

SUSTAINABILITY PALM OIL SOURCING POLICY PT. BAKRIE SUMATERA PLANTATIONS, Tbk

Background :

Partnerships based on sustainability sourcing will help strengthen the supply chain and the Company's business within it. This partnership helps the Company reduce risk and build trust among its customers and stakeholders.

The Sustainable Palm Oil Sourcing Policy to strengthen the Company's commitment in working with suppliers in the long term, sustainable and successful for all concerned. The Sustainable Palm Oil Sourcing Policy is critical in ensuring that achievement of the Company's business objectives can have a positive impact on the Company's supply chain and reduce environmental impact.

The Sustainable Palm Oil Sourcing Policy includes a set of Compulsory Requirements that all suppliers must meet in order to do business with the Company. Beyond that, the Company encourages suppliers to move from compliance with the Company's mandatory requirements to Good Practice, and further to Best Practices. The company is committed to working with suppliers in an ongoing improvement effort.

Objectives :

Sustainable Palm Oil Sourcing Policy aims to drive the change needed in the palm oil supply chain. Specifically, to deliver more efficient land use and forest protection, while increasing our positive social impact, with a focus on the inclusion of smallholders to support improvements in their productivity and incomes

Scope :

The Policy applies to all of the palm oil Company buys, including fresh fruit bunch, crude palm oil, palm kernel, palm kernel oil and derivatives. It applies throughout Companies global operations, including Company investments in plantations and refining, and to all Company suppliers and their entire operations, including traders and their third parties. The Policy is designed to drive sustainable market transformation, through collaboration beyond Company own supply chains with key suppliers, governments, NGOs and the broader industry on the implementation of Company Sustainable Palm Oil Sourcing Policy.

Principles for Sustainable Palm Oil :

The foundation of Company Policy is our set of Principles for Sustainable Palm Oil. These are designed to build upon Principles & Criteria based on Indonesian Sustainability Palm Oil (ISPO) dan Roundtable Sustainability Palm Oil (RSPO) standard, as well as adhere to all relevant national and international laws and conventions. Company committed to driving the ISPO and RSPO forward and have committed to requirements that go beyond the current ISPO and RSPO Principles & Criteria :

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1. No Deforestation

- a. No development on High Carbon Stock (HCS) forests ¹
- b. No development on High Conservation Value (HCV) areas
- c. No burning in new planting, replanting and other development.
- d. Reduce Green House Gas emissions in All Operational practices.

2. No Peat

- a. No new development on peat irrespective of depth
- b. Best management practices for existing plantations on peat.

3. No Exploitations

- a. Respect Human Rights.
- b. Respect and recognise the rights of all workers including contract, temporary and migrant workers.
- c. Facilitate the inclusion of smallholders into the supply chain.
- d. Respect the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC)
- e. Resolve all complaints, grievances and conflicts through open, transparent and consultatives processes.
- f. Limit pesticide use in order to protect workers, local communities and the environment from exposure to hazardous chemicals.

4. Transparency

- a. Encourage suppliers and their third parties to be transparent about their supply chains
- b. Report to Company any breaches of the Sustainability Sourcing Policy

Implementation Action Plan :

1. Supplier requirements

Company requires suppliers and their third parties to verify that the palm oil they supply to Company meets The Four Principles above. Adherence to the ISPO and RSPO Principles & Criteria is accepted as a form of compliance verification with this Policy.

In cases where we have identified high risk sourcing areas, third party verification will be required. This means we require:

- a. Supplier company sourcing policy aligned with, and/or signed commitment to, Companies Sustainability Palm Oil Sourcing Policy

¹ as defined by the methodology determined by the HCS Approach Steering Group (The HCS Approach V2 Toolkit) or whatever becomes recognised as the industry standard in the future

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- b. Adherence to Companies Sustainability Palm Oil Sourcing Policy and the principles of Free, Prior and Informed Consent (FPIC) during the land mapping process prior to new development; and
- c. RSPO membership or equivalent and for all new developments to adhere to the RSPO New Planting Procedure or equivalent; and
- d. For key suppliers, active engagement on their approach to comply with the Companies Sustainability Palm Oil Sourcing Policy across their operations, their mechanisms for delivering Companies target, including certified volumes
- e. Upstream suppliers would be required to provide independent third party verification that the palm oil supplied to Companies Sustainability Palm Oil Sourcing Policy if those sources are deemed high risk.

2. Traceability to known sources

- a. Company is committed to 100% traceability for all of the crude palm oil and derivatives that we buy. Traceability is defined as the ability to trace back to a known catchment area that is attached to a mill, including plasma smallholders and independent smallholders.
- b. Mill locations are indicative of where palm fruit is processed and also where palm plantations are located.

As a highly perishable fruit, fresh fruit bunches must be processed within 24 hours of harvest, which companies have estimated limits plantation sourcing to a 50 km radius around the mill. Therefore, analysing the area immediately surrounding a mill can reveal useful information regarding management practices of plantations that fall within its sourcing area, including from third party plantations, and associated and independent smallholders.

3. Risk assessment and verification

- a. A risk index is applied against environmental and social factors (i) fire severity, (ii) extent of forest, (iii) recent deforestation, (iv) peat, (v) exploitation, and (vi) overall risk across these factors.
- b. If a mill and its surrounding catchment is deemed to be high risk, then on-the-ground verification by an independent third party is required. The grievance process will come into effect when supplier non-compliance is identified.

4. Smallholders

- a. Measures to drive positive impacts for smallholders must be included in key supplier engagements
- b. Companies smallholder strategy will complement the implementation of this Policy

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Compliance and Grievances :

Company will be transparent about its progress and provide publicly available information on an annual basis, including planned actions for the implementation of this Policy, supported by independent assurance.

Company commits to the responsible handling of all complaints of breaches of these Sustainability Palm Oil Sourcing Policy identified in Company supply chain. Companies Grievance Procedure sets out our procedure for addressing allegations of supplier non-compliance with Company Sustainability Palm Oil Sourcing Policy.

Company approach is always to engage with our supplier if a grievance has been raised against them, and where we can, to help them address any weaknesses in their policy or practices. Company will take any proven breaches by our suppliers seriously and where a supplier refuses to remediate the breach, Company will take appropriate steps to address this in a manner that upholds commitment to Company Sustainability Palm Oil Sourcing Policy

Jakarta, May 1, 2018



Bayu Irianto
Direktur Utama