit in Children



ECCD-RC facilitator leads a creative learning activity with children in West Papua.

### Stephanie Narrisworo, ECCD RC, Tawanggire village

The people of Tawanggire village are still slightly intimidated by books because they look too new, shiny and clean. This is why the Child Friendly and Cultural Friendly Early Childhood Education Assistance (PAPEDA) project aims to build early literacy as a building block towards reading, writing and counting. It's also why I bring around 30 books every time I come to the village.

At the Cendrawasih Tawanggire Early Childhood Education (ECE) Center, every Tuesday is reading day. The ECE teacher brings the books and the children read aloud with the teacher, read on their own, or read with their moms. Moms can play an important role in helping their children read, even simply by encouraging the kids to recognize animals, plants, shapes and colors in the book. Moreover, younger children feel more comfortable doing activities

with their mothers. This way, even if they are not ready to participate in class they can still access books with their moms.

Having nice books at the ECE makes the children excited to learn. Seeing the children's interest, I also encourage them to access books at my own home. I asked one of the children, Fitria Derione, to become a 'little librarian'. The children can borrow books for one week at a time. As well as lending out the books, Fitria also helps to make sure they do not get torn, and has made an inventory by writing down the titles and authors. Fitria chooses who can take books home or not, depending on whether she can trust them not to neglect or even damage the books. She loves the books so much that sometimes she says, "Teacher, I'm not lending to that boy. He will tear the book."

Supporting local schools to become 'green' schools under the government's Adiwiyata program is one of the key education initiatives at our producing estates. Two schools supported by SMM gained Adiwiyata status in 2018, indicating that they are implementing a pro-environment, sustainability-focused curriculum and management plan in order to foster respect for and knowledge about the environment within the school community. ANJA and KAL are also supporting the accreditation process in local schools.

At the ANJA and ANJAS estates, our educational foundation, Yayasan Perguruan Austindo Nusantara Jaya, operates schools that offer high quality education from pre-school up to middle school for the children of employees. One of our Responsible Development programs in 2018 was improving family welfare through an integrated effort that included improving teacher competencies and educational facilities (including getting national accreditation for schools that are not yet accredited).

Another goal was to increase environmental awareness among children and within the school community through an environment-oriented curriculum and various activities in the school environment, such as managing waste, composting and reducing electricity and water use. One of the key results in 2018 was the grade A national accreditation awarded to our elementary school at ANJAS. At the ANJA and ANJAS schools, we provided a fully stocked library as well as support for the teachers on library management. It is hoped that this will help to develop a love of reading as well as improve reading and information-getting skills among the children.

In all our operational areas we are supporting the provision of education through various actions, such as donating books, computers and other equipment; providing scholarships; renovating school facilities; and supporting students' participation in various events and competitions.



Children learning at the recently accredited elementary school at ANJAS.



## Health



YPCII facilitator demonstrates how to prepare supplemental feeding for infants in West Papua.

Our health programs are closely aligned with SDG 3, Good Health and Well-being. In West Papua, PPM and PMP are partnering with Yayasan Pembangunan Citra Insan Indonesia (YPCII), health authorities, local health centers and health volunteers to implement the Matahariku program, an integrated initiative focused on ensuring children's right to healthy growth. The program is building capacity for community health management and delivery at primary health centers (*puskesmas*) in four locations to ensure that children receive adequate nutrition and care, particularly during the first 1000 days, when it can have a critical impact on their future physical and mental development and growth. Led by the *puskesmas*, the program is also working through volunteers at village health posts (*posyandu*) and mothers' groups to deliver education and support for good childcare and nutrition as well as ensuring access to basic health care services (including immunization, antenatal care, etc.) and nutritional supplements.

In 2018 the Matahariku program continued to make notable achievements. Coverage of worm medicines more than doubled to 88.9%, and Vitamin A coverage expanded from 57% in 2017 to 90%. A growing proportion of women gave birth at health facilities or in the presence of trained birth assistants. The program has also contributed to incremental reductions

in the prevalence of malnutrition and stunting among under-5s as coverage has increased, but both conditions are still widespread. The prevalence of underweight children among children aged 0-24 months decreased from 24.39% (out of a population of 82 children) in 2017 to 24.21% (of a population of 97) in 2018, while among children aged 25-59 months it increased from 25.84% (population 89) to 29.09% (population 110) over the same period. Stunting among children under the age of 2 years decreased from 23.51% (population 68) in 2017 to 20.00% (population 97) in 2018, while among children aged 25-59 months, it decreased from 52.94% (population 68) to 41.82% (population 110) over the same period. The increasing number of children and pregnant women accessing these services reflects the improving health literacy in the community.

The number of pregnant women being monitored for chronic energy deficiency (CED) and given nutritional support increased from 39 in 2017 to 53 in 2018. Although there was a slight improvement in CED prevalence, decreasing from 51.28% to 50.91%, it also remains very high. This is a long-term problem, and resolving it will need time as well as multisectoral interventions. Encouragingly, as a result of continued advocacy by the Matahariku program, in 2018 the village governments in the program locations began to

allocate budgets for *posyandu*, sanitation and waste disposal facilities, nutrition improvement, and equipment.

In our operational areas outside West Papua, where there is greater provision of local health infrastructure and services, we have focused on supporting existing primary health care facilities and health promotion campaigns. SMM provided support for health promotion and treatment through the *puskesmas* at Dendang. ANJAS supported healthy behavior campaigns, contributed to Vitamin A provision for under 5s, and provided free treatment at the company clinic for a local community as well as for people affected by floods in Labalasiak and Binasari. KAL contributed to school campaigns on healthy eating and waste management, and provided supplementary nutrition at local *posyandu*.

We have also made SDG 6, Access to Clean Water and Sanitation, a priority in several of our operational areas. ANJA continued to support communities that have limited access to clean water for their daily needs by building water and sanitation facilities in five locations (the villages of Gonting Julu, Ramba, Galanonang and Tobing Jae, and a boarding school in Pasar Huristak village). In Belitung, SMM supported the construction of clean and healthy latrines for several households as well as a hygiene campaign in the village of Simpang Tiga, contributing to the declaration of Simpang Tiga as an open defecation-free (ODF) village at the end of the year. SMM also supported the ODF campaign in Nyuruk village, as well as providing supplemental clean water to a number of communities during a drought.

## Rural Community Empowerment

Our West Papua companies (PMP, PPM, ANJ and ANJAP) are working with our partner Yayasan Indonesia Lebih Baik (YILB) to build skills and self-confidence among four communities (Sumano, Mukamat Ikana, Benawa 1 and Puragi Tawanggire) that are dealing with the transformation to a modern economy. Having identified potential change leaders within each community, the program focused on empowering these individuals to facilitate change while developing skills and literacy among different community groups on parenting, early learning, managing household finances, village governance, and owning and managing the potential of their local cultural heritage. Facilitators from YILB live in the villages in order to better understand the needs of each community and provide appropriate training, modelling and support. They have had to adapt to differing levels of acceptance and readiness for change, and adjust their communication strategies accordingly.

Motivated by the change leaders and the facilitators, each community is beginning to develop their own solutions to some of the challenges they face, such as petitioning for a teacher for the local school in Sumano, and developing small enterprises from home and creative industries in Benawa 1 and Mukamat Ikana. This program is addressing multiple SDGs, including 1 (No Poverty), 2 (No Hunger), 8 (Decent Work and Economic Growth), 16 (Peace, Justice and Strong Institutions) and 17 (Partnerships for the Goals), as well as SDGs 3 and 4 concerning health and education.

The YILB program recorded some significant successes in 2018. Parents in all the beneficiary communities learned productive



Parents are learning how to help their children learn.

skills such as food preparation or catering and gardening. Parents were also encouraged to pay more active attention to their children's education, while school committees were established in Benawa 1 and Saga, and village funds were allocated to schools in Benawa 1, Sumano and Saga. In Kais Tapuri, Sumano and Saga, the 'Clean Friday' movement was implemented to encourage clean and healthy behaviors. The youth program successfully reactivated the practice of making grass skirts and demonstrated local arts.



## Empowering Women, Building Better Communities



Seliana Baho, 37, is the head of the district women's organization (PKK) in Mukamat. She lives with her husband, son and grandson. Every day, she goes to her garden and the forest to find food for her family, as well as resin, which she sells to supplement the household income. Starting in September 2018, she took part in the cake-making training led by the community facilitators from YILB, the first time she had ever tried baking.

After successfully mastering the first recipe (*bluder* cake), she was motivated to buy her own baking equipment. "I wanted to try to do it by myself, independently at home," she said. She quickly improved her skills and now makes cakes for her family, neighbors and relatives. Moreover, with her new skills, she can also add to her household income by selling her homemade

cakes and pastries not only in the village, but also to people outside the village and to the logging camp employees. With a capital outlay of Rp60,000, Seliana can sell her *bluder* cakes for Rp120,000, which means a profit of up to 100 percent. She is now planning to get more serious about her cake business so that she can further boost the household finances.

In her position as head of the PKK, she encourages others, especially young people, to get involved in this type of activity. In her opinion, everyone should have a skill so that they can provide for themselves in future. She is keen to follow up the facilitators' input by training other PKK members from the village to make cakes as well. "As the head of the Mukamat district PKK, I invite the women of Mukamat and Ikana villages to learn how to bake. Sisters, mothers, aunts, grandmothers, I am ready to train them," said Seliana Baho.



### Leberina Maikiae (Mama Lebe), Puragi village

Mama Lebe, 50, is a widowed mother who lives alone. Like most people in the village, she looks for firewood, collects sago and catches fish. She took part in YILB's cake-making training, learning to make sago cookies, doughnuts and fried bread. These specific recipes were taught at Mama Lebe's request, after she observed the types of cake typically sold around Puragi village and saw their potential.

After learning the recipes, Mama Lebe was coached on managing sales, including how to calculate the profits from the difference between her expenditure on the materials and the proceeds from sales. Mama Lebe decides how much of her profits she wants to save and how much she uses as capital for making the next batch of cakes. She sells her goods every Saturday and Sunday, making a different type of cake every week, alternating between doughnuts, fried bread, and *bluder*.

Now that she is already actively selling, Mama Lebe often expresses her gratitude to the facilitators. She feels very grateful that they were willing to patiently teach her how to do something that can generate income for her daily needs. "Thank you for teaching me. So now this mama knows how to make cakes, which I didn't know how to do before. Now, I can save my money. Selling them is not so

difficult, I just put them in front of the house in the morning, and by noon, they are all gone, and I'm left with the money," said Mama Lebe.



**Reni, Benawa 1 village**

Reni is one of the most influential women in the village of Benawa. Her husband is chairman of the village council. In the past, Reni did not pay much attention to her children's learning, letting them skip school. Now, however, she constantly reminds them of the importance of education and has told them they must go to school until they graduate from high school. Since being coached by the YILB facilitators, Reni has realized the important role that parents play in their children's learning development.

"The teacher told us that it is good for the children's future. He says that parents must help their children to

study. He doesn't live with the children, so he only knows what they do at school. So the parents must work hard for their children too. We need to sit with them when they are studying, so we can control their study hours. Sometimes they say they are studying, but they are deceiving us, right? That's not good. The teacher is right. So I sit with my children and ask them, what did the teacher teach you at school? That way I can understand what they are learning. We are grateful that the young people from the Foundation came to this village to teach us how to educate our children."

Reni has also been motivated to learn herself. Even though her husband is a village official, she never used to know much about what he did in the village administration. However, she began to join in whenever the facilitator coached her husband on his administrative work. Now she fully understands the village administration and can even criticize the performance of village officials based on her new knowledge. This helps her to support the community in her role as an official's wife.



**Mama Maca, Benawa 1 village**

Mama Maca is a leader among the village women, church activists and Posyandu volunteers. She has learned a lot from the facilitators over the last two years, including how to help her children study. She has also learned how to manage the income she earns as a laborer for the Company.

Whereas before, Mama Maca used to spend all her money in kiosks to buy whatever she wanted, she can now distinguish between wants and needs, and understands the importance of savings. She has even opened her own savings account at a bank in the town.

Mama Maca used to rely solely on her income from her work, but now, having joined the food preparation group, she can also make and sell various types of cakes. "We

must keep progressing, not just stay like this forever. I have come a long way: now I can make cakes, I can sell cakes, I can save money, I have a savings book."

She admits the facilitator has helped her in many ways, from giving her confidence in her own potential as a female leader, to nurturing her talent for entrepreneurship. "I am glad that he came to this village, so that I could learn things I didn't know about before. Because he is here, we now know a lot. From learning that we should spend time with our children, to how to make a sale, and look after your money so that it doesn't get spent too quickly."



## Income Generation

We believe that our operations benefit local economies by opening up job opportunities, increasing demand for local goods and services and delivering improved infrastructure. However, the reduced access to forests can potentially have an adverse impact on individual livelihoods. To address this, we have developed a number of sustainable income generation initiatives that not only offer opportunities to enhance

livelihoods but also contribute to biodiversity protection by enabling communities to benefit legally and sustainably from forest resources.

KAL worked with local smallholders in Ketapang, West Kalimantan to develop enterprises based on the cultivation of mushrooms (with Tropenbos) and nipah palms (with YKAN).

### Enriching Livelihood Sources through Palm Sugar Tapping



In July 2018, Pak Sahab, a rice farmer from Kuala Tolak village, participated in YKAN's training on making sugar from nipah palm sap. "I agreed to take part as I realized I could do this at the same time as my other 'job', fishing for giant prawns on the Tolak River," said Pak Sahab.

The training went smoothly. In the first phase, in July 2018, the participants learned how to select the nipah fruit bunches and how to look after them so they would produce sap. In Phase 2, in September, they learned how to tap the nipah sap and make palm sugar. Between the two phases, the participants were given an assignment: tend to their nipah fruit bunches. Pak Sahab was one of the few participants whose nipah fruit successfully produced sap. This was not surprising: he diligently checked on them every two days.

When the training ended, Pak Sahab continued to tap his nipah fruit bunches, and practiced making palm sugar with the sap. When the sap from the initial bunches began to diminish, he looked for new ones. As the fruiting nipah trees were growing near his rice fields, he could easily tend to them in between preparing his fields and planting rice. However, the palm sugar he produced was not very good. The YKAN facilitator invited him to observe one of the coconut sugar producers in the neighboring village. He accepted enthusiastically and asked the coconut sugar producer a lot of questions. Pak Sahab's curiosity ("I want to know what it looks like,") and determination ("I'm sure I can succeed,") motivated him to put his new knowledge into practice until he could finally make his own good quality sugar from the sap he taps, using it to make cakes and other food. His product was even exhibited on the ANJ Group stand at the Ketapang Expo in November 2018.



Participants on the Nipah Sugar Training Program.

In Siais, ANJAS collaborated with Conservation International and our volunteer farmer firefighting groups to cultivate forest bees for honey production.

A number of our community initiatives are being implemented as Responsible Development projects. These are projects that align social, environmental and business issues, with the involvement of multiple departments and functions alongside the CID Department.

One Responsible Development project that has delivered impressive performance is being implemented In West Papua, where PMP and PPM are working to enhance the living standards of local communities by developing organic vegetable gardens. The project worked with groups of farmers, most of whom are women, in three villages, teaching them basic organization and management skills as well as organic farming techniques. By the end of the year, the gardens were being largely managed by the groups themselves. A savings cooperative has also been established in partnership with a local bank to help the groups manage their income as their enterprises are integrated into the Company's supply chain through the sale of some of their produce to our estate caterers and vendors. The communities are also improving their own nutritional intake by consuming more vegetables themselves. At the same time, they are learning how to manage and save their money with the help of the cooperative.

Another Responsible Development project is being developed in Binanga, where ANJA worked with local farmers and the local agriculture department to improve sustainable water buffalo husbandry while preventing damage to young oil palms from buffalo grazing. Areas of formerly unproductive community land have been developed as enclosures to prevent the buffalo roaming freely through the replanting areas while ensuring that they get good quality feed, thus enhancing the value of the animals and returns to the farmers. As well as enhancing lives and nature, the project also integrates responsible waste management, as the buffalo manure and oil palm waste products are being used in the cultivation of animal feed.

GMIT's Edamame School Program continued to provide information, training and support for local farmers and businesses on growing edamame as an alternative cash crop that has potential in both local and export markets. The Edamame School, which has the support of the local government, is developing and transferring agricultural skills to local farmers in East Java and offering entrepreneurship opportunities in agribusiness. We are also working with local schools to identify and recruit talented vocational high school graduates to the program, in the hope that this will enhance their career prospects, whether with GMIT or in the broader agribusiness sector. The Edamame School is also transferring skills to ANJ's smallholder partners and employees in other



Farmers from the vicinity of the ANJAS plantation learning about beekeeping as a potential income-generating activity.



Our conservation area in Belitung provides opportunities for the next generation to learn about protecting biodiversity.

areas through the establishment of edamame pilot projects at KAL (Ketapang) and GSB (South Sumatra), offering them an opportunity to enhance their welfare by supplementing their income. At the same time, this Responsible Development project is developing innovative ways to convert edamame waste into organic fertilizer and animal feed. This not only contributes to responsible waste management and reduces the use of inorganic fertilizers, but also delivers added value for the farmers and the Company.

With local communities and NGO partners, both KAL and SMM (Belitung) have begun to explore the ecotourism potential of their conservation areas. In Belitung, BENTARA (Belitung Integrated Alternative Tourism Development

Project) is being implemented as another of our Responsible Development initiatives, involving not only SMM's estate, mill and conservation area but also our biogas-fired power plant operated by AANE. In partnership with the local community, schools, NGOs, local government and local businesses, we are developing the site as an ecotourism center that offers educational, cultural, religious, shopping and culinary attractions as well as nature. In addition to improving the quality of life of the communities around the ecotourism site through a range of income-generating opportunities, the project is aimed at strengthening cross-functional synergies within the Company while increasing the public's understanding about sustainable palm oil production.

## Cooperative Development

Employee-run cooperatives have been established at each of our estates to provide a range of services for employees and their families. At our producing estates, these services include cheap and convenient shopping for basic goods, income-generating activities and opportunities to develop business skills. Cooperative development activities in 2018 focused on improving governance, including tax and audit training and developing SOPs with assistance from ANJ's finance department.

At our development estates in Papua, where the nearest banking facilities are several hours away, the primary purpose of the cooperatives will be to provide basic financial services while educating employees and local community members on saving and managing their money. In 2018 we focused on institutionalizing the cooperatives and assisting local people to get their national identity cards, which they need to access financial services.

## Employment Opportunities

One of the impacts of our business is the creation of employment opportunities. In line with our commitment to increase the absorption of local people into ANJ's workforce, we are expanding skills training opportunities at various levels. In 2018, 55% of the participants on our first Vocational

Program to train mechanics for the new CPO mill in West Papua were indigenous Papuans. We expect to maintain or increase the local participation rate on subsequent Vocational Programs, the next of which will start in early 2019. We are also seeking to increase the number of local participants from all regions on the Management Trainee Program.

## Philanthropy

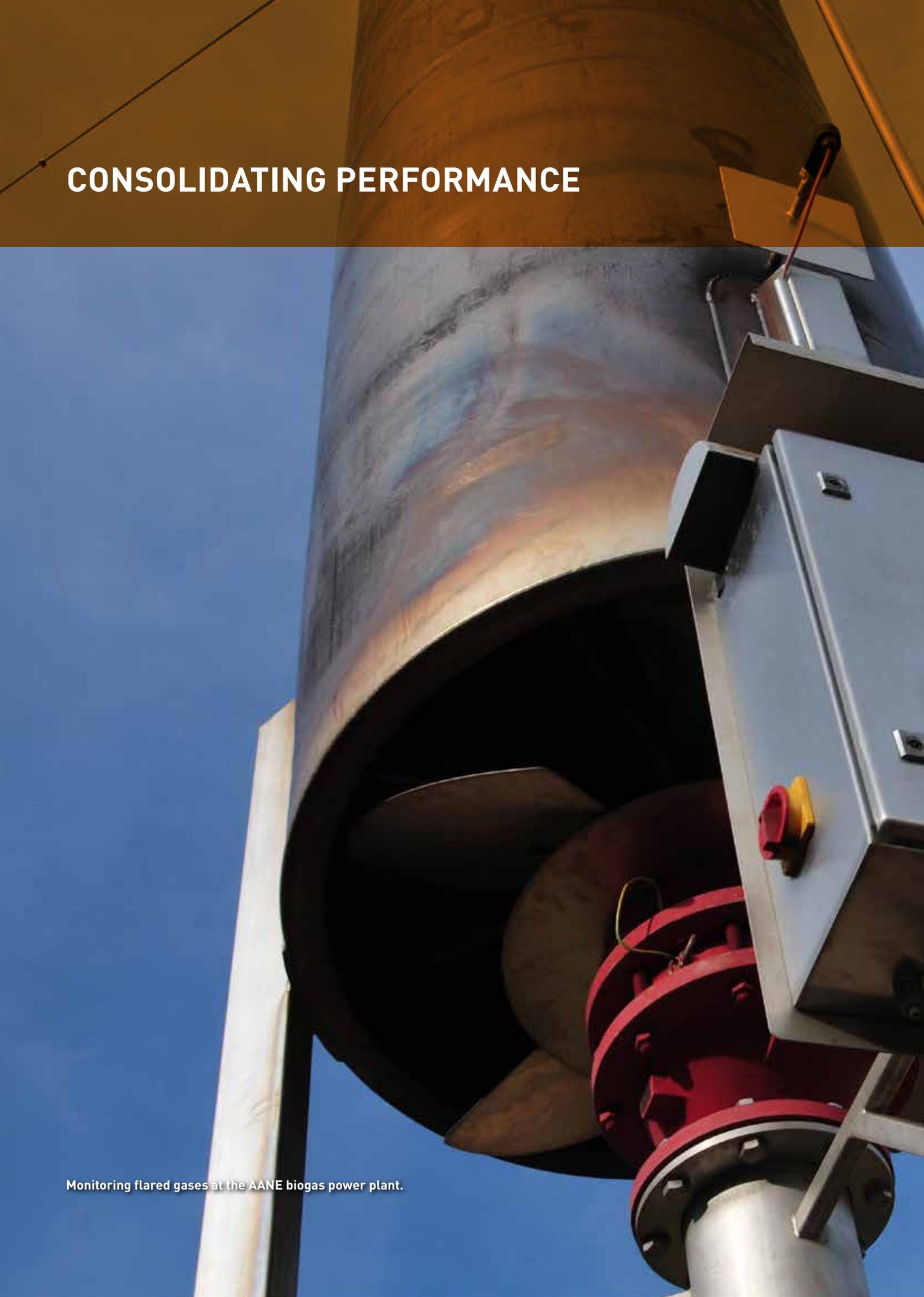
Each subsidiary continued to contribute directly to a variety of activities and projects in their surrounding communities. In 2018, we renovated school buildings, mosques, churches and other public buildings; made financial and in-kind donations to people and communities in need, as well as for the celebration of customary and religious holidays and festivals; and supported social, youth, sports and other community activities. We also contributed to the preservation and enhancement of sacred and archaeological sites in the vicinity of our estates in West Papua and Belitung, respectively.

In 2018 the Company also donated Rp202 million to build a temporary learning space in Sigi, Central Sulawesi, on the site of an elementary school that suffered severe damage from the earthquake and tsunami on September 28, 2018. Under the guidance of our partner, Yayasan Plan International Indonesia, the funds were used by the community to build a library, clean water and sanitation facilities, and to provide emergency response training.



Markus Maikiae, Engine Room Operator at PMP mill, one of ANJ's Vocational School Program graduates.

# CONSOLIDATING PERFORMANCE



Monitoring flared gases at the AANE biogas power plant.



FLARING  
UNIT



## Consolidating Performance



Inside the CPO mill.

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Our economic performance as a public company is **measured on the basis of the financial indicators disclosed in our financial statements and annual reports.** These can be accessed by the public from our corporate website. While we have disclosed our economic performance in this sustainability report on the basis of the GRI 2016 Sustainability Reporting Standards, the results are based on our audited financial statements, and are therefore not presented by area of production or by product.

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## Economic Performance (201-1)

In ANJ's sustainability-oriented approach to business, we take into consideration not only profitability but also the impact and value of our operations for the environment and society. **(103-2)**

The table below shows the economic value generated and distributed by ANJ in 2018, 2017 and 2016. The Company generated economic value from the principal economic activities of FFB harvesting and CPO and PK processing (which contributed 98.8% of total revenue in 2018), sago harvesting and sago starch processing, edamame harvesting and renewable energy generation. Despite increasing CPO production volume and sales volume by 18.3% and 17.8%, respectively, our revenue declined by 6.2% in 2018, due primarily to the steep decline in the average CPO selling price in 2018, which fell by 17.8% year-on-year.

Economic value was distributed in the form of operating costs, payments to employees and suppliers, dividends to shareholders, interest on loans (which was substantially reduced between 2016 and 2017 and again between 2017 and 2018 as a result of the repayment of long- and short-term bank loans), various central and regional-level taxes and levies, and investments in the communities in the vicinity of our operational areas.

Despite the decline in revenue, taking into account the overall operational performance for the year, including the improvements in productivity and our increasing contribution to the environment and society, we believe that the Company's strategy remains on the right track for the sustained growth of the business going forward. **(103-3)**

## Economic Value Generated and Distributed (USD)

Description	2018	2017*	2016*
<b>Economic Value Generated</b>			
Total Revenue	151,701,360	161,797,280	134,443,317
<b>Economic Value Generated</b>			
Operating Costs	21,981,530	24,388,630	17,280,036
Employee Wages and Benefits	13,860,249	16,995,554	12,788,930
Payments to Owners of Capital	2,797,470	4,479,379	8,496,239
Payments to Government	44,707,884	58,684,668	40,571,770
Community Investments	1,799,418	2,207,378	1,657,215
<b>Total Economic Value Distributed</b>	85,146,551	106,755,609	80,794,190
Economic Value Retained (total revenue – total economic value distributed)	66,554,809	55,041,671	53,649,127

\*After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69, 'Agriculture'.

Remarks: This table presents the Company's consolidated economic performance in accordance with the audited financial statements for the years ending December 31, 2018, 2017 and 2016.

ANJ did not benefit from any financial support from the government in 2018, whether in the form of income tax, value-added tax, subsidies, grants, export loans, awards, royalty holidays, or any other incentives.

All of ANJ's shares are held by private individuals and entities and neither the Indonesian government nor any other government is present in the shareholding structure. **(201-4)**

## CROSS-REFERENCE



Belibis, or whistling ducks, enjoying the nutrient-rich wastewater pond at the ANJAS CPO mill.





# Cross-Reference to GRI Standards (102-55)

INFORMATION PRESENTED		PAGE AND/OR URL
<b>GRI 102:</b>	<b>GENERAL DISCLOSURES</b>	
	<b>ORGANIZATIONAL PROFILE</b>	
102-1	Name of the organization	16
102-2	Activities, brands, products and services	16
102-3	Location of headquarters	16
102-4	Location of operations	16
102-5	Ownership and legal form	16
102-6	Markets served	16, 19
102-7	Scale of the organization	16, 17, 18
102-8	Information on employees and other workers	20
102-9	Supply chain	26
102-10	Significant changes to the organization and its supply chain	16
102-11	Precautionary principle or approach	34
102-12	External initiatives	30
102-13	Membership of associations	32
	<b>STRATEGY</b>	
102-14	Statement from senior decision maker	4
	<b>ETHICS AND INTEGRITY</b>	
102-16	Values, principles, standards and norms of behavior	9
102-17	Mechanisms for advice and concerns about ethics	11
	<b>GOVERNANCE STRUCTURE</b>	
102-18	Governance structure	13
	<b>STAKEHOLDER ENGAGEMENT</b>	
102-40	List of stakeholder groups	6
102-41	Collective bargaining agreements	22
102-42	Identifying and selecting stakeholders	6
102-43	Approach to stakeholder engagement	6
102-44	Key topics and concerns raised	6
	<b>REPORTING PRACTICE</b>	
102-45	Entities included in the consolidated financial statements	6
102-46	Defining report content and topic boundaries	6
102-47	List of material topics	8
102-48	Restatements of information	6
102-49	Changes in reporting	8
102-50	Reporting period	6
102-51	Date of most recent report	6
102-52	Reporting cycle	6
102-53	Contact point for questions regarding the report	97
102-54	Claims of reporting in accordance with the GRI standards	6
102-55	GRI content index	90-91
102-56	External assurance	6
103-1	Explanation of material topics and their boundaries	8
	<b>ECONOMIC DISCLOSURES</b>	
	<b>ECONOMIC PERFORMANCE</b>	
201-1	Direct economic value generated and distributed	87
103-2	The management approach and its components	87
103-3	Evaluation of the management approach	87
201-4	Financial assistance received from government	87
	<b>INDIRECT ECONOMIC IMPACTS</b>	
203-1	Infrastructure investments and services supported	71
	<b>ENERGY</b>	
302-4	Reduction in energy consumption	59



INFORMATION PRESENTED		PAGE AND/OR URL
<b>ENVIRONMENTAL DISCLOSURES</b>		
<b>BIODIVERSITY</b>		
103-2	The management approach and its components	38
103-3	Evaluation of the management approach	42, 45, 46
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	39
304-2	Significant impacts of activities, products, and services on biodiversity	40
304-3	Habitats protected or restored	43
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	45
<b>EMISSIONS</b>		
305-1	Direct (Scope 1) GHG emissions	58
103-2	The management approach and its components	58
103-3	Evaluation of the management approach	58
<b>EFFLUENTS AND WASTE</b>		
306-2	Waste by type and disposal method	56
103-2	The management approach and its components	56
103-3	Evaluation of the management approach	57
<b>ENVIRONMENTAL COMPLIANCE</b>		
307-1	Non-compliance with environmental laws and regulations	38
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>		
308-2	Negative environmental impacts in the supply chain and actions taken	55
308-1	New suppliers that were screened using environmental criteria	55
103-2	The management approach and its components	55
103-3	Evaluation of the management approach	55
<b>SOCIAL DISCLOSURES</b>		
<b>OCCUPATIONAL HEALTH AND SAFETY</b>		
103-2	The management approach	68
103-3	Evaluation of the management approach	70
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	68
403-3	Workers with high incidence or high risk of diseases related to their occupation	68
<b>TRAINING AND EDUCATION</b>		
404-1	Average hours of training per year per employee	21
103-2	The management approach and its components	21
103-3	Evaluation of the management approach	21
<b>NON-DISCRIMINATION</b>		
406-1	Incidents of discrimination and corrective actions taken	24
<b>CHILD LABOR</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	64
<b>FORCED OR COMPULSORY LABOR</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	64
<b>SECURITY PRACTICES</b>		
410-1	Security personnel trained in human rights policies or procedures	64
<b>RIGHTS OF INDIGENOUS PEOPLES</b>		
411-1	Incidents of violations involving rights of indigenous peoples	64
<b>LOCAL COMMUNITIES</b>		
103-2	The management approach and its components	72
103-3	Evaluation of the management approach	73
413-1	Operations with local community engagement, impact assessments, and development programs	71



# Cross-Reference to SDGs

SDGs	Action taken by the Company	Pages
<b>SDG INDICATOR SOURCE: BAPPENAS</b>		
	1.1.1 - Empowerment and assistance in poor areas	77
	1.3.1 - Health services for pregnant women at <i>posyandu</i> (local health posts)	76
	1.3.1 - All employees have Health Insurance (BPJS)	22
	1.4.1 - Access to basic services (clean water sources, sanitation)	77, 83
	1.4.1 - Immunization	76
	1.4.2 - Respect for right to community land. Free, Prior and Informed Consent (FPIC) policy.	64, 65, 72
	1.5.1 - Assistance to victims of an earthquake in Sigi and floods in Labalasiak and Binasari	83, 77
	2.2.1 Prevalence of stunting	76
	3.4.2 <i>Puskesmas</i> (primary health center) facilities	76-77
	4.1.1 Meeting minimum education standards	73
	4.b.1 Scholarships/school fees assistance	73, 75
	4.c.1 Teaching staff	73, 75
	5.1.1 Policies that support women's empowerment	21
	6.1.1 Access to clean water sources/services	77, 83
	6.2.1 Decent sanitation and handwashing facilities	77, 83
	7.2.1 Use of solid waste from palm oil and sago processing (fiber from empty fruit bunches, palm kernel shells and sago fiber) as biomass	56, 58

SDGs	Action taken by the Company	Pages
<b>SDG INDICATOR SOURCE: BAPPENAS</b>		
	8.1.1 Increasing income through the plasma, organic farming, buffalo husbandry and ecotourism programs	73, 81, 82
	8.2.1 Absorption of local labor force	71, 83
	8.3.1 Empowerment of micro, small and medium enterprises through cultivation of mushrooms and nipah palm in Ketapang, and beekeeping in Siais	80
	8.8.1 Implementation of health and safety in the workplace	68
	9.1.1. Road building	see Annual Report p 162
	9.1.2 Construction of social infrastructure	75, 77, 83
	10.1.1 Assistance to poor and disadvantaged areas	77
	10.3.1 Handling of claims of human rights violations	65, 66, 67
	10.4.1 Social Security Program for Workers	22
	11.6.1 Waste management	56
	12.4.2 Toxic and hazardous waste management	57
	12.5.1 Recycled waste (Biogas)	56
	12.6.1 Implementation of ISO 14001	70
	13.2.1 Reduction in GHG emissions	58, 59
	15.2.1 Area of degraded conservation areas where ecosystems have been restored	43, 44
	15.7.1 Number of additional flora and fauna species bred in conservation	45, 46
	16.1.4 Security of residents	64
	16.10.1 Handling of complaints of human rights violations	65, 66, 67
	17.6.1 Cooperation with international partners	32, 42



# Cross-Reference to POJK 51

POJK 51	pages
<b>A. Sustainability Report contains information about:</b>	
<b>1. Explanation of Sustainability Strategy</b>	
This section contains an explanation of the sustainability strategy of the Financial Services Institution, Issuer or Public Company.	12
<b>2. Overview of Performance on Sustainability Aspects</b>	
Provide comparative performance for the last 3 (three) years, as follows:	
a. Economic aspects, covering at least:	
1) quantity of products or services sold;	17
2) revenue or sales;	17
3) net profit or loss;	17
4) environment-friendly products; and	17 (renewable energy production)
5) involvement of local parties in relation to sustainable finance business processes.	26-27
b. Environmental aspects, covering at least:	
1) energy use (including electricity and water);	Not yet documented
2) reduction of emissions produced	59
3) reduction of waste and effluent (waste that has been released to the environment) produced; or	57
4) conservation of biodiversity.	38-49
c. Social aspects: positive and negative impacts of implementing sustainable finance for the community and the environment (including people, regions and funds)	71-83
<b>3. Brief profile presenting a comprehensive illustration of the Financial Services Institution, Issuer or Public Company, including at least:</b>	
a. Sustainability vision, mission and values of the Financial Services Institution, Issuer or Public Company;	9-11
b. Name, address, telephone number, fax number, email address and website of the Financial Services Institution, Issuer or Public Company, as well as its branch and/or representative offices;	16
c. Scale of the Financial Services Institution's, Issuer's or Public Company's business in brief, covering:	
1) total assets or asset capitalization, and total liabilities (in million rupiah);	17
2) number of employees, by sex, position, age, education and employment status;	20
3) share ownership percentage (by public and government); and	16
4) operational area.	16
d. Brief explanation about products, services and business activities;	16, 17
e. Membership of associations;	32
f. Significant changes in the Financial Services Institution, Issuer or Public Company, including those related to the closure or opening of branches, and ownership structure.	16



POJK 51	pages
<b>4. Board of Directors' explanation, including:</b>	4-5
a. Policy for responding to challenges in fulfilling the sustainability strategy, covering at least:	
1) an explanation of the value of sustainability for the Financial Services Institution, Issuer or Public Company;	4
2) an explanation of the response of the Financial Services Institution, Issuer or Public Company to issues related to the implementation of sustainable finance;	4-5
3) an explanation of the commitment of the leadership of the Financial Services Institution, Issuer or Public Company to implementing sustainable finance;	4-5
4) achievements in implementing sustainable finance; and	5
5) performance challenges in implementing sustainable finance.	5
b. Implementation of sustainable finance, covering at least:	
1) performance achievements in implementing sustainable finance (economic, social and environmental) compared to targets; and	Will be done next year
2) explanation of achievements and challenges, including significant events during the reporting period (for Financial Services Institutions that are required to make a Sustainable Finance Action Plan).	Will be done next year
c. Strategy for achieving targets, covering at least:	
1) management of risks to the application of Sustainability with regard to economic, social and environmental aspects;	34-35
2) utilization of oportunitites and business prospects; and	4-5
3) explanation of the external economic, social and environmental situation that could potentially influence the sustainability of the Financial Services Institution, Issuer or Public Company.	5
<b>5. Sustainability governance, including:</b>	
a. Description of the duties of Directors and Commissioners, employees, officers and/or work units that are responsible for sustainable finance implementation.	13
b. Explanation of competency development for members of the Board of Directors, members of the Board of Commissioners, employees, officers and/or work units that are responsible for Sustainable Finance implementation.	21-22
c. Explanation of the procedures used by the Financial Services Institution, Issuer or Public Company to identify, measure, monitor and control risks to the application of Sustainable Finance with regard to economic, social and environmental aspects, including the role of the Board of Directors and Board of Commissioners in managing, periodically reviewing, and assessing the effectiveness of the Financial Services Institution's, Issuer's or Public Company's risk management processes.	34-35
d. Explanation of stakeholders, covering:	
1) stakeholder engagement based on the results of a management assessment, GMS, decision letter or other; and	7-8
2) approaches used by the Financial Services Institution, Issuer or Public Company to engage stakeholders in the implementation of Sustainable Finance, including through dialog, surveys and seminars.	7-8
e. Problems faced, their development, and their influence on Sustainable Finance implementation.	6-8



<b>POJK 51</b>	<b>pages</b>
<b>6. Sustainability performance, including at least:</b>	
a. Explanation of activities to develop an internal sustainability culture at the Financial Services Institution, Issuer or Public Company.	9-12
b. Description of economic performance in the last 3 (three) years, covering:	
1) comparison of production targets and performance, portfolio, financing targets, or investment, revenue and income if the Sustainability Report is compiled separately from the Annual Report; and	Currently no targets. Action Plan will be made next year.
2) comparison of portfolio targets and performance, financing targets, or investment in financial instruments or projects that are aligned with the implementation of Sustainable Finance.	Currently no targets. Action Plan will be made next year.
c. Social performance in the last 3 (three) years:	
1) Financial Services Institution's, Issuer's or Public Company's commitment to providing services for equivalent products and/or services to consumers.	ANJ provides services for equivalent products to all customers.
2) Employment, including at least:	
a) statement regarding equal work opportunities and the existence or otherwise of forced labor and child labor;	64
b) remuneration of permanent employees at the lowest grade as a percentage of the regional minimum wage;	22
c) decent and safe work environment; and	68
d) employee training and competency development.	21
3) Society, including at least:	
a) information on operational activities or areas that have positive and negative impacts on the surrounding communities, including financial literacy and inclusion;	71-83
b) community complaints mechanisms, and number of community complaints received and followed up; and	65, 73
c) CSR that can be related to support for sustainable development objectives, covering types and achievements of community empowerment program activities.	see p 92, cross-reference to SDGs
d. Environmental performance of the Financial Services Institution, Issuer or Public Company, including at least:	
1) expenditure on environment;	87
2) description of the use of environment-friendly materials, such as recyclable materials; and	57
3) description of energy use, including at least:	
a) quantity and intensity of energy use; and	not yet available
b) efficiency measures and achievements, including the use of renewable energy sources;	56, 58-59



POJK 51	pages
e. Environmental performance for Financial Services Institutions, Issuers or Public Companies whose business process is directly related to the environment, including at least:	
1) performance as intended in letter d;	56-59
2) information about operational activities or areas that have positive and negative impacts on the surrounding environment, particularly efforts to increase the carrying capacity of ecosystems;	39-54
3) biodiversity, including at least:	
a) impact of operational areas that are close to or in conservation areas or have biodiversity; and	40-41
b) biodiversity conservation measures taken, including protection of flora or fauna species;	42-45
4) emissions, including at least:	
a) quantity and intensity of emissions produced, by type; and	59
b) emission reduction efforts and achievements;	59
5) waste and effluent, including at least:	
a) quantity of waste and effluent produced, by type;	57
b) mechanisms to manage waste and effluent; and	56-57
c) spills that occurred (if any); and	No waste spills
6) number and subject of environmental complaints received and resolved.	38
f. Responsibility for developing Sustainable Finance products and/or services, including at least:	
1) innovation and development of Sustainable Finance products and/or services;	Not applicable
2) number and percentage of products and services that have been evaluated for consumer safety;	All products have passed the QC process
3) Positive and negative impacts of Sustainable Finance products and/or services and distribution processes, as well as measures taken to mitigate negative impacts;	As yet, ANJ's products have not given rise to any negative impacts
4) number of products recalled, and the reasons; or	No recalls
5) customer satisfaction survey of Sustainable Finance products and/or services.	survey has not yet been carried out
<b>7. Written verification from an independent party, if available</b>	<b>6</b>
<b>8. Feedback page for readers, if available; and</b>	<b>97</b>
<b>9. Response from the Financial Services Institution, Issuer or Public Company to feedback from the prior year.</b>	No feedback from prior year



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# Abbreviations

AANE	PT. Austindo Aufwind New Energy
ANJ	PT. Austindo Nusantara Jaya Tbk.
ANJA	PT. Austindo Nusantara Jaya Agri
ANJAP	PT. ANJ Agri Papua
ANJAS	PT. Austindo Nusantara Jaya Agri Siais
CID	Community Involvement and Development (Department)
CPO	Crude palm oil
EA	External Affairs (Department)
ECCD-RC	Early Childhood Care and Development Resource Center
EHS	Environment Health and Safety (Department)
FFB	Fresh fruit bunch
FPIC	Free Prior and Informed Consent
GHG	Greenhouse gas
GMIT	PT. Gading Mas Indonesia Teguh
GSB	PT. Galempa Sejahtera Bersama
HCV	High Conservation Value
HGU	<i>Hak Guna Usaha</i> (Cultivation Use Right)
ISCC	International Sustainability and Carbon Certification
ISPO	Indonesian Sustainable Palm Oil
KAL	PT. Kayung Agro Lestari
NGO	Non-government organization
OHS	Occupational health and safety
OHSAS	Occupational Health and Safety Assessment Series (international certification system)
PK	Palm kernel
PMP	PT. Putera Manunggal Perkasa
POME	Palm oil mill effluent
PPM	PT. Permata Putera Mandiri
RSPO	Roundtable on Sustainable Palm Oil
SDGs	Sustainable Development Goals
SMM	PT. Sahabat Mewah dan Makmur
SOP	Standard operating procedure
WASH	Water Access, Sanitation and Hygiene
YILB	Yayasan Indonesia Lebih Baik
YPCII	Yayasan Pembangunan Citra Insan Indonesia

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