



PT AUSTINDO NUSANTARA JAYA Tbk

OUR COMMITMENT TO MEETING CHALLENGES




2016
Sustainability
Report



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SUSTAINABILITY REPORT
PT AUSTINDO NUSANTARA JAYA Tbk



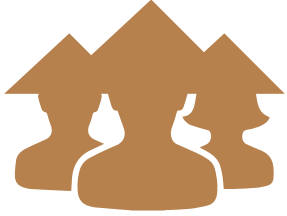
The oil palm industry is a part of the agricultural sector which produces vital products for both public consumption, the manufacturing of consumer goods and in fuel products. However, the oil palm sector is highly exposed to social and environmental risks.

We, PT Austindo Nusantara Jaya Tbk, are aware of these risks and are committed to complying with the prevailing laws and regulations and adopting sustainable development principles in running our business in the oil palm industry. In addition, we also endeavour to position ourselves among the communities with a view to growing together.

Since 28 November 2016, our commitment has been strengthened by the Sustainability Policy signed by the Board of Directors. These specific policies require us to consistently maintain the balance between return on investment, economic sustainability for local communities and nature conservation.

In this, our first Sustainability Report, we lay out our commitment to how we intend to meet the challenges that face the company.

ACHIEVEMENTS IN 2016



3,306 People

The number of smallholders working together with ANJ under the single management nucleus-plasma scheme



41,800.05 Hectares
(26.5% of the total HGU nucleus and plasma)

The total hectareage of conservation areas managed by ANJ



USD **134,443,317**
Rp **1,820,092,505,097.05**

2016 total revenue rose by 6.7% Year on Year



177,273 Tons

2016 CPO production dipped 8.1% Year on Year due to adverse weather patterns

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PRESIDENT DIRECTOR'S MESSAGE [G4-1]

Dear respected stakeholders,

This Sustainability Report is PT Austindo Nusantara Jaya's Tbk (ANJ) first sustainability report, a way to communicate our sustainability performance and an embodiment of our commitment to sustainable development. For this initial publication, we have focussed on our activities in the oil palm plantation sector.

Key Issues and Sustainability Strategies

There are several key issues we cover in this Report, namely our environmental management performance, relations with local communities, traceability mechanism implementation, environmental and social certifications, economic accomplishments and occupational health & safety (OHS) matters. We consider that those main issues are relevant and significant to our business circumstances and are of direct relevance to our stakeholders.

Since 2016, we devised and signed up to a Sustainability Policy as a commitment to take into consideration the balance of economic, social, and environmental aspects in running our business. Such a Policy is our cornerstone for composing the various managerial and operational strategies required to deal with all aspects of sustainability.

Our sustainability strategies are reflected in our operational practices. For instance, we implement free, prior and informed consent (FPIC) as a fundamental strategy for settling any issue concerning area borders and compensation in order to maintain a positive mutual relationship with the local community.

Our conservation, zero waste and zero burning policies guide us in managing waste and protecting the environment. Our business plan also takes into account the existence of peatlands and high conservation value (HCV) areas within our plantations, including the plantations in development stages located in South Sumatera and West Papua.

In terms of socio-economic issues, the Company has developed a nucleus-plasma partnership scheme. This aims to improve the community's welfare in line with the Company's development. Additionally, this scheme also enables us to strengthen social capital in every plantation area we manage.



Istini T. Siddharta
President Director

Political Aspects: Moratorium, Reducing Deforestation and Policy

We are aware of how national and global politics can impact the oil palm industry. For instance, the discourse around the moratorium on new oil palm plantations by the Indonesian government creates uncertainty and may negatively affect the development of the oil palm industry.

In addition, we observe that the Indonesian government is currently committed to reducing deforestation and is mindful of forest and peatland damage, particularly after the devastating forest fires in 2015. In line with this issue, our Company carries out fire prevention measures and strict surveillance on hotspots nearby our plantation areas. Pursuant to the Sustainability Policy issued in 2016, our company does not carry out any plantation development on peatland and wetland.

Regarding regulatory aspects, oil palm companies often deal with the uncertainties of government spatial planning and regional government regulations, which can potentially become counterproductive to the oil palm industry. These conditions pose a potential risk for sustainability that we need to monitor and anticipate.

Economic Aspects: Sluggish Demand and Upward Price

In terms of the macro economic picture, Indonesia's CPO exports slipped 5% from 26.4 million tons in 2015 to 25.1 million tons in 2016. This was the result of the on-going biofuel B-20 program and the sluggish global demand from the major destinations for Indonesia's exports, such as India, People's Republic of China and Pakistan. On the flip side, demand for crude palm oil (CPO) from the United States of America and the European Union picked up by 43% and 3% respectively. (source: Refleksi Industri Kelapa Sawit 2016 dan Prospek 2017 by GAPKI)

The People's Republic of China showed the most substantial decline in CPO demand of 19%, dropping from 3.99 million tons in 2015 to 3.23 million tons in 2016. Lower export value to People's Republic of China was caused by the development of an animal husbandry program and the rise of soybean imports for animal feed. China obtains a substitute for oil palm product through the process of soybean crushing.

Notwithstanding the sluggish global demand, CPO price nevertheless picked up in the international market. The average CPO price reached USD 700 per ton in 2016, rising 14% from the average of USD 614 per ton in 2015. Moreover, at the end of 2016 the average CPO price reached USD 790 per ton, surpassing the threshold for zero export tax of USD 750 per ton. The upward trend in the CPO price enabled us to achieve a positive revenue growth in 2016 despite our lower CPO production due to the continuing effects of El Nino in 2015.

Performance of 2016: Target, Accomplishment, and Evaluation

We conclude that the Company's performance and accomplishments were better than expected despite the tough challenges faced in 2016. Corporate revenue edged up 6.7% and we booked a profit after recording a loss in the

prior year. In addition, an oil palm mill in West Kalimantan with a production capacity of 45 tons per hour was commissioned and ready to contribute to the long term increase in the Company's economic value.

Furthermore, our 2016 planting target of 1,500 ha in cleared area in West Papua was also achieved. We were able to obtain the acquisition of the right to cultivate (HGU) and other permits pursuant to the target given.

With regard to community involvement, we registered a number of accomplishments. For example, we succeeded in conducting several public consultations with the representatives of the local communities, regional government officials and other stakeholders in West Papua.

Turning to our workforce, we sincerely regret to have to record one workplace related fatality in one of our plantations. Although we consider that the number of occupational accidents in general is still manageable, the health and safety aspects of our operations are always of central concern. Meanwhile, in terms of environmental, we successfully reached the target of preventing any outbreak of forest fire within our plantation areas. In addition, the establishment of conservation areas within our plantations in West Papua has also commenced.

In 2016, we continued our community empowerment programs in South Sorong Regency, West Papua by partnering with Yayasan Indonesia Lebih Baik (YILB) in order to build trust with the community and motivate local people to join formal education. In the education sector, we cooperated with the Early Childhood Care and Development Resource Center (ECCD-RC) to improve the quality of early childhood education (PAUD), whereas in the health sector, we partnered with Yayasan Pembangunan Citra Insan Indonesia (YPCII) in conducting an elementary health survey. Meanwhile, for our economic empowerment program, we initiated a partnership with Yayasan Paramitra.

During the course of 2016, we also continued our cooperation in the environment sector with Yayasan Inisiasi Alam Rehabilitasi Indonesia (YIARI) and The Nature Conservancy (TNC) dealing with the management of conservation forest and research on orangutans in West Kalimantan. Up to now, the Company actively manages habitat inhabited by 150 orangutans. These programs have been running since 2014.

In addition to our targeted accomplishments in 2016, we also learned a great deal, especially regarding social and economic sustainability. The number of challenges we faced in 2016 has strengthened our confidence that the balance between profit return for investors, nature conservation and local community involvement as an equal partner is the key to our business sustainability in the future. In addition, we have also begun to appreciate even more the importance of internal and external relations and communication, including with local figures and the wider community.

Our Company in the Future

Towards the end of 2016, we set numerous targets and commitments for the short, middle, and long terms. For the upcoming year, we target CPO production of 213,082 tons. In addition, we also set a planting target of 2,371 ha within the plantation area we are developing in West Papua. The planting target is carried out in the plantable area and incorporating our biodiversity conservation planning.

PRESIDENT DIRECTOR'S MESSAGE

In the future, our plantation in West Papua will become our largest source of oil palm production. In pursuing this long term objective, we need to prepare the resources and local communities affected in West Papua in line with our sustainable approach to development.

To improve the various stakeholders' comprehension of the Company, we have begun to conduct a branding program across our entire business lines, including the oil palm industry. It is an important endeavour to make our Company's characteristics better known and more recognized by external parties, especially regarding our commitment to sustainable business implementation.

We also strive to improve our performance in Environment, Health and Safety (EHS) quality and safety systems in line with international standards. We set a high target in our efforts to minimize occupational accident rates as well as equipping and upgrading evacuation facilities throughout our plantation areas. In addition, Occupational Health & Safety (OHS) training for employees will be conducted more intensively.

Regarding community involvement, we keep improving the quality of our communications with the local communities and related stakeholders by engaging them in various forums with different parts of our company.

Meanwhile, over the middle and longer term, our future is inseparable from the commitment to sustainable development which we have embarked on. We also continue maintaining and improving our policies on zero waste, zero burning, and area conservation, as well as numerous empowerment programs based on a sustainable approach to livelihoods.

Conclusion

Last but not least, we would like to express our deepest gratitude to all investors, the Board of Commissioners, members of the Board of Directors, management and employees, and all farmers partnering with us for their hard work and commitment to maintaining corporate sustainability and good relationships with all stakeholders.

We would also like to give appreciation to all stakeholders, including community, traditional leaders, government, business partners, media, and the public in general for their contribution and support to our Company.

We believe that with all the support and contributions from all the stakeholders, this will strengthen us in facing up to the demands of our commitment to responsible development, now and in the future.

Best regards,

Istini T. Siddharta
President Director
PT Austindo Nusantara Jaya Tbk

2016 SUSTAINABILITY REPORT



Supporting Palm (ANJ Documentation)

This is our first sustainability report and forms part of our commitment to accountability by disclosing our activities in corporate social responsibility and efforts to support sustainable development.

Scope, Guidelines, and Independent Assurance

This report contains information on the Company's economic, social, and environmental performance from 1 January to 31 December 2016. In the future, we plan to publish this report annually.[G4-28] [G4-29] [G4-30]

Unlike the scope of the audited consolidated financial statements, the scope of this report only covers the sustainability performance of the plantations and the oil palm production. In contrast, the scope of the audited consolidated financial statements covers the economic performance of the entire Company and its subsidiaries in both the oil palm industry and other industrial sectors disclosed in a comprehensive and consolidated manner. It is our intention to include Company's sago, edamame and renewable energy sectors in the future report.

The table below displays data concerning our direct and indirect subsidiaries under our company group.

**Subsidiaries of PT Austindo Nusantara Jaya Tbk Included in Audited Consolidated Financial Statements
Per 31 December 2016 [G4-17]**

Direct Subsidiaries*	Indirect Subsidiaries
Agribusiness <ol style="list-style-type: none"> 1. PT Aceh Timur Indonesia (ATI) 2. PT Surya Makmur (SM) 3. PT Austindo Nusantara Jaya Agri (ANJA)** 4. PT ANJ Agri Papua (ANJAP) 5. PT Austindo Nusantara Jaya Boga (ANJB) 6. PT Gading Mas Indonesia Teguh (GMIT) 	Agribusiness <ol style="list-style-type: none"> 1. PT Sahabat Mewah dan Makmur (SMM)**^ 2. PT Austindo Nusantara Jaya Agri Siais (ANJAS)** 3. PT Kayung Argo Lestari (KAL)** 4. PT Galempa Sejahtera Bersama (GSB)**^ 5. PT Putera Manunggal Perkasa (PMP)**^^ PT Permata Putera Mandiri (PPM)**^^ 6. PT Lestari Sagu Papua (LSP)
Renewable Energy <ol style="list-style-type: none"> 1. PT Austindo Aufwind New Energy (AANE) 2. PT Darajat Geothermal Indonesia (DGI) 	

Note:

*) In addition to these companies, ANJ also has minority investments in the following Direct Subsidiary Entities: PT Pangkatan Indonesia, PT Agro Muko, PT Evans Lestari, PT Prima Mitrajaya Mandiri, PT Teguh Jayaprima Abadi

**) Included in this Report

^) Direct ownership by ANJ of 0.04%

^^) Direct ownership by ANJ of 5%

GRI G4 is our key reference in determining this report's contents and boundaries. Besides, we also take into account other references, especially in discussing several distinct aspects with a view to enriching report's contents. Those references are Sustainable Development Goals (SDGs), Indonesian Sustainable Palm Oil (ISPO), Roundtable on Sustainable Palm Oil-Annual Communication of Progress (RSPO-ACOP), Carbon Disclosure Project (CDP), and Sustainable Palm Oil Transparency Toolkit (SPOTT). [G4-15]

We drafted this report in compliance with the core option from the fourth version of the Sustainability Reporting Guidelines (GRI) published by the Global Reporting Initiative (GRI G4). This report has no assurance from any independent external party. [G4-32] [G4-33]

The contents of this report are subject to perusal in the context of the principles of stakeholder engagement, materiality, sustainability context, as well as data and information completeness.

**Report Contents,
Quality, Materiality,
and Boundaries**
[G4-18]

The drafting process of this report prioritized clarity, comparability, balance, accuracy, reliability, and timeliness with a view to producing a quality and useful report for the stakeholders.

Pursuant to GRI G4, information and data disclosed in this report emphasizes the material aspects and are limited to the impact of corporate business activities on stakeholders and sustainable development.

Hence, we performed a series of processes in determining materiality and report boundaries as follows:[G4-18]

1. We identified the sustainability aspects relevant to ANJ's business characteristics and determined their degree of materiality. . This process has been internally carried out since 2016. Then, on 3 February 2017, an internal discussion, led by our Director Sustainability, was held with a view to determining what was the significant information on sustainability aspects based on our study of the social and environmental impact and grievance reports addressed by stakeholders.
2. We came up with a list of priority sustainability aspects (economic, social, and environmental) to be disclosed in this report through a discussion held on 27 February 2017 at ANJ's Head Office. These key aspects were determined based on issues relevant to an oil palm company.
3. We then validated the prioritized material features. The validation was obtained with the approval from the Board of Directors through the Director Sustainability, as the official personnel responsible for all information disclosed in this report.

After this initial report is published, we plan to obtain, consider and evaluate any feedback and suggestion from stakeholders for the sake of improving the report in future editions. Therefore, we anticipate that our report next year will be improved in terms of quality and be more accommodating to our stakeholders' needs.

The diagram below shows the process of drafting the sustainability report we have undertaken and which we intend to use in the future.

Diagram Showing Process of Drafting Sustainability Report



The process of determining materiality produced six aspects as the main topics of this report, namely environmental management, local community, traceability, sustainability certification, economic performance, and occupational health and safety.

We determined the reporting boundaries for each of the material aspects based on their impact on internal and external stakeholders. The boundaries and material aspects are shown in the table below.

Table of Material Aspects and Boundaries for 2016 Sustainability Report [G4-19][G4-20][G4-21]

No.	Material Aspect	Impact on Stakeholders	
		Internal	External
A. High Category			
1.	Environmental Management	Shareholders and Employees	Government, Community, Non-Government Organization (NGO)
2.	Local Community	Shareholders and Employees	Government, Community, Non-Government Organization (NGO)
3.	Traceability	Shareholders and Investors	Government, Non-Government Organization (NGO), Buyers
B. Medium Category			
4.	Sustainability Certification	Shareholders and Employees	Government, Non-Government Organization (NGO), Buyers, Community
5.	Economic Performance	Shareholders and Employees	Government, Community
6.	Occupationah Health and Safety (OHS)	Shareholders and Employees	Government

As an additional note for readers, this report is our initial sustainability report. Hence, this report has no restatement and undergoes no change of report scope and material aspect boundary when we disclose our sustainability performance. [G4-22] [G4-23]



Feedback or questions shall be addressed to: [G4-31]

Corporate Communications
PT Austindo Nusantara Jaya Tbk
Atrium Mulia, 3A Floor, Suite 3A-02
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VALUE SYSTEM AND SUSTAINABILITY POLICY

[G4-56]



Profit, People, Planet (ANJ Documentation)

Our value system is built around our vision, mission and ANJ's fundamental values. It is the cornerstone of our commitment to balanced economic, social, and environmental responsibilities.

Value System: Commitment to Responsible Development

In the context of sustainable development, we interpret the 3P concept (profit, people, planet) in our operational area as Responsible Development, i.e.

1. Profit: Obtaining a fair return from viable businesses.
2. People: Progressing together with the community as equal partners.
3. Planet: Maintaining the balance between environment and community welfare in every ANJ operation.

We train our employees to become value champions with a view to deeply embed our value system. Each ANJ employee should also attend our values workshop. At the end of 2016, there were 27 employees joining the training program to become value champions in each of our plantation working areas and at the various offices. Those elected as value champions must communicate, implement and disseminate ANJ's values in each of their respective working areas.

Besides this, the selected value champions also regularly provide reports and feedback to ANJ's Value Committee. The committee regularly conducts periodical analysis on these reports and feedback provided by the value champions. The results of the analysis process is then provided to the value guardians George Santosa Tahija and Anastasius Wahyuhadi, who are two of our Company's Commissioners.

VISION	MISION	ANJ INTRINSIC VALUE
To become a world-class food and renewable energy company that elevates the status of the Indonesian people.	Committed to produce quality products that are environmentally-friendly by adhering to best management practices to achieve excellent performance, ensure employee welfare, and empower the community as equal partners.	<ul style="list-style-type: none"> • Integrity • Respect for People and the Environment • Continuous Improvement

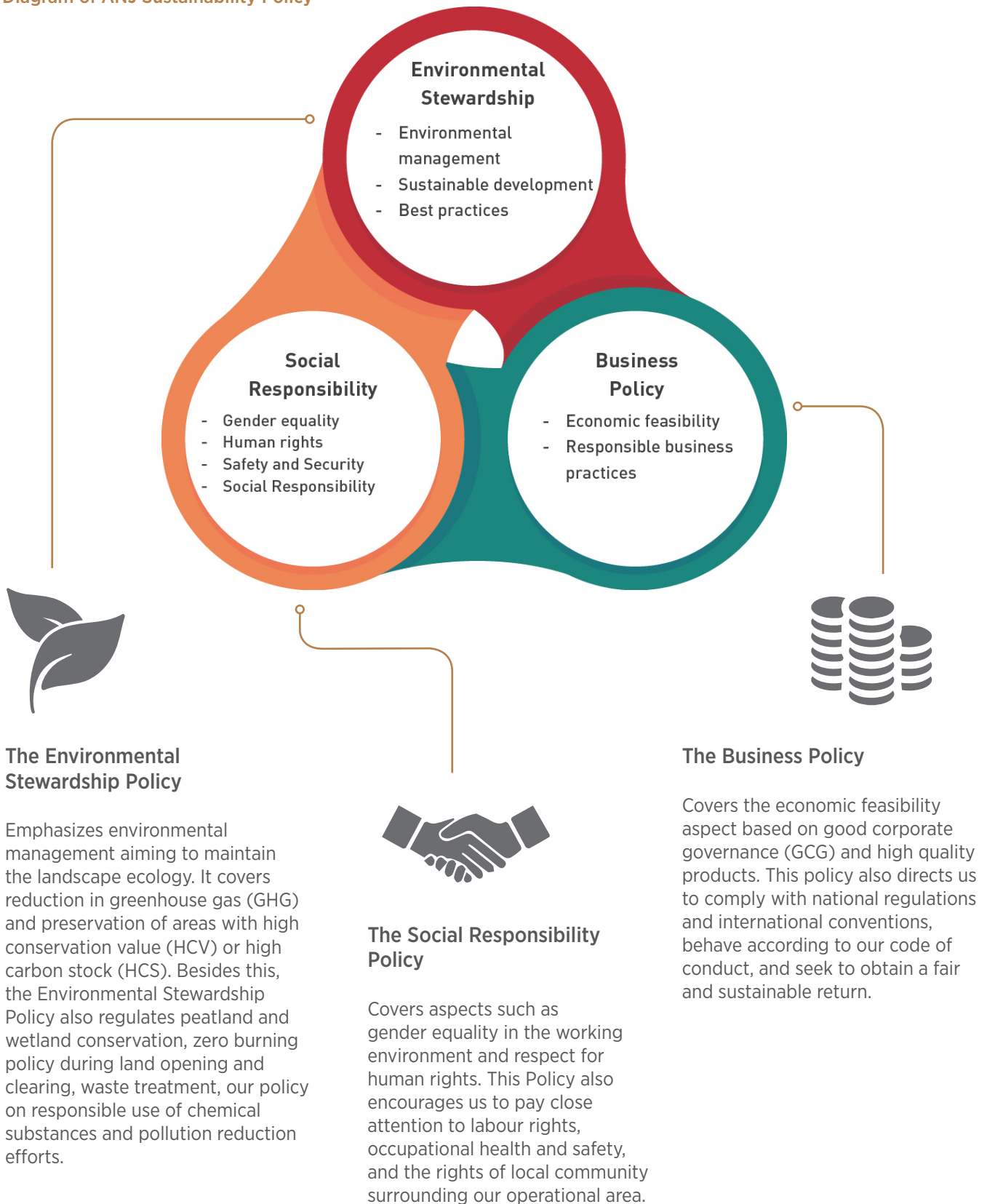
Three Pillars of Sustainability Policy

ANJ's Sustainability Policy is the interpretation of our value system and how it impacts our corporate operational activities. The Policy is based around three major components, namely environmental stewardship, business policy and social responsibility.

On 28 November 2016, the Board of Directors signed it as the embodiment of the management's commitment to sustainable development as well as economic, environmental and social responsibilities.

Below is the diagram describing the three major components of ANJ's Sustainability Policy.






Diagram of ANJ Sustainability Policy



ABOUT PT AUSTINDO NUSANTARA JAYA Tbk



The business activities of PT Austindo Nusantara Jaya Tbk (ANJ) include oil palm plantations, harvesting and processing fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK), and selling CPO and PK to domestic markets and overseas markets. The buyers of our products are agents, distributor companies and mills processing CPO into other derivative products. [G4-8]

 Company Name [G4-3]	PT Austindo Nusantara Jaya Tbk.
 Date of Establishment	16 April 1993
 Legal Form and Share Ownership [G4-7]	<p>Listed Company</p> <ul style="list-style-type: none"> Listed on Indonesia Stock Exchange (IDX) in 2013 Stock Code: ANJT Shareholders <ol style="list-style-type: none"> PT Austindo Kencana Jaya by 40.85% PT Memimpin Dengan Nurani by 40.85% Sjakon George Tahija by 4.74% George Santosa Tahija by 4.74% Public by 7.65%
 Product [G4-4]	<ul style="list-style-type: none"> Crude Palm Oil/CPO Palm Kernel/PK
 Headquarters [G4-5]	<p>Atrium Mulia 3A Floor, Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 Tel: +62 21 2965 1777 Fax: +62 21 2965 1788 Website: www.anj-group.com</p>

 Operating Area [G4-6]	Indonesia in: <ul style="list-style-type: none"> • North Sumatera • Bangka Belitung • South Sumatera • West Kalimantan • West Papua
 Marketing [G4-8]	<ul style="list-style-type: none"> • Domestic and overseas • Agent, distributor companies and companies processing CPO into its derivative products
 Total Area	<ul style="list-style-type: none"> • Production area: 47,711.42 ha • Development area: 104,009.47 ha • Conservation area: 41,800.05 ha • Plasma area: 18,143.22 ha
 Workforce* [G4-9]	Total workforce: 7,396 people <ul style="list-style-type: none"> • Male workforce: 5,981 people • Female workforce: 1,415 people
 Certification** [G4-15]	<ul style="list-style-type: none"> • Roundtable on Sustainable Palm Oil (RSPO) • Indonesia Sustainable Palm Oil (ISPO) • ISO 14001:2015 Environmental Management System • International Sustainability and Carbon Certification (ISCC) • Occupational Health and Safety Management System Certification (SMK3) • Occupational Health and Safety Assessment Series Certification (OHSAS)

*) Covers all business entities

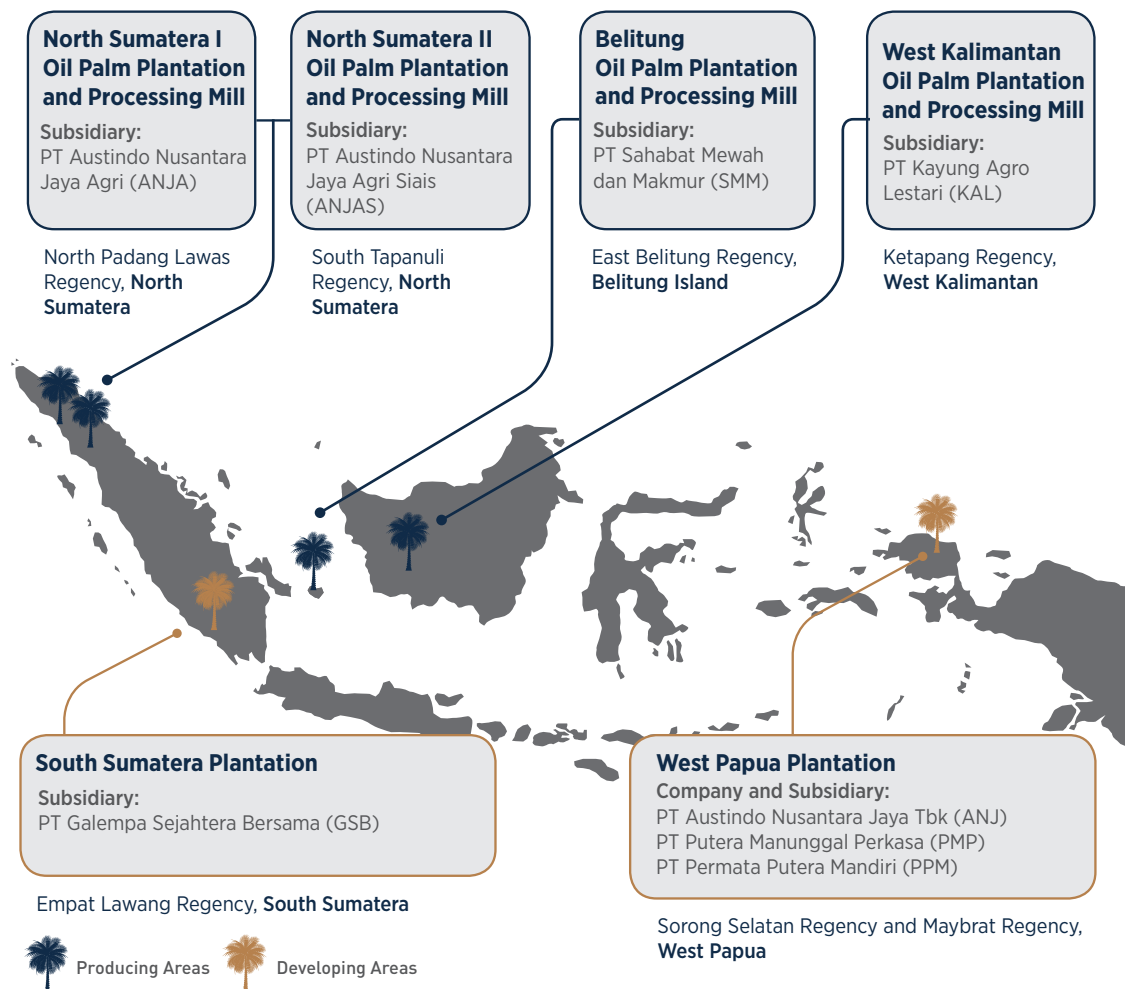
**) For certain plantation area

Organization Scale per 31 December 2015 and 2016[G4-9]

Description	Unit	2016	2015
Number of Employees	People	7,396	7,279
Number of Operating Areas	Area	4	4
Number of Cultivated Areas	Area	4	4
Revenue	USD	134,443,317	125,994,045

Total Capitalization	Total Liabilities	USD	130,014,125	68,568,665
	Total Equity	USD	340,429,895	375,460,796
Total Asset		USD	525,107,676	470,444,020
Net Profit		USD	9,199,245	-8,386,414
Product		Oil Palm & Palm Kernel		
FFB Production		Ton	663,399	756,674
FFB from Third Parties		Ton	177,882	136,190
Processed FFB		Ton	841,281	892,864
CPO Production		Ton	177,273	192,891
PK Production		Ton	38,283	44,204
CPO Sales		Ton	177,850	194,248
PK Sales		Ton	39,434	43,019

Location Map of Oil Palm Plantations and Mills [G4-6][G4-13]



Land Cultivation Policy: Legality, Zero Burning, and Zero Waste

Currently, we manage 47,711.42 ha of plantation areas producing CPO and PK located in North Sumatera, Belitung, and West Kalimantan. In order to maintain our business sustainability in the future, we also manage 104,009.47 ha of development-stage plantation areas located in South Sumatera and West Papua.

We comply with the right to cultivate pursuant to all the regulations and certification requirements, including Decree on Forest Release, Decree of the Minister of Environment and Forestry, location permit, environmental permit, and plantation permit. All of our plantation areas have obtained the right to cultivate (Hak Guna Usaha, "HGU"), except a 12,800 ha plantation concession area in South Sumatera.

The table below provides data about our total oil palm plantation areas both in the production stage and development stage based on their location and legal status.

Total Area of Oil Palm Plantation based on Location and Legality Status by 31 December 2016

Production Plantation Area				Total %
Location	Main Right to Cultivate (ha)	Plasma Right to Cultivate (ha)	Total Area (ha)	
North Sumatera I	9,321.95	-	9,321.95	19.54%
North Sumatera II	9,171.82	-	9,171.82	19.22%
Belitung	16,276.84	-	16,276.84	34.12%
West Kalimantan	10,920.36	2,020.45	12,940.81	27.12%
Total	45,690.97	2,020.45	47,711.42	100.00%

Development Plantation Area				Total %
Location	Main Right to Cultivate (ha)	Plasma Right to Cultivate (ha)	Total Area (ha)	
South Sumatera*	-	-	12,800.00	12.31%
West Papua	75,946.70	15,262.77	91,209.47	87.69%
Total	75,946.70	15,262.77	104,009.47	100.00%

Total Plantation	Main Right to Cultivate (ha)	Plasma Right to Cultivate (ha)	Total Area (ha)	
Production	45,690.97	2,020.45	47,711.42	31.45%
Development	75,946.70	15,262.77	104,009.47	68.55%
Total	121,637.67	17,283.22	151,720.89	100.00%

*land status is location permit

Pursuant to the Sustainability Policy, we have managed our production areas by implementing a zero burning and zero waste policies since 2001 when we started to invest in the oil palm industry. Despite taking more time and spending more money for land clearance, we implemented a zero burning policy with a view to avoiding forest destruction, minimizing emissions, and minimizing the negative impact of land clearance on the community's health. Our compliance with our zero burning policy is in line with the Law No. 39/2014 on Plantations.

In implementing our zero waste policy, we utilize empty fresh fruit bunches to provide biomass to our power plants in our mills. Therefore, we are able to provide energy for operating and minimize the negative impacts of our waste on the environment. In our Belitung plantation, we also convert palm oil mill effluent (POME) into fertiliser which is further converted as a source of electricity.

Currently, we manage our operational area in West Papua together with our company's two subsidiaries, with a total HGU area of 75,946.70 ha.

Managing West Papua Cultivation Area: A Sustainable Investment

The oil palm plantation in West Papua is at the development stage and is projected to be our sustainable investment for the future.

The table below presents the total area of our oil palm plantation in West Papua based on legal status and management subsidiary.

**Total Area of Oil Palm Plantation in West Papua Based on Legal Status and Management Subsidiary
Per 31 December 2016**

Location	Development Plantation Area			Total %
	Main Right to Cultivate (ha)	Plasma Right to Cultivate (ha)	Total Area (ha)	
PT Austindo Nusantara Jaya Tbk	30,515.75	5,990.18	36,505.93	35.10%
PT Permata Putera Mandiri	26,570.66	5,454.48	32,025.14	30.79%
PT Putera Manunggal Perkasa	18,860.29	3,818.11	22,678.40	21.80%
Total	75,946.70	15,262.77	91,209.47	100.00%

We are committed to cultivating land in West Papua in a sustainable manner, notwithstanding the difficult challenges we have to face. We need to manage several social issues such as claims for land compensation, inadequate maps delineating the borders between families and tribes, managing the expectations for immediate development programs by the local communities, whilst respecting local customs and traditions. Considering the bountiful amount of natural resources in our operational areas, we have proceeded cautiously with cultivation by minimizing the reduction in natural resources, for example through detailed mapping of HCV areas.

Being aware of this issue, we initiated a periodical public consultative forum with local stakeholders. We persistently comply with Indonesian government's regulatory aspects and RSPO requirements. Indeed, we are determined to remain committed to conducting integrated planning for conservation area management and empowering the local community.

Zero burning and zero waste policies are our cornerstone in managing the West Papua plantation at present and in the future. Besides, an initiative to establish a conservation area is ongoing. In line with our commitment to being socially responsible and adopting sustainability development principles, we are confident that our endeavours in West Papua will bring benefits to the community as well as our Company in the long run.

Sustainability Governance [G4-34]

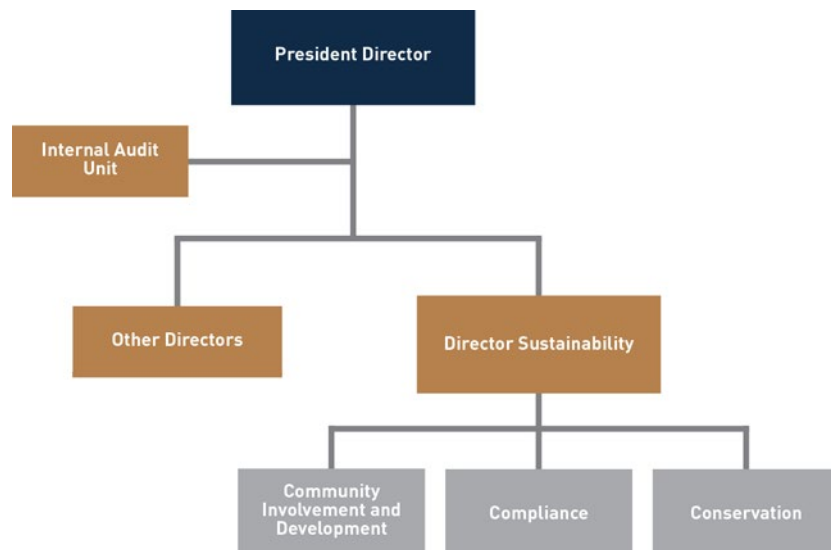
In managing our plantation areas in Sumatera, Belitung, Kalimantan and Papua, we adhere to sustainable oil palm plantation governance and comply with legal requirements. This is reflected in the position of Director of Sustainability and our organization structure in compliance with the Law No. 40/2007 on Limited Liabilities Companies.

As with other limited liabilities companies, the General Meeting of Shareholders (the GMS), Board of Commissioners, Board of Directors led by the President Director constitute the different layers of governance in the company. The Director Sustainability, under the supervision of the President Director, is fully responsible for compliance, conservation and community involvement and development (CID) functions. Each of these functions is split into a separate department.

Furthermore, not only does the Director Sustainability, with the President Director's approval, perform analysis but he also makes the decisions based upon the results of social mapping and social and environmental impact assessments, including the assessments about the development of the plantation area and community empowerment. The Manager of CID and Government Relations in each of the plantation areas assists the Director Sustainability in the implementation, supervision and evaluation of community empowerment programs.

The diagram below presents the corporate governance structure, specifically related to social responsibility and sustainability.

Governance Structure for Sustainability



As of April 2016, the Corporate Social Responsibility (CSR) Department was transformed into the Community Involvement and Development (CID) Department. In practice, the CID Department has General Managers each for Sumatera and West Kalimantan areas, as well as West Papua areas, managing and ensuring that the CID programs are suitable for the characteristics and requirements of each plantation area.

The CID Department in compliance with the seven core subjects of ISO 26000 divides its activities into two categories, namely sustainable livelihood transformation and philanthropy. Both categories are classified into five sectors, namely health, education, economy, socio-culture and religion, and infrastructure.

Certification: Holistic and Gradual [G4-15]

One of our endeavours to ensure our business practices good governance and maintains the company's credibility among the stakeholders is the attainment of certification on social and environmental aspects by independent third parties. These certification assessments also underpin our commitment to be socially responsible and follow sustainable development principles.

By the end of 2016, we obtained certifications as follows:

- Roundtable on Sustainable Palm Oil (RSPO)
- Indonesia Sustainable Palm Oil (ISPO)
- ISO 14001:2015 Environmental Management (ISO 14001)
- International Sustainability and Carbon Certification (ISCC)
- Environmental Performance Rating Program (PROPER)
- OHSAS 18001:2007 Occupational Health and Safety Assessment Series (OHSAS 18001)
- Occupational Health and Safety Management System Certification (SMK3)

The certification process for our production areas is being steadily achieved. Among the four production areas we manage, North Sumatera I Plantation has applied and implemented all certifications. Meanwhile, in September 2016, West Kalimantan Plantation was assessed to undertake RSPO and ISPO certification audit as it has graduated from the development stage to commercial production. Particularly for plantations in the development phase, certifications are still pending but will be sought in due course.

The table below presents data on certification type, plantation area, validity date, and third party performing certification as of the end of 2016.

Certification Type based on Area, Validity Date, and Assessor Per 31 December 2016

Certification	Production Area			
	North Sumatera I	North Sumatera II	Belitung	West Kalimantan
RSPO	November 2012-2017 TUV Rheinland	September 2014-2019 Mutu Agung Lestari	January 2016-2021 Mutu Agung Lestari	Audit process September 2016 Mutu Agung Lestari
ISPO	July 2016-2021 TUV NORD Indonesia	April 2014-2019 Mutu Agung Lestari	December 2016-2019 TUV NORD Indonesia	Audit process September 2016 Mutu Agung Lestari
ISO 14001	July 2014-2017 TUV NORD Indonesia	November 2014-2017 TUV NORD Indonesia	April 2015-2018 TUV NORD Indonesia	Ongoing process
ISCC	November 2016-2017 TUV NORD Indonesia	Not applicable	January 2016-2017 TUV NORD Indonesia	Not applicable
PROPER	Blue, 2015-2016	Not selected	Blue, 2015-2016	Not selected
PROPER Peatland	Not applicable	Not applicable	Not applicable	Blue, 2016
OHSAS 18001	September 2016-2019 Sucofindo	Not scheduled	Not scheduled	Not scheduled
SMK3	May 2016-2019 Sucofindo	May 2014-2017 Sucofindo	August 2015-2018 Sucofindo	Planned for 2017

Association Membership

In addition to being assessed for certifications, we actively participate in membership of various associations with a view to maintaining a mutual relationship with stakeholders and sharing updated information on sustainable oil palm plantation management. We pay annual membership contribution, but no other activity requires significant additional cost.

The table below presents information on our association membership status as per 31 December 2016.

Association Membership per 31 December 2016 [G4-16]

Association	Role
Indonesian Public Listed Companies Association	Participating as an active member.
Indonesian Palm Oil Producers Association (GAPKI) North Sumatera Branch	Involved in meeting forums to coordinate compliance of government policies, RSPO, ISPO, and GAPKI certifications.
Association of Large Private Plantations (APBS) Belitung	Involved in forums to coordinate compliance of government policies.

Precautionary Approach [G4-14]

We apply a precautionary approach toward economic, social, and environmental risks in two ways. Firstly, we perform risk management aiming to map and control risks. Secondly, we perform quality control on oil palm product to maintain economic sustainability.

Our Company's risk management has identified and formulated how to control economic, social, and environmental risks as presented below.

Summary of Risks and Risk Controls

Risks	Controls
Price fluctuation of CPO	Applying sales contract scheme with certain limitations
Delayed expansion due to land compensation issue	Establishing land acquisition committee and conducting public socialization
Delay or setback in obtaining HGU	Applying for HGU earlier according to prevailing regulation
Social issues and dispute about land ownership	Maintaining routine communication with community, cooperating with the government and other independent parties to resolve any land dispute
Challenges in hiring qualified employees	Establishing a standard of remuneration and proper employee welfare program
Incidence of transportation/logistic	Developing a good transportation system
Climate disruption: adverse weather, crop diseases, pests, and natural disasters	Implementing best agronomic practices to adapt to climate disruption
Social and environmental issues and compliance with regulation	Complying with environmental standards and regulations, communicating with all stakeholders (environmental observers or NGOs)

Notes:

More detailed information on risk management can be found in the 2016 Annual Report of PT Austindo Nusantara Jaya Tbk.

Risk management practices are carried out by various related divisions/ functions responsible to the Board of Directors. Risk management is supervised by the Risk Management Committee of the Board of Commissioners. The committee provides direct reports to the Board of Commissioners and is responsible for providing supervision and suggestions regarding any risk management issues to the Board of Directors.

Furthermore, we adhere to the precautionary approach in the context of quality control. We apply two main controls to ensure quality in our oil palm products. Firstly, we are highly selective in terms of our choice of seedlings. Secondly, we are selective about the FFB received in our oil palm's mills. The former selection uses the 25% standard of selected samples, whilst the latter selection uses standard of 98% ripe fruit.

The Diagram below demonstrates quality control for oil palm products applied in our company.

Quality Control of Oil Palm Seedling and Pre-Processing



We are committed to ensuring that our activities in risk management and quality control run in a decent and consistent manner. Therefore, we have arranged guidelines and standard operating procedures (SOPs) for oil palm seedling, planting and harvesting processes.

During the stages of seedling, planting and maintenance, we apply SOPs for Oil Palm Seedling and Seed Certificate and SOPs for Oil Palm Planting. Then, during the stage of FFB harvesting and receipt, we follow SOPs for Fresh Fruit Bunches Harvest, SOPs for FFB Receipt, and SOPs for FFB Grading.

In addition to the various SOPs mentioned above, we also have and perform SOPs for Peatland Management, SOPs for Soil and Water Conservation, and SOPs for Marginal Land Management. These given documents serve as our references in managing the environmental impacts of our oil palm plantation activities.

Human Resources: Based on Performance and Local Workforce [G4-10]

There were 5,981 male employees or 80.87% of total employees on 31 December 2016. Our company is against any gender discrimination. However, the prevailing gender imbalance suggests that more male employees than female employees may have more interest in working in the industrial oil palm sector.

There were 7,396 people working in our company as per 31 December 2016 consisting of 92.43% permanent employees (PKWTT) and only 7.57% employees with work contract for definite time (PKWT). Compared to the total employees in 2015, there was no significant change of total employees in 2016. However, we hired more additional PKWT employees, up to 560 people in 2016, increasing from 317 people in 2015. Those statistics indicate our human resources management has adapted to the operational performance as well as the requirements of production and development area.

In 2016, we also hired eight apprentices consisting of six male and two female employees. Besides, we also hired 4 contract-based male employees.

The table and graphic below shows the numbers of employees by employment contract and gender in 2015 and 2016.

Employees Composition by Status and Gender per 31 December 2015 and 2016

Employees Composition	2016				2015			
	Male	%	Female	%	Male	%	Female	%
PKWTT Employees	5,533	74.81%	1,303	17.62%	5,600	76.93%	1,362	18.71%
PKWT Employees	448	6.06%	112	1.51%	265	3.64%	52	0.71%
Total	5,981	80.87%	1,415	19.13%	5,865	80.57%	1,414	19.43%
	7,396				7,279			

Based on employment type, 91.71% of our human resources in 2016 worked as field labourers and office employees. Meanwhile, the rest of them (8.29%) were staff, managers, general managers and Directors.

Compared to the previous year's data, there was a significant drop in the numbers of staff from 466 to 358 and an increase in the numbers of managers from 92 to 204. A number of staff were promoted to managerial positions because of their experience and improved competency as evaluated by our company.

The table below presents the number of employees in 2015 and 2016 based on employment type and gender.

Number of Employees by Employment Type and Gender per 31 December 2015 and 2016

Position	%	2016			%	2015		
		Total	Male	Female		Total	Male	Female
Director	0.15%	11	9	2	0.16%	12	10	2
General Manager (GM)	0.54%	40	35	5	0.51%	37	33	4
Manager	2.76%	204	180	24	1.26%	92	84	8
Staff	4.84%	358	305	53	6.40%	466	400	66
Labor and Employee	91.71%	6,783	5,452	1,331	91.66%	6,672	5,338	1,334
Total	100.00%	7,396	5,981	1,415	100.00%	7,279	5,865	1,414

According to the characteristics of our company, our human resources are distributed all over our operational areas to meet the requirements of each area. In practice, the numbers of employees in production areas are more than the numbers of employees in development areas.

Some 30% of our employees work in the North Sumatera area, covering North Sumatera I and II plantations. Meanwhile, the percentages of our employees in Belitung plantation and West Kalimantan plantation are 19.71% and 19.74% respectively.



Management trainee program (ANJ Documentation)

We conduct an annual selection among employees to participate in integrated training aiming to prepare our company's future leaders. In 2016, we evaluated and completed our management trainee (MT) program by making some modifications to the curriculum, method, preparation of facilitators, and the mentoring system.

The core program of MT is conducted for nine months; each course is followed by 20-30 participants. We had 20 participants in 2016. Those graduating from this program are eligible to continue with the development program through mentoring and leadership training. Participants with excellent achievements and great potential are expected to reach managerial level within five years after their graduation from the program.

Not only did we adapt the numbers of employees to meet the operational requirements but we also consider the potential of the local workforce in each plantation area. This policy also applies for areas at the development stage, such as South Sumatera and West Papua.

Until the end of 2016, we conducted several programs of human resource improvement for local Papuans surrounding the plantation. We cooperated with the local government to improve the quality of elementary education, higher education and vocational education for the local communities including the Awee, Iwaro, Maybrat, and Kaiso tribes. We also started to recruit local Papuans for the MT program in our plantations in Sumatera and Kalimantan.

We provide the table below to display employee data by occupational location and gender in 2015 and 2016.

Employees Composition by Working Location per 31 December 2015 and 2016

Location	2016				2015			
	Male	%	Female	%	Male	%	Female	%
PT Austindo Nusantara Jaya Tbk (Jakarta)	67	0.91%	30	0.41%	55	0.76%	21	0.29%
PT Austindo Nusantara Jaya Agri (North Sumatera I)	1,283	17.35%	191	2.58%	1,274	17.50%	151	2.07%
PT Austindo Nusantara Jaya Agri (Medan)	46	0.62%	28	0.38%	52	0.71%	28	0.38%
PT Austindo Nusantara Jaya Agri Siais (North Sumatera II)	958	12.95%	266	3.60%	1,036	14.23%	281	3.86%
PT Galempa Sejahtera Bersama (South Sumatera)	111	1.50%	8	0.11%	108	1.48%	10	0.14%
PT Sahabat Mewah dan Makmur (Belitung)	1,458	19.71%	302	4.08%	1,546	21.24%	320	4.40%
PT Kayung Agro Lestari (West Kalimantan)	1,460	19.74%	500	6.76%	1,258	17.28%	509	6.99%
PT ANJ Agri Papua (West Papua)	183	2.47%	24	0.32%	146	2.01%	24	0.33%
PT Austindo Aufwind New Energy (Belitung)	4	0.05%	0	0.00%	6	0.08%	0	0.00%

Location	2016				2015			
	Male	%	Female	%	Male	%	Female	%
PT Gading Mas Indonesia Teguh (Jember)	54	0.73%	2	0.03%	50	0.69%	2	0.03%
PT Permata Putera Mandiri (West Papua)	155	2.10%	20	0.27%	149	2.05%	21	0.29%
PT Putera Manunggal Perkasa (West Papua)	202	2.73%	44	0.59%	185	2.54%	47	0.65%
Total	5,981	80.87%	1,415	19.13%	5,865	80.57%	1,414	19.43%
	7,396				7,279			

We provide an opportunity for local people to strive together with our Company as suppliers, partners, or workers. In general, the workforce is categorized into freelance daily workers, permanent daily workers, permanent monthly workers, and staff. We offer fair remuneration according to the minimum wage regulations set in regions where the plantation is located.

Until the end of 2016, there were 3,293 equal to 51.31% of our total employees in the production areas covering North Sumatera I, North Sumatera II, Belitung, and West Kalimantan. Meanwhile, we hired 578 local people equal to 77.38% of total employees working in development areas in South Sumatera and West Papua. As far as possible, we intend to maintain and increase the numbers of local employees in the future. It depends on the availability of the local workforce who could meet our occupational requirements. This policy is pursuant to our vision to strive together with the community and provide economic contributions for the local community.

The table below presents data on the number of local workforce by plantation area by the end of 2016.

Total Local Employees by Plantation Area per 31 December 2016

Producing Plantation	Total Employees	Local Employees	%
North Sumatera I	1,417	365	24.76%
North Sumatera II	1,175	664	54.25%
Belitung	1,689	1,277	72.56%
West Kalimantan	1,960	987	50.36%
Total	6,241	3,293	51.31%

Developing Plantation	Total Employees	Local Employees	%
South Sumatera	119	107	89.92%
West Papua	628	471	75.00%
Total	747	578	77.38%

Plantation	Total Employees	Local Employees	%
Producing	6,418	3,293	51.31%
Developing	747	578	77.38%
Total	7,165	3,871	54.03%



COMMITMENT TO SUSTAINABLE ENVIRONMENT

1



CONSERVING BIODIVERSITY

We consider biodiversity as a crucial issue to be considered in managing oil plantations for several reasons. Firstly, we have established a value system and sustainability policy encouraging us to maintain forest sustainability and the ecosystem therein.

Secondly, we are also committed to support 15 Goals of Sustainable Development Goals (SDGs) on the protection and conservation of ecosystems and biodiversity.

In addition, the Indonesian Government as one of the stakeholders has a number of regulations on biodiversity conservation, as follows:

1. Law No. 5/1990 on Conservation of Natural Resources and Their Ecosystem;
2. Law No. 41/1999 on Forestry;
3. Law No. 18/2013 on Prevention and Eradication of Forest Destruction;
4. Government Regulation No. 70/1999 on Preservation of Flora and Fauna Species.

In relation to this issue, we undertake initiatives and approaches to maintain the sustainability of the biodiversity in our areas. Our main approach is to identify and conserve the biodiversity in our oil palm plantations. We managed a total conservation area of 41,800.05 ha or 26.5% of the total HGU area per 31 December 2016.

Together with our two subsidiaries, we have prepared and manage a conservation area of 32,483.49 ha in West Papua. This conservation area exists to protect the ecosystem, preserve vital habitat, and maintain the population of protected and endemic species in West Papua.

Notwithstanding our efforts to conserve biodiversity, we face ongoing challenges such as the rampant hunting of endangered species, especially in West Papua, and the lack of understanding of the importance of preserving high conservation value areas. We carry out regular campaigns with the local communities with a view to protecting the endangered species of flora and fauna. Moreover, we continuously educate the community to prevent and avoid the practice of igniting fire, which of course can lead to forest fires. The Director Sustainability is responsible for the implementation and evaluation of these practices.

We are fully responsible for the conservation activities in all of our operational areas. Nevertheless, we are fully aware of our limited capability in conducting conservation; accordingly, we cooperate with other parties according to each

of their roles and functions in running the conservation programs.

We seek to engage local communities surrounding the plantations in a manner which is suitable for their specific context and characteristics. One approach we have adopted in West Kalimantan is persuading illegal logging operators, who have a negative impact on conservation areas, to become partners or employees in our oil palm plantation. Meanwhile, in West Papua we have engaged the local community within our operating area to maintain the river basin areas of Metemani, Kamundan, and Kais.

When feasible, we also cooperate with national institutions as well as foreign institutions which are competent in conducting conservation. In West Kalimantan, we cooperate with the Nature Conservation Agency (BKSDA), Tanjungpura University, The Nature Conservancy and YIARI.

Data and information about our conservation areas and their management as well as local community involvement within the ANJ oil palm plantations are provided below.

Conservation Area Management by 31 December 2016

Plantation Area	Total Area (ha)	Conservation Area		Conservation Area Management	Local Community Involvement
		Total Area (ha)	%		
North Sumatera I	9,321.95	324.58	3.48%	PT Austindo Nusantara Jaya Agri (ANJA)	Yes
North Sumatera II	9,171.82	2,271.88	24.77%	PT Austindo Nusantara Jaya Agri Siais (ANJAS)	Yes
Belitung	16,276.84	1,736.93	10.67%	PT Sahabat Mewah dan Makmur (SMM)	Yes
West Kalimantan	12,940.81	3,844.52*	28.71%	PT Kayung Agro Lestari (KAL), The Nature Conservancy, YIARI dan Badan Konservasi Sumber Daya Alam (BKSDA)	Yes
South Sumatera	12,800.00**	1,138.65	8.90%	PT Galempa Sejahtera Bersama (GSB)	Not yet
West Papua	36,505.93	23,643.74	64.77%	PT Austindo Nusantara Jaya Tbk (ANJ)	Not yet
West Papua	22,678.40	3,788.40	16.70%	PT Putera Manunggal Perkasa (PMP)	Yes
West Papua	32,025.14	5,051.35	15.77%	PT Permata Putera Mandiri (PPM)	Yes
Total	157,720.89	41,800.05	26.50%		

Note:

*) 2,330 ha of this area is outside KAL's HGU

**) Land status is location permit

In ANJAS, we have cooperated with Conservation International-Indonesia (CI) since 2014. It was initiated when CI conducted information dissemination on Sustainable Landscapes Partnership (SLP). The two parties cooperate in such activities as:

1. The Company was chosen as a speaker on some sustainable business practice seminars since ANJAS had already obtained RSPO, ISPO, SMK3, and ISO 14001 certifications.
2. Our oil palm plantation in North Sumatera II was chosen as a demonstration plot in a comparative study on Best Management Practice (BMP), Water Management, Fire Control System Management, and Local Community Empowerment. Such activities were organized by UNDP, WWF, and the Ministry of Agriculture.
3. Tree planting within the conservation area in North Sumatera II attended by representatives of South Tapanuli Regency Government.

In addition to preserving and maintaining conservation areas for the sake of biodiversity conservation, we run a policy to identify the nearest protected forest zone from our plantation. It is important to identify flora and fauna as well as the ecosystem which may be affected by our activities. Our policy is specified in the documents: Environmental Policy, Conservation Policy, Protected Flora and Fauna Conservation Policy, and actualized into SOPs for the Management of High Value Conservation and Riparian Area signed in 2016.

Currently, we have identified protected zones close to our operating areas in Sumatera and Kalimantan as listed in a table below.

Location of Estates and CPO Mills and Nearest Protected Areas

Location of Estate & CPO Mill	Nearest Protected Area	
	Name	Distance (km)
North Sumatera I	Batang Gadis National Park	57
North Sumatera II	Siondop Protected Forest	Direct Border
Belitung	Senusur Sembulu Protected Forest	4
West Kalimantan	Mount Palung National Park	2

As of 31 December 2016 we have identified and carried out actions to protect the endangered species based on the International Union for Conservation of Nature (IUCN) list. The endangered species are as follows:

1. *Anisoptera costata* Korth (a huge tree, locally known as 'Ifak'/'Mersawa')
2. *Eusideroxylon zwageri* (Borneo ironwood)
3. *Nepenthes* sp (pitcher plant)
4. *Presbytis melalophos* (Sumatran surili or mitred leaf monkey)
5. *Symphalangus syndactylus* (Siamang, an arboreal black-furred gibbon)

6. *Anisoptera grossivenia* V. Sloom. (a tall tree, locally known as 'Waeno')
7. *Trachypitechus auratus* (Javan lutung or ebony leaf monkey)
8. *Pongo pygmaeus ssp. wurmbii* (Bornean orangutan)
9. *Buceros rhinoceros* (Rhinoceros hornbill)
10. *Hylobates agilis* (Agile gibbon or dark-handed gibbon)
11. *Helarctus malayanus* (Malayan sun bear)



Orangutan in KAL conservation area (ANJ Documentation)

We also performed other approaches to conserve biodiversity by implementing a zero burning policy and anticipating forest fire within our plantation areas. We build watch towers, provide adequate fire extinguishers, have a fire emergency response team and have established an internal firefighter team ready to be sent to any hotspot within our operating area.

In addition, we cooperate with the Manggala Agni (firefighter brigades) in training, disseminating and establishing fire awareness amongst the community (FAC). The cooperation also involves weather and hot spot monitoring at the The Meteorology, Climatology, and Geophysics Agency (BMKG) and SiPongi (application for preliminary detection of land and forest fires). Furthermore, to maintain moisture within the soil, we build canals and blocking canals in our plantation areas. Moreover, we install fire emergency signs to prevent casualties caused by forest fire.

We initiate procedures to prevent and extinguish fire whenever a hot spot is detected within 3 km of the outer border of our plantation area. This policy was implemented in August 2016 when a hot spot was detected in a forest located in Dusun II Village, Kuala Satong of Ketapang Regency at around 1.7 km from the outer perimeter of our West Kalimantan Plantation area.

MANAGING PEATLAND



Ministry of Environment and Forestry visit to KAL plantation in 2016 (ANJ Documentation)

The Indonesian government is paying great attention to peatland since peat preserves a large amount of carbon and has become one of the climate change determinants.

Besides, it is important to manage peatland to support the government's targets for carbon emission reduction.

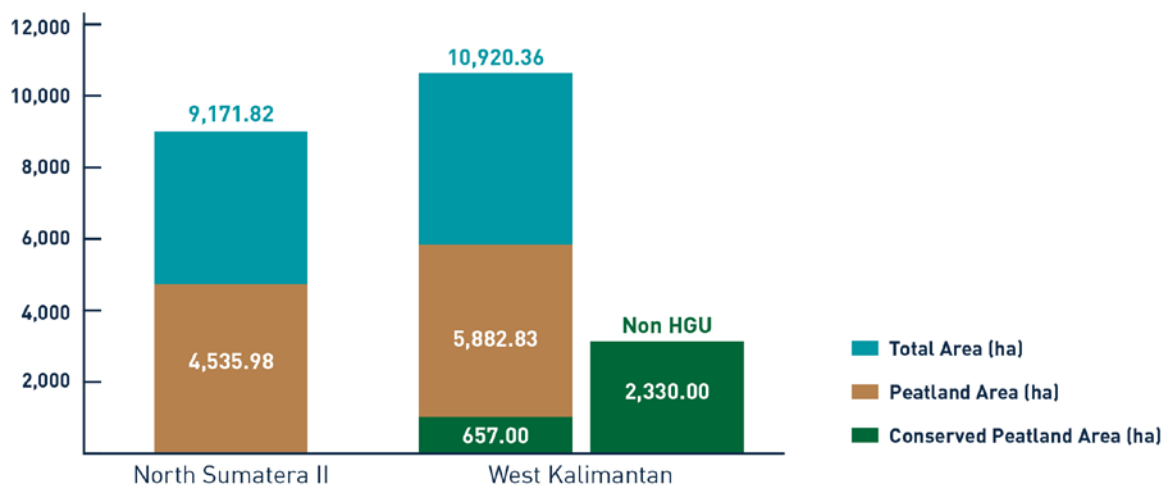
At the beginning of 2016, the Indonesian government issued President Regulation No. 1/2016 to establish the Peatland Restoration Agency (BRG). This institution organizes peatland management in Indonesia, covering 20 million ha of peatland area in Sumatera, Kalimantan, and Papua (source: www.menlh.go.id). BRG is also responsible for preventing peatland and forest fires as well as coordinating and facilitating peatland restoration.

Environment awareness and the concern of the Indonesian government over peatland management has motivated us to place the peatland management issue as one of material aspects in this report. Besides, as a member of RSPO, we also recognize and comply with RSPO policy forbidding its members to cultivate any plantation within HCV areas.

As of 31 December 2016 we have recorded a total area of peatland of 11,075.82 ha or 55.12% of the total plantation area in North Sumatera II and West Kalimantan. As for North Sumatera I, Belitung and South Sumatera, we have not detected any peatland within those plantations. Meanwhile, based on analysis conducted by the Ministry of Agriculture in 2014 there was no indication of peatland within our plantation area in West Papua.

Below is graphic describing total peatland area within our plantations as of 31 December 2016.

Total Area and Peatland in North Sumatera II and West Kalimantan Plantation Areas per 31 December 2016



We conduct peatland management pursuant to the following regulations:

1. Minister of Agriculture Regulation No. 14/2009 on Guidelines on Peatland Development for Oil Palm Cultivation
2. Government Regulation No. 71/2014 and No. 57/2016 on Conservation and Cultivation of Peatland Ecosystem

Pursuant to the zero burning policy of our company, we also manage and utilize water within peatlands to prevent fire and carbon release. We continue implementing this approach and policy in our plantations in North Sumatera II and West Kalimantan in a consistent, measurable and transparent manner.

CONTROLLING PESTS

The damage to plants caused by pests has become one of business risks which we have to face in managing our oil palm plantations. On the other hand, exterminating pests with excessive of pesticides or chemical substances will have a negative impact on the environment.

To deal with this issue, we have an eco-friendly approach in controlling pests. It is stipulated in SOP AGR 20 for pest observation and integrated pest management.

We have so far managed to perform an effective pest control system, resulting in minor and controllable damage caused by caterpillars, beetles, rats and termites. For the future, we will maintain our eco-friendly pest control practices, including for the cultivated land in West Papua and South Sumatera.

The table below contains data and information regarding pest control in our plantations.

Pest Control in Oil Palm Plantations PT Austindo Nusantara Jaya Tbk

Pest	Control Method	Result
Nettle Caterpillar	Picking caterpillar off	Controlled: There was neither second generation of nettle caterpillar No new pest attack
	Spraying infected plants with <i>Bacillus thuringiensis</i>	
	Fogging with <i>Bacillus thuringiensis</i> , Bio Fogger K22 bio	
	Intensive planting of beneficial plants such as <i>Turnera subulata</i> , <i>Antigonon</i> , and <i>Cassia cobanensis</i>	
	Applying class 2 chemicals (used for pest with high population)	
Tirathaba bunch moth	Spraying infected plants with <i>Bacillus thuringiensis</i>	Controlled: flowers grew well and new pest attack was very mild

Pest	Control Method	Result
<i>Oryctes rhinoceros</i> beetle	Picking larva off	New attack was very mild
	Spreading carbosulfan in leaf top	
	Compost policy	
Rat	Installing cages of barn owl <i>Tyto alba</i>	Controlled: the rats only caused mild damage to fruits
	Rat poison if pest population rises	
Termite	Routine pest monitoring	Controlled: new attack was very mild
	Applying Fipronil	



Erik Meijaard

Honorary Professor, Center of Excellence for Environmental Decisions and Chair, IUCN Oil Palm Task Force

I have worked with one of ANJ's companies, PT Kayung Agro Lestari (KAL) in Ketapang, West Kalimantan for four years now. I also was involved early on with the design of conservation programs in the concession. We need to consider what would've been the impact if no oil palm had been developed.

ANJ has implemented our management recommendations and has managed to fully control previously rampant illegal logging, and significantly reduce forest fires and poaching in the conservation set aside areas. The company is presently supporting other studies of pollination benefits from forests and research on orangutan ecology in oil palm plantations. Currently there are some 150 orangutans and other threatened wildlife within the areas under the company's management, and these orangutans are safer than most other orangutans in other areas.

Overall, KAL has made great progress towards full environmental sustainability, but there is always more to do. With forests around KAL rapidly disappearing, the regional conservation importance of KAL's conservation set asides is increasing.



Sudirman

Conservation employee of PT Kayung Agro Lestari (KAL), former perpetrator of illegal logging

Some years ago, I was forced by the situation to do illegal logging because it was difficult to find a job. In 2014 I got caught in a joint operation between Polsek North Matan Hilir and KAL in a 2,330 ha HCV area. However, it became my turning point to get a better, allowable and legal job.

Personally, I expressed my request to be a conservation employee of KAL. I realize that what I did some years ago has contributed to deforestation and endangered wildlife habitat. For now, I can live a better life with a monthly wage.



Rizal Algamar

Country Director, the Nature Conservancy Indonesia

The Nature Conservancy Indonesia Program, through its local affiliate Yayasan Konservasi Alam Nusantara, is working with PT Kayung Agro Lestari (KAL) in managing its conservation area, by developing a landscape management strategy, establishing partnerships with key stakeholders and empowering local communities.

ANJ Group has shown a strong commitment towards sustainability through its subsidiary palm oil plantation company, KAL, with operations that protect high value conservation forests that are home to the endangered orangutans in Ketapang, West Kalimantan.

The Company strives to collaborate and engage with various key stakeholders – the government, local communities, universities and NGOs. Internally, KAL shows its commitment by strengthening its capacity in conservation, environmental services management, biodiversity surveys, patrolling, as well in community awareness for sustainable use of natural resources.

TREATING AND UTILIZING WASTE

[G4-DMA Effluents and Waste]



Waste management in ANJAS (ANJ Documentation)

In terms of environmental management, oil palm waste becomes a material issue because of the sheer amounts involved. Therefore, we operate a zero waste policy to minimize the oil palm waste we produce.

The waste consists of the palm kernel shell and fiber from the empty fruit bunches. Palm kernel shell is the hard inner peel wrapping the palm kernel, whereas empty fruit bunches is what remains of the fresh fruit bunches after the fruit has been removed for oil pressing.

There are three approaches to oil palm waste treatment and utilization within our operational areas. Firstly, we use the fiber from the empty fruit bunches and palm kernel shells for fertiliser within plantation area.

Palm kernel shell and empty fruit bunches can be used to restore soil fertility, especially by adding phosphor and potassium. Besides, applying palm kernel shell and fibre from empty fruit bunches to plantation areas can help maintain soil moisture which reduces evaporation of surface water. The fibre from empty fruit bunches can also increase biological activities underneath the ground thus aiding the recovery of the soil structure.

The second approach is carried out by utilizing oil palm waste as biomass fuel for the boilers in the mill. Steam from the boiler is distributed to the power

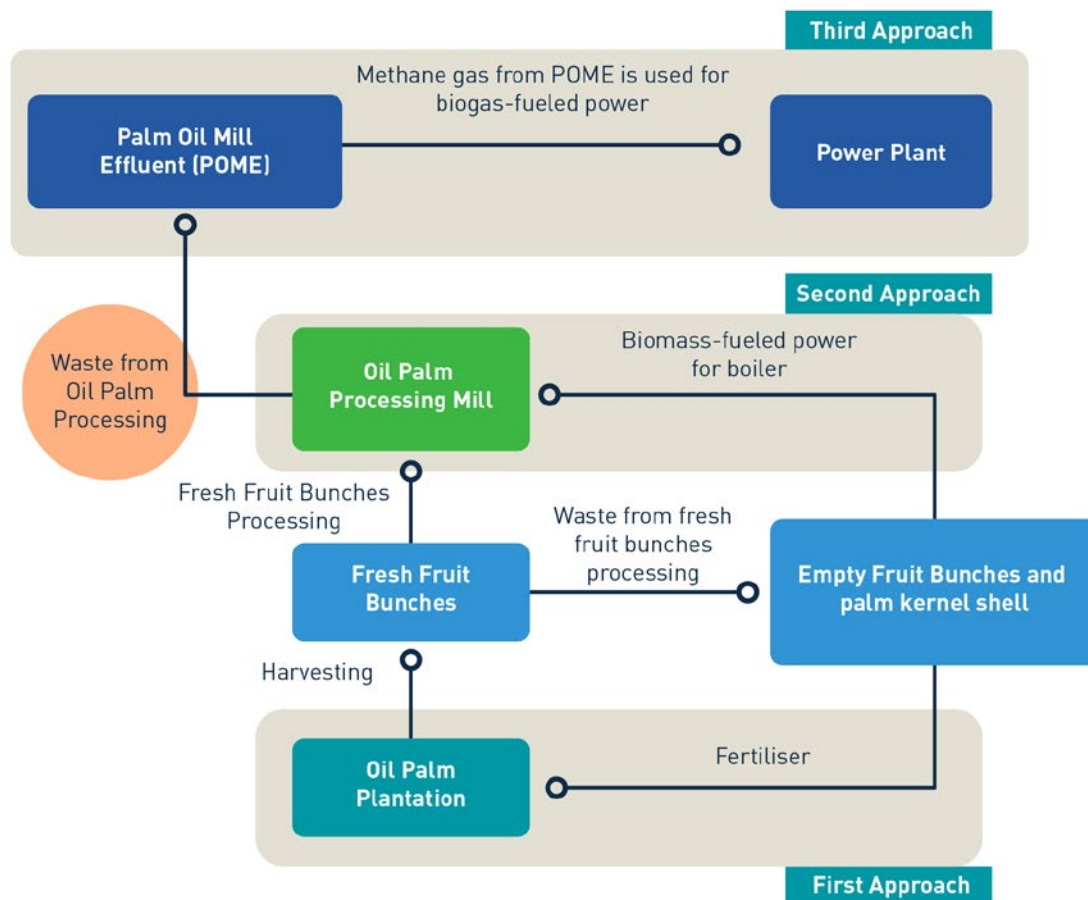
plant. Therefore, we use internal sources of energy for oil palm processing activities.

The third approach we do is palm oil mill effluent (POME) utilization. Our mill in Belitung has been able to extract methane out of POME and use it as biogas fuel for the Company's power plant. The electricity generated is sold to the state-owned electricity company (PLN) for distribution via the electricity grid. In the future, we will also establish biogas fuelled power plants in our operational areas in North Sumatera I and II and West Kalimantan for both internal Company use as well as local community power programs.

For this initial sustainability report by our company, we have not provided data regarding waste treatment and utilization in detail.

The diagram below describes the scheme for waste treatment and utilization of empty fruit bunch, palm kernels, and POME as part of our efforts to minimize waste.

Management and Utilization of Oil Palm Waste



CONTROLLING GREENHOUSE GAS EMISSION

[G4-DMA Emission]



Beautiful morning in AANE biogas operational area (ANJ Documentation)

We include greenhouse gas (GHG) emission control as a material aspect to be presented within the environmental management scope of this report for several reasons. First, GHG emission control makes a positive contribution to climate change control. Second, we are committed to complying with the regulations of RSPO, ISPO, and ISCC in identifying, measuring and reducing GHG emission.

Third, our Company is committed to running operational activities pursuant to the government's mission in reducing GHG emissions. This is stipulated in several regulations concerning GHG emission, such as:

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

During 2016, we monitored emissions resulting from our oil palm plantation and mill. Emission monitoring is under the supervision of the Environment Health and Safety Function under our Chief Operational Officer.

The largest amount and highest intensity of GHG emissions among our plantation and operational areas in 2016 was found in West Kalimantan. In line with the tree age in West Kalimantan plantation, the productivity of this plantation was still low (± 10.41 tons/ha), whereas the component of production usage was relatively the same as the usage at other plantations. Therefore, GHG emission in West Kalimantan will be lower in the coming years as productivity rises. GHG emission dropped from 35.26 ton CO₂ eq/ton CPO in the previous year to 28.12 ton CO₂ eq/ton CPO in 2016.

Meanwhile, GHG emission in North Sumatera I plantation in 2016 was 1.68 ton CO₂ eq/ton CPO, an increase from 1.46 ton CO₂ eq/ton CPO in the previous year. The increase of GHG emission was influenced by lower FFB productivity at the North Sumatera I plantation due to the ongoing replanting program.

GHG emission intensity of North Sumatera II plantation in 2016 was more or less the same as that in the previous year. Meanwhile in Belitung, GHG emissions decreased from 4.84 ton CO₂ eq/ton CPO in 2015 to 4.23 ton CO₂ eq/ton CPO in 2016 due to production increases. GHG emission from our mill in Belitung is very low (written as zero in the table below) because of the zero waste and biomass energy initiatives applied.

Below is a table containing data on GHG emission load and intensity within the period from January to December 2016 in our producing plantations.

Total Emission and Intensity of GHG Emission in Producing Plantations per 31 December 2016 [G4-EN15] [G4-EN18]

Producing Area	Mill Intensity		
	Land Emission Ton CO ₂ eq / Ton TBS	Mill Emission Ton CO ₂ eq / Ton TBS	Product Emission Ton CO ₂ eq / Ton TBS
North Sumatera I	0.30	0.14	1.68
North Sumatera II	1.24	0.21	4.11
Belitung	0.91	-	4.23
West Kalimantan	7.05	0.11	28.12

Producing Area	Total Emission		
	Land Emission Ton CO ₂ eq	Mill Emission Ton CO ₂ eq	Product Emission Ton CO ₂ eq
North Sumatera I	82,168.38	38,345.25	96,068.14
North Sumatera II	304,975.84	51,649.13	221,727.27
Belitung	201,461.34	-	194,354.88
West Kalimantan	705,384.79	11,006.00	573,051.83



PROSPERITY FOR ALL

2



EMBRACING STAKEHOLDERS



Stakeholder meeting in ANJA (ANJ Documentation)

We strive to run our business activities with social responsibility. In other words, we attempt to harmonize our business vision with environment conservation and the interests of existing or affected parties within our plantation operations. Therefore, we maintain relationships with stakeholders by referring to ISO 26000 Guidance for Social Responsibility (ISO 26000:2010) and AA1000:2011 Stakeholder Engagement Standard (AA1000 SES) 2015.

As an initial step, we identified stakeholders and related issues by conducting social mapping in each oil palm plantation and mill area. The result served as our basis for strategic decision making to overcome problems and maintain relationships with all stakeholders. [G4-SO1]

In general, the result of the social mapping we conducted has been to identify stakeholders and key issues dealing with stakeholders' demands and expectations. Besides, we also identified the expectations of local figures to be involved in any process of plantation area development, community partnership, local workforce recruitment and any initiative of community empowerment.

We employ various different approaches to overcoming problems and maintaining our relationship with stakeholders. We take into consideration stakeholder characteristics and related issues, and apply selective methods such as consultation, negotiation, cooperation, collaboration, partnership, and empowerment. Equipped with these various approaches, we aim to create a constructive relationship with all stakeholders according to the situation, circumstance and context of the prevailing challenges.

The table below provides a general classification of all identified and significant stakeholders at our oil palm plantations and related areas.

Stakeholders, Topic of Discussion, and the Company's Approach to Its Stakeholders [G4-24] [G4-25] [G4-26] [G4-27]

Stakeholders	Topic of Discussion	Company's Response	Frequency of Approach
Shareholders and Investors	1 CPO's volatile global price	a. General Meeting of Shareholders	• Annual General Meeting of Shareholders (minimum once in a year)
Employees and Labours	2 Improvement in Corporate governance	b. Drafting of Company's Work Plan and Budgeting (RKAP)	• RKAP is published in every beginning of year
	3 Efficiency and productivity	c. Drafting and regular publishing of the Company's performance report, Annual Report, and Sustainability Report	• The Company's performance report in three months, six months, and annually
	4 Positioning and market sharing domination	d. Periodical and scheduled meeting with each of functions and Labour Union	• Dialogue and communication if needed
	5 Local workforce involvement	e. Drafting of collective labour agreement (CLA)	• Collective labour agreement (CLA) updated within two years
	6 Fulfilment of employees and labours' normative rights		
	7 Balance of economic, environmental, and social aspects		
	8 Legal compliance		
Local Leaders and Figures	1 Involvement in process of plantation development and land acquisition	a. Conducting information dissemination in each of land acquisition stages pursuant to agreement	• Minimum twice in a year or as needed
	2 Involvement in process of planning, evaluation, and supervision of community empowerment program	b. Conducting community empowerment program pursuant to agreement	
	3 Involvement in process of recruiting local workforce and oil palm farmers as partners	c. Monitoring and evaluation in each of land acquisition stages	
	4 Local suppliers are engaged to meet the requirement of products and services	d. Monitoring and evaluation of community empowerment program and oil palm farmers as partners	
		e. Disclosure of local workforce and farmers' recruitment and transparent recruitment process	
Central Government	1 ANJ contribution to economic, environmental, and social aspects	a. Participation in regional development planning forum ('musrenbang')	• As needed, minimum twice in a year
Consultative leadership board ('Muspida')	2 Support for good corporate governance and sustainability practices	b. Coordination of CSR practices with officers of local administration working unit (SKPD)	
	3 Compliance with prevailing law and other external initiatives	c. Dialogue and cooperation	
	4 Consultation and assistance related to land dispute cases and endeavours to resolve the dispute	d. Facilitation and mediation	
		e. Drafting and reporting of CSR-related issues and social initiatives for several plantations	

Stakeholders	Topic of Discussion	Company's Response	Frequency of Approach
Customers Suppliers and Business Partners	1 Support for sustainable management practices of oil palm plantation and other external initiatives 2 Compliance with prevailing law 3 Bidding transparency and working contract assurance	a. Roundtable on Sustainable Palm Oil (RSPO) Certification b. Indonesia Sustainable Palm Oil (ISPO) Certification c. Working contract	<ul style="list-style-type: none"> Periodical examination of RSPO and ISPO certifications (annually) Periodical evaluation related to implementation of agreed working contract (as agreed)
Mass Media Non Government Organization	1 The Company's operational transparency and accountability 2 Consultation, assistance, and cooperation in composing, executing, and evaluating business development related to sustainable oil palm plantation issues 3 Information transparency	a. Focus Group Discussion b. Collaborative research and study c. Periodical disclosure of information and content report to media concerning with corporate performance and actions d. Preparation of annual report and sustainability report e. Cooperation in conducting community empowerment program	<ul style="list-style-type: none"> As needed, regular meeting minimum twice in a year
Local Community Smallholders (nucleus-plasma single management)	1 Transparency and accountability of corporate operations and supports on sustainable plantation governance practices 2 Development of mechanism implementation of community development program 3 Local oil palm farmers and local workforce involvement	a. Report and grievance mechanism from the community and follow ups b. Reporting and monitoring of community empowerment practices c. Open recruitment of local oil palm farmers and workforce d. Technical assistance to farmers e. Conducting community empowerment program for non-farmers, such as cooperative partnership	<ul style="list-style-type: none"> As needed, minimum twice in a year

Despite our approach through best practices, we realize that our stakeholders may still have grievances or aspirations. To channel complaints or grievances, community and other stakeholders can utilize our grievance mechanism.

Employees may express their complaints or concerns through value champions and employee relations function.

In addition, we have established a whistleblowing system (WBS) to accommodate internal and external reports of any event indicating fraud, graft, or violation to business ethics and company regulation.



The report can be delivered via:

SMS: 0811 999 3553

E-mail: WBS@anj-group.com

IMPLEMENTING FREE, PRIOR AND INFORMED CONSENT

[G4-DMA Indigenous Rights]



Stakeholder meeting in West Papua (ANJ Documentation)

Close to the local or traditional communities of Sumatera, Belitung, Kalimantan, and Papua islands, our plantation areas have distinct characteristics requiring a tailored response.

The land acquisition process as well as plantation cultivation and management are closely related to the local community as the traditional land owners. Therefore, we need to respect the local community and maintain a good relationship with them.

As a member of RSPO, we are obliged to implement the free, prior and informed consent (FPIC) approach in maintaining our relationship with the local community as well as in cultivating and managing our plantation. Through FPIC, we are obliged to respect and appreciate local community rights because as land owners they may agree to or reject our business development.

Furthermore, we must be willing to discuss and negotiate, provide information required by the community and offer options for the community regarding land acquisition or partnership with our company. Such practices must be carried out with a good intention, and we should accept any decision they make. In order to support FPIC implementation, we endorse the establishment of a land acquisition committee, membership of which includes community leaders and the local authorities.

FPIC prioritizes prevention of land conflict with the local community by attaching sale-purchase and/or compensation documents. Whenever any land dispute occurs, we prefer to approach it by prioritizing human rights principles and local community rights and by continuously creating and maintaining relationships based on mutual benefit, without using any coercion or violence.

The implementation of FPIC complies with our Sustainability Policy and is pursuant to the principles of RSPO, ISPO, and ISO 26000. We also use FPIC as our basis to run an inclusive business aiming to support the accomplishment of Sustainable Development Goals (SDGs), particularly in improving the economic wellbeing of the community partnering with us.

Even though we have implemented FPIC, we realize that land disputes may still occur within our plantation area. By the end of 2016, there were a number of disputes against external parties claiming their ownership of some parts of land we occupy and cultivate.

RESPECTING HUMAN RIGHTS

[G4-DMA Child Labour, Forced or Compulsory Labour, and Security Practices]



Papuan child's bright smile (ANJ Documentation)

The Human Rights issue is significant for oil palm plantations. Low wages may encourage employees, suppliers, and plasma farmers to utilize under age workers in oil palm plantation related activities.

Human rights violations may cause damage to the harmonious relationship between the company and its stakeholders directly or indirectly, including a negative public perception of the company.

Regarding human rights, we run policies and procedures to avoid forced or compulsory labour, child or under-age labourers, as well as implementing security practices that avoid violence and help ensure respect for human rights. Currently, the Company employs 304 security guards and 226 out of 304 personnel have obtained the National Polices (Polri) certification containing insight into human rights. Besides, we also compel suppliers and partners not to commit any human rights violation throughout our plantation area. [G4-HR5] [G4-HR6] [G4-HR7]

Industrial Relationship and Rights to Associate and Assemble

We underline our concern for human resources in our company by facilitating industrial relationship communications and respecting rights to associate and assemble. We support freedom of speech and freedom of union for employees and managerial officers by establishing the Bipartite Joint Committee in each plantation under Law No. 13/2003 on Manpower and Decree of Minister of Manpower and Transmigration No. 255/Men/2003 on Procedures for Establishing Bipartite Cooperation Institution and its Membership Structure.

The Bipartite Joint Committee serves as a forum for employees and Company's management to brainstorm and discuss industrial relationship issues periodically, including issues on the Collective Labour Agreement (CLA), employee welfare, and strategies to handle occupational health and safety. Currently, our CLA has been authorized and validated by the Ministry of Manpower and implemented for all permanent employees. The CLA should be discussed and updated once every two years. [G4-11]

IMPROVING OCCUPATIONAL HEALTH AND SAFETY [G4-DMA Occupational Health and Safety]



Commitment to occupational safety (ANJ Documentation)

We prioritize the importance of occupational health and safety (OHS). We consider that human resource are not solely for production, but also belong as key stakeholders whose health and security in the workplace must be ensured.

Besides, this is in accordance with our vision to implement ethical and socially responsible business practices. Moreover, corporate productivity is also affected by employee wellbeing when working in the plantation areas.

The OHS issue has also been addressed by the national government and regional government. We must comply with regulations on the workforce including instilling OHS as a corporate responsibility. The OHS implementation refers to Law No. 1/1970 on Occupational Safety and Government Regulation No. 50/2012 on Occupational Safety and Health Management System.

Based on the above considerations, we implement our OHS policy to minimize the number of work accidents and aim for a zero accident rate, especially in the oil palm plantation and mill area. Employees at all levels are responsible for the implementation of OHSMS and target accomplishment of zero accident is

under the supervision of the Director of Government Relation, Security & OHS and the Head of the EHS Department.

In order to minimize the number of work accidents, we identify occupational activities with a high risk of injury in oil palm plantation and mill area. We perform risk mitigation of potential work accidents through various approaches as needed, such as applying permit schemes, applying a lockout tagout (LOTO) system, building speed traps, and using self-protecting equipment.

In addition to identification and mitigation of occupational activities with a high risk of injury, we also perform analysis on occupational activities with a high risk for women and pregnant mothers. Some examples are land application and pest eradication due to chemical substance exposure, even though the exposure amount is still within allowable limits. Our policy forbids female/pregnant employees to perform either activity.

Below is a table providing information of the type of occupational activities with a high risk for health and safety in an oil palm plantation and mill as well as the potential risk and mitigation procedure performed.

Type of Occupational Activity with High Risk, Potential Risk, and Mitigation Procedure in Oil Palm Plantation and Mill [G4-LA7]

Type of Activity	Potential	Mitigation
Risk in Plantation Area		
FFB Harvest	Cut, hit by falling fruits	Using safety gloves, helmet, and goggles, applying harvest permit nearby electric line, applying high angle view
Employee Transportation	Falling	Sitting on the cabin is prohibited, wearing helmet, installing speed traps at the intersection, regulating speed limitation
FFB Loading	Hit by falling fruits	Using safety net, regulating speed limitation
Pesticide Usage	Poisoned	Wearing complete self protecting equipment (safety gloves, mask, goggles, harness, and boots)

Type of Activity	Potential	Mitigation
Risk in Oil Palm Mill		
Operating mechanical equipments	Electricity shocked, cut, squeezed, and burnt	Applying permit, LOTO system during reparation, and using self-protecting equipment
Welding	Burnt and electricity shocked	Applying permit, wearing welding gloves, welding wearpack, welding mask, and welding goggles
Chemical substances	Poisoned and being splashed	Wearing lab mask, gloves, and goggles
Working in high altitude	Falling	Applying permit, wearing safety harness, setting standardized scaffolding
Working in a confined space	Poisoned	Applying permit, using blower and breathing apparatus

Furthermore, we perform OHS mitigation and management according to government regulation. One example is related to noise, odor, and vibration monitoring in the oil palm mill. We refer to Government of Republic of Indonesia Regulation No. 41/1999 on Air Pollution Control, Regulation of the Minister of Manpower and Transmigration No.PER.13/MEN/X/2011 on Threshold Values (NAB) of Physical and Chemical Factors in Workplace, and Decree of State Minister of Environment No. 50/1996 on Offensive Odor Standards.

We conduct recording of work accidents regularly based on the Decree of Director General of Industrial Relation Establishment and Manpower Supervision No.Kep.84/BW/1998 dated on 8 April 1998 on Guidelines for Filing and Utilizing Assessment and Review Form and Statistical Analysis of Injury.

Based on the location of the plantation, North Sumatera II had the highest number of work accidents compared to other plantation areas. High intensity of activities in North Sumatera I and II may cause higher probability of OHS risk than in other areas. Despite having a smaller total area than the total area of Belitung and West Kalimantan plantations, North Sumatera I and II have produced more than 50 million tons of CPO per year within the last two years.

We suffered one fatality in North Sumatera I plantation in 2016. The accident occurred because the victim had ignored permit requirements and safety procedures while harvesting near electric cables. Besides, there was also a lack of supervision by the field superintendent. It was an important admonition for us because we had earlier received the SMK3 award for annual performance of our operational area in North Sumatera I in 2015.

To prevent any recurrence of the accident, we have enhanced supervision and revised the harvesting procedure in areas near electric lines. We perform a strict enforcement for those disobeying the given procedures. We also conduct information dissemination about how the accident occurred and provide new OHS training for employees.

Data representing the number of work accident by level of injury and location of plantation during 2015-2016 is provided in the table below.

The Numbers of Work Accidents by Level of Injury and Location of Production Plantation per 31 December 2015 and 2016 [G4-LA6]

Plantation Area	Accident Rate	Total Work Accident		Total within the Last Two Years
		2016	2015	
North Sumatera I	Light Injury	1	1	2
	Middle-Severe Injury	2	1	3
	Fatal Injury	1	0	1
	Total	4	2	6
North Sumatera II	Light Injury	2	3	5
	Middle-Severe Injury	3	2	5
	Fatal Injury	0	0	0
	Total	5	5	10
Belitung	Light Injury	1	0	1
	Middle-Severe Injury	1	2	3
	Fatal Injury	0	0	0
	Total	2	2	4
West Kalimantan	Light Injury	2	1	3
	Middle-Severe Injury	0	3	3
	Fatal Injury	0	0	0
	Total	2	4	6
Total Work Accident		13	13	26

Work accidents in oil palm plantations and mills contribute to lost working time. In 2016 the largest total lost working time occurred in North Sumatera II area due to the increase of medium and serious occupational injuries. In the same year, we also recorded a lot of lost working time in North Sumatera I due to the fatality that occurred in the area.

While paying close attention to the recording, we aim to improve our OHS performance in the upcoming years. We will continue to improve compliance and awareness over OHS as well as employee discipline. Besides, we will also conduct a more intensive OHS dissemination to all employees, partners, and suppliers throughout our operational areas.

Below is a table showing data of the total lost working days and total lost working time in 2015-2016 by the location of our plantation due to accidents.

The Total Lost Time Caused by Work Accident by Location of Plantation per 31 December 2015 and 2016 [G4-LA6]

Plantation Area	2016				2015			
	Lost Working Day		Lost Working Hour		Lost Working Day		Lost Working Hour	
	Day	Percentage	Hour	Percentage	Day	Percentage	Hour	Percentage
North Sumatera I	19	35.85%	133	35.85%	6	37.50%	42	37.50%
North Sumatera II	32	60.38%	224	60.38%	3	18.75%	21	18.75%
Belitung	2	3.77%	14	3.77%	3	18.75%	21	18.75%
West Kalimantan	0	0.00%	0	0.00%	4	25.00%	28	25.00%
Total	53	100.00%	371	100.00%	16	100.00%	112	100.00%

Note:

Accident constituting a lost day injury is counted as a lost day injury if on the following day (1x24 hours) an employee does not go to work as recommended by a physician.

STRENGTHENING PARTNERSHIP

[G4-DMA Local Communities]



Laman Mayang Sentosa Cooperative Team (ANJ Documentation)

Since our plantations are located to a greater or lesser degree in populated areas, the local community is one of material aspects in our report.

We also understand that our business sustainability depends on the social license from local community for our plantations in Sumatera, Belitung, Kalimantan, and Papua. Therefore, we intend to enhance social capital by growing together with them towards prosperity.

In accordance with our commitment to create a prosperous and equal society, we take several approaches to the local community surrounding our plantation area. In addition to offering job opportunities to become Company's employees, we also encourage them to join our partnership program through the nucleus-plasma scheme under a single management system. Another approach we take is through community empowerment.

Currently, we are developing nucleus-plasma partnership schemes under a single management system in Belitung and West Kalimantan. By implementing this scheme, we carry out all activities regarding cultivation and management of the plantation on behalf of the farmers' cooperatives. In other words, farmers do not cultivate oil palm directly and FFB purchase is conducted through the farmers' cooperatives.

According to this scheme, FFB purchase is calculated based on total area of each partner's smallholding, and the purchase payment is distributed to each farmer by the cooperative. Therefore, FFB will be purchased with a transparent market price. Over the long term, this scheme will also be developed in North Sumatera I and II, South Sumatera, and West Papua.

This partnership program complies with the Regulation of the Minister of Agriculture No. 98/ PERMENTAN/OT.140/9/2013 on Plantation Permit Guidelines, particularly regarding the obligation to allocate at least 20% of the total plantation area for community plantations. The Partnership scheme should pay close attention to risk management around land disputes. Therefore, we ensure that each partner's smallholding is completed with a legitimate land ownership certificate to minimize any risk of land dispute in the future.

Below is a table presenting the number of plasma farmers, total area of partners' smallholdings and FFB production of plasma in 2016.

The Numbers of Farmers, Plantation Areas, Fresh Fruit Bunch Yield in Nucleus – Plasma Scheme with Single Management System in Belitung and West Kalimantan per 31 December 2016

Plantation Area	Total Plantation Area (ha)	Total Smallholder Area		Total Farmers	Total FFB Production (Ton)	Smallholders' FFB Production	
		ha	%			Ton	%
West Kalimantan	12,940.81	2,020.45	15.61%	2,792	100,054.00	20,466.00	20.50%
Belitung*	16,276.84	860.00	5.28%	514	221,385.00	568.00	0.30%
Total	29,217.65	2,880.45	9.86%	3,306	321,439.00	21,034.00	6.50%

Note:

*Partnership scheme in Belitung plantation is an initiative proposed by the community and is supported by the Company as part of the community empowerment program. This program is not undertaken to comply with government regulation on plasma partnership because it had existed before the regulation became effective.

EMPOWERING COMMUNITY



Adiwiyata School workshop in Belitung (ANJ Documentation)

We aim to empower the community in a strategic manner based on two approaches. First, we conduct community empowerment planning and execution by referring to social mapping and social and environmental impact assessments (SEIA) progressively across the entire plantation area. In 2016 an SEIA was conducted in our operational area in South Sumatera. An SEIA for North Sumatera I, II, Belitung, and West Kalimantan was conducted in 2014; and West Papua in 2013. [G4-SO1]

The second approach is local community, local figure and stakeholder involvement in the community empowerment process from preparation (planning), execution (implementation), supervision, to evaluation. We have and continue to strive to communicate with all parties regarding community empowerment programs in our plantation areas.

Community empowerment activities are under the supervision of the CID Department. In the education & health sector, we initiated a program to provide access to clean water and early childhood education (PAUD). We also provided capacity improvement for elementary schools to high schools, and assistance for the Adiwiyata School. In the economic sector, we emphasized vocational training and economic development of the value chain. We also work together with government and other related stakeholders in determining and undertaking socio-culture and religious programs as well as infrastructure programs as needed by the community.

**Green School:
Aiming to be the
Adiwiyata School
of the Regency**

One of our programs to empower the community in the education sector is by supporting the implementation of environment protection and management concept. This program is conducted in SMPN 1 Dendang, Belitung, which has been declared as an environment-based school. By implementing the concept, students of SMPN 1 Dendang are encouraged to have environmental awareness such as avoiding littering and ensuring house yards are always clean.

Students are also educated to use school property and facilities wisely and recycle used paper and trash into handicrafts. Currently, they are able to turn plastic sachets into a wallet, used plastic drinking glasses into a basket, and patchwork into a doormat. They are also able to make a painting from dry leaves, a lantern or an ashtray from used paper, and a key holder from used toothpaste tubes.

The green concept has also influenced their parents and surroundings as the students share their environmental awareness at home. The endeavour is the groundwork for SMPN 1 Dendang to realise its vision to be the Adiwiyata School of the Province.

**Yayasan Perguruan
ANJA: Providing
Education for
Children**

Based on our concern over the provision of education for children of plantation labourers, our Company through Yayasan Perguruan Austindo Nusantara Jaya Agri (Yayasan Perguruan ANJA) built schools in Binanga and Siais (North Sumatera I and II plantation areas). Our education facilities support the 12-year compulsory education from pre-school, kindergarten, elementary school, and junior high school (not including senior high school which has yet to be established).

We manage the SD Eka Pendawa Sakti and SMP Eka Pendawa Sakti schools, which have been awarded accreditation A, and the TK Harapan Bangsa (no accreditation yet) in Simangambat Village, Binanga. Meanwhile, we also manage TK Eka Pendawa Sakti (no accreditation yet) and SD Eka Pendawa Sakti in Pardomuan Village, Siais which is still undergoing the preparation process for accreditation.

The table below provides data about the schools managed by Yayasan Perguruan ANJA by National School Number (NPSN/NIS) and awarded accreditations updated to 31 December 2016.

Yayasan Perguruan ANJA by National School Number (NPSN/NIS) and Awarded Accreditation per 31 December 2016

Location	Level	School Name	National School Number (NPSN/NIS)	Accreditation
ANJA	Kindergarten	Harapan Bangsa	NPSN 69950958	No accreditation yet
Simangambat Village	Elementary School	Eka Pendawa Sakti	NPSN 10207096	Accreditation A
	Junior High School	Eka Pendawa Sakti	NPSN 10220930	Accreditation A
ANJAS	Kindergarten	Eka Pendawa Sakti	NPSN 69872452	No accreditation yet
Pardomuan Village	Elementary School	Eka Pendawa Sakti	NPSN 69856883	In the process of accreditation preparation

Currently, more than a thousand students receive educational services from Yayasan Perguruan ANJA. In the future, more schools will be built in other plantation areas (including South Sumatera and West Papua which are in the development stage) to overcome the problem of lack of schools for the local community. We will also continue to improve academic capacity and achievement of students and teachers in order to enhance the competitive advantage of Yayasan Perguruan ANJA in the education sector.

Schools belonging to Yayasan Perguruan ANJA have recorded a number of achievements in student competitions in the regency such as 3rd place in the Junior High School Badminton Championship (boys and girls teams) and 3rd place in the 2016 Elementary School Badminton Championship (boys team) in December. There were also other achievements in sports competition at district level including badminton, relays, table tennis, chess, adhan, shot putting, discs throwing, and long jump.



KA Zuharman MZ

Plasma Farmer of PT Sahabat Mewah dan Makmur (SMM)

In 2009, our farmer's group began to plant seedlings from the Oil Palm Research Center (PPKS). Despite having a limited investment, we kept working hard. As a result, in 2013 we were able to sell FFB to SSM for the first time.

Previously, we had no regular income. After harvesting and selling FFB to the company, we can have regular income. It encourages us to improve our plantation business. I can also use the money to open a stall selling basic goods.

We are now facing a challenge as the number of fertile plots in our village has decreased. We attempt to use empty fruit bunches for fertiliser. We hope that we are able to sell more FFB to the company in the future.



Erlina Pane

Teacher of SMPN 1 Simangambat, Binanga

We are grateful for the role played by ANJ in providing opportunities to join education and training programs for teachers in 2016. The program consisted of three stages, namely ongoing 1, ongoing 2 and ongoing 3.

During the program, participants were invited to visit partnering schools one by one to observe learning methods applied in classroom teaching. After the observation, participants were asked to give feedback to the presenting teacher.

Observation is an effective learning method to improve our understanding of the learning process. Participants are able to notice some positive things performed by their fellow teachers and apply those techniques in their own schools. For example, it is useful to employ simple learning aids to enable students to comprehend the lesson.



ENHANCING PERFORMANCE

3



TRACEABILITY MECHANISM



FFB loading in ANJAS (ANJ Documentation)

The implementation of traceability is a material issue in the oil palm industry. Buyers and other stakeholders need to be assured that the CPO and PK are processed from FFB which originate from sustainable practices at oil palm plantations and mills.

We understand that traceability is critical because our mills also receive oil palm supplies from other plantation areas, such as from nucleus-plasma plantation areas, other company's plantations, and independent plantations.

Through the traceability mechanism, we document the origin of CPO, PK, and FFB and ensure that:

- fresh fruit bunches are only sourced from oil palm trees planted on non-HCV areas; and
- CPO and PK production as well as plantation cultivation do not infringe human rights and prevailing laws, and must take into consideration employee and local community welfare.

In ANJAS, we cooperate with Conservation International-Indonesia (CI) in collecting data regarding community plantation locations for the purposes of

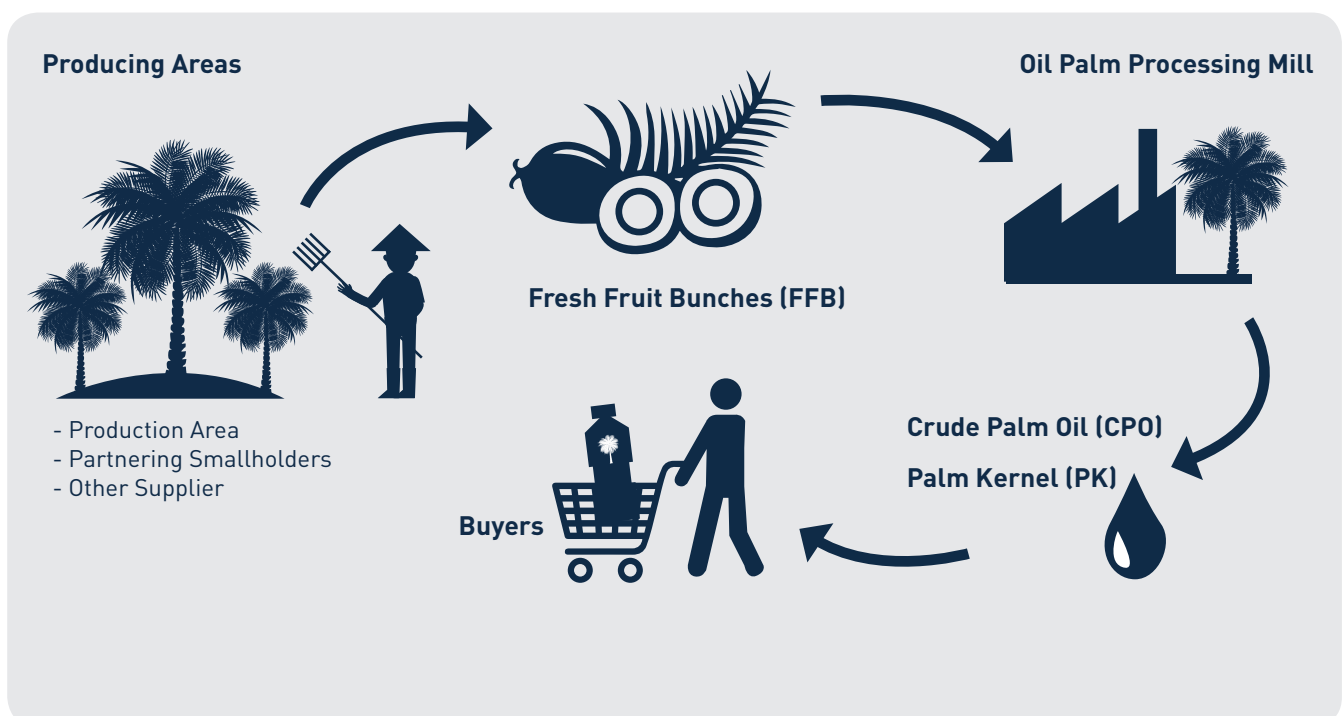
traceability. We also conduct data collection aiming to observe the actual conditions of these production areas and to disseminate information about ISPO to the surrounding community.

The mapping was conducted during March 2016 and was followed by information dissemination on 24 August 2016. The event entitled “Sosialisasi Traceability Sumber TBS PT ANJ Agri Siais” was attended by the local government officers of South Tapanuli Regency and the representative from the Agriculture Ministry. On that occasion, the representative from the Agriculture Ministry delivered a speech about ISPO.

The traceability mechanism documentation is performed and supervised by the Supply Chain Management (SCM) Division and Commercial Division and reported to the Director of Supply Chain Management.

Oil Palm Supply Chain [G4-12]

By the end of 2016, we have enlisted a number of external parties involved in our supply chain. There were 2 Limited Liability Companies (PT), 4 non-plasma cooperative units, 8 Limited Partnership (CV), and 2 independent farmers as suppliers for our plantation areas in North Sumatera I, North Sumatera II, and Belitung. Besides, our Company also purchased FFB obtained from 3 plasma cooperative units in the West Kalimantan plantation as well as 7 independent cooperative units and 1 village-owned enterprise (BUMDes) in Belitung.



Data of FFB suppliers by type of suppliers and location of plantations is provided in the following table.

The Numbers of FFB Suppliers by Type of Suppliers and Location of Plantations per 31 December 2016 [G4-12]

No.	Plantation Area	Partner Cooperative Unit and Village-Owned Enterprise (BUMDES)	Limited Liability Company (PT)	Non-Plasma Cooperative Unit/Group	Business Entity (UD/CV)	Sole Proprietorship
1	North Sumatera I	0	0	0	4	1
2	North Sumatera II	0	0	1	2	1
3	Belitung	8*	2	3	2	0
4	West Kalimantan	3**	0	0	0	0

Note:

*) There are 7 independent cooperative units and 1 village-owned enterprise (BUMDes)

**) Plasma cooperative unit

The involvement of external parties in our supply chain demonstrates our commitment to providing positive economic impacts for all stakeholders, including the local community. Nevertheless, we need to ensure the participation of these external parties in cooperating with us in managing sustainable oil palm plantations. Such practices are pursuant to the provisions of RSPO and ISPO which require traceability to be implemented throughout the supply chain.



CPO loading (ANJ Documentation)

PRODUCTION AND ECONOMIC PERFORMANCES

[G4-DMA Economic Performance]



President Director visit to ANJA (ANJ Documentation)

As a limited liability company, production and economic performances are important to investors and other stakeholders. Analysis is conducted on production growth, profitability, and other financial indicators to assess our capability in maintaining corporate sustainability. Based on the above considerations, we disclose our production and economic performance in this report.

Our production performance can be analyzed based on the output of FFB harvest and CPO/PK processing. The disclosure of economic performance in this report refers to GRI G4 Sustainability Reporting Guidelines.

We acknowledge that this report has not yet been able to fully present data about our economic performance. This limitation occurs due to the different methods applied in data presentation between consolidated financial reporting based on financial accounting standards and a sustainability report based on economic value generated and distributed (EVG&D).

FFB Production

Total production of FFB in 2016 reached 841,281 tons of which 18.64% or 156,848 tons of total production was obtained from independent suppliers. In the same year, we also collected FFB from nucleus-plasma farmers amounting to 21,034 tons.

In general, FFB production in 2016 declined slightly, equal to 94% of production in the previous year. There were some factors affecting the production performance of our plantation area, for example, unpredictable weather changes.

The table below displays FFB production data for 2015-2016 by location of plantations and origins.

FFB Production by Location of Plantations and Origins per 31 December 2015 and 2016

FFB Origin	2016		2015	
	Production (Ton)	%	Production (Ton)	%
North Sumatera I Plantation Area				
ANJ's Plantations	207,293.00	75.68%	233,512.00	84.50%
Other Suppliers' Plantations	66,601.00	24.32%	42,841.00	15.50%
Total	273,894.00	100.00%	276,353.00	100.00%
North Sumatera II Plantation Area				
ANJ's Plantations	185,739.00	75.52%	189,615.00	74.67%
Other Suppliers' Plantations	60,209.00	24.48%	64,333.00	25.33%
Total	245,948.00	100.00%	253,948.00	100.00%
Belitung Plantation Area				
ANJ's Plantations	190,779.00	86.18%	291,052.00	94.41%
Partner Plantations	568.00	0.26%	117.00	0.04%
Other Suppliers' Plantations	30,038.00	13.57%	17,101.00	5.55%
Total	221,385.00	100.00%	308,270.00	100.00%
West Kalimantan Plantation Area				
ANJ's Plantations	79,588.00	79.55%	42,495.00	78.27%
Other Suppliers' Plantations	20,466.00	20.45%	11,798.00	0.00%
Total	100,054.00	100.00%	54,293.00	78.27%
Recapitulation on FFB Production				
ANJ's Plantations	663,399.00	78.86%	756,674.00	84.75%
Partner Plantations	21,034.00	2.50%	11,915.00	1.33%
Other Suppliers' Plantations	156,848.00	18.64%	124,275.00	13.92%
Total	841,281.00	100.00%	892,864.00	100.00%

CPO and PK Production

In 2016, our processing mills produced crude palm oil (CPO) and palm kernel (PK) amounting 177,273 tons and 38,283 tons respectively. We recorded that our plantations in North Sumatera I and North Sumatera II were the most productive among our plantations. Compared to the data of 2015, production volume of CPO in 2016 decreased by 8.1%, whereas PK production decreased by 13.4%. The decreased production volume was in line with the decreasing amount of FFB obtained by our mills.

Data regarding production volume of CPO and PK by location of plantation within the last two years is shown in the table below.

CPO and PK Production Volume by Location of Plantations per 31 December 2015 and 2016

Type of Production	2016		2015	
	Production (Ton)	%	Production (Ton)	%
North Sumatera I Plantation Area				
Crude Palm Oil	57,196.00	80.18%	58,798.00	80.95%
Palm Kernel	14,132.00	19.82%	13,839.00	19.05%
Total	71,328.00	100.00%	72,637.00	100.00%
North Sumatera II Plantation Area				
Crude Palm Oil	53,751.00	82.56%	55,465.00	82.91%
Palm Kernel	11,353.00	17.44%	11,423.00	17.09%
Total	65,104.00	100.00%	66,888.00	100.00%
Belitung Plantation Area				
Crude Palm Oil	45,947.00	81.69%	67,278.00	79.33%
Palm Kernel	10,301.00	18.31%	17,527.00	20.67%
Total	56,248.00	100.00%	84,805.00	100.00%
West Kalimantan Plantation Area				
Crude Palm Oil	20,379.00	89.08%	11,350.00	88.92%
Palm Kernel	2,498.00	10.92%	1,415.00	11.08%
Total	22,877.00	100.00%	12,765.00	100.00%
Recapitulation on CPO and PK Production				
Crude Palm Oil	177,273.00	82.24%	192,891.00	81.35%
Palm Kernel	38,284.00	17.76%	44,204.00	18.65%
Total	215,557.00	100.00%	237,095.00	100.00%

**Economic Value
Generated,
Distributed, and
Retained
[G4-EC1] [G4-EC4]**

The economic value we provide in this report covers both input cash flow and output cash flow reflecting the financial benefits for our company and related stakeholders. Generated economic value belongs to input cash flow demonstrating financial benefit for our company. It may derive from operational return, gain from investment, loan, as well as sales of corporate assets. In contrast, distributed economic value belongs to output cash flow demonstrating financial benefits for suppliers and employees, such as loan payment, government tax, community empowerment, as well as asset purchase.

During the course of 2016 we generated economic value amounting to USD 260,156,136. Most of the total value derived from operational activities, amounting to USD 133,093,192 as well as other sources such as short term funding of USD 64,447,359 and long term investment amounting to USD 49,140,932. We obtained no economic benefit from government financial aid in the form of income tax (PPH), value-added tax (PPN), subsidy, grant, export loan, or other incentive. In 2016, KAL was able to benefit from the tax free importation of capital goods pursuant to the prevailing investment regulations. This facility was also given to other companies listed in the Investment Coordinating Board (BKPM).

We distributed economic value equal to USD 262,378,169 in 2016. A large portion of the total value was allocated to the payment for suppliers and employees, amounting to USD 54,283,403 and USD 29,034,974 respectively, as well as short-term loan repayment of USD 83,555,480. We also distributed economic contributions to the government through tax income payment amounting to USD 14,230,349 in the same year.

In general, both economic values generated and economic value distributed in 2016 were lower than those of the previous year. Meanwhile, economic value retained in 2016 reaching a negative USD 2,222,033 reflected the decrease of our cash balance and cash equivalents over the course of 2016. The negative economic value in 2016 was affected by our funding priority as we invested in building an oil palm mill in West Kalimantan as well as expanding oil palm plantations and building a sago mill in West Papua.

Below is a table presenting data of economic value generated, distributed, and retained within 2015-2016 updated to 31 December 2016.

Economic Value Generated, Distributed, and Retained per 31 December 2015 and 2016

Description	Unit	2015	2016
Economic Value Generated		260,156,136	317,920,934
Economic Value Distributed	USD	262,378,169	328,950,915
Economic Value Retained		-2,222,033	-11,029,981

Note: Data processed from 2016 Audited Consolidated Cash Flow Report



Florensus Gondon

The Former Chief of Manjau, Laman Satong Village and KAL's employee who is also the Village Representative

When I visited Manjau for the first time, I witnessed that the area in KAL was still a forest. However, as soon as KAL built in Manjau, the residences in Manjau became decent and the road infrastructure functioned properly.

KAL's presence in Manjau brings significant change for the local community in Laman Satong Village through the establishment of Laman Mayang Sentosa Cooperative Unit as the media of collaboration scheme between ANJ and plasma core farmers. Now, the local community obtains advance loan because the calculation of plantation's harvest is not yet present. I consider that this collaboration have positive impact on the local community.

I also have concerns on financial management by the local community. In general, the local community is not used to accepting large amounts of fund. If the fund is not managed prudently, it will be backfiring for either the village administrator or the Company.



Simon Badcock

Senior Terrestrial Program Advisor, Conservation International

Conservation International-Indonesia, through Sustainable Landscape Program, has collaborated and partnered with a range of private sectors, especially palm oil companies, with the aim of supporting sustainable development based on improved agriculture and conservation of important forest resources.

For the past three years, we have been collaborating with ANJ in South Tapanuli, North Sumatera, to improve performance of their operations and engage other companies and smallholders in efforts to improve sustainability. In their South Tapanuli operations, ANJ completed and obtained ISPO certification which is a mandatory requirement of the Indonesian Government and was already an RSPO member.

ANJ has been an active and supportive member of a multi-stakeholder forum that was formed with CI through the Sustainable Landscape Partnership (LSP) to address sustainability issues called the Joint Secretariat for Sustainable Palm Oil, a forum that is led by the North Sumatera Environment Department, for which there have also been a number of district multi-stakeholder forums as well.

CI, through an MoU with ANJ, is continuing to cooperate in North Sumatera to explore how Community Conservation Agreements might support efforts to reduce deforestation associated with independent smallholder production, not only in South Tapanuli, but potentially more broadly in North Sumatera.

CI encourages ANJ to embed and replicate sustainability and conservation principles throughout all of its operations geographically.

GREEN GOLD IN THE LAND OF CENDRAWASIH



Sprinkle seedlings in the morning (ANJ Documentation)

It is not easy to make a decision to develop oil palm plantations in West Papua Province of Papua Island, which is also known as “birds of paradise land”. We consider that West Papua needs to be developed. Social welfare, community education and health and public infrastructure are important issues. Our Company’s involvement in West Papua is believed to have had a positive impact for the socio-economic development of the community.

On the other hand, West Papua Province has a large forest area with significant biodiversity. The Forest offers a source of living to local inhabitants. Two of our biggest challenges in managing West Papua plantations are environmental sustainability and appreciation for the local community’s needs.

ANJ aims to set and implement “Oil Palm for Prosperity”. It is an approach utilizing the potential of sago and oil palm to drive the wheels of economic development in the local area. It is also in accordance with thorough environmental management, and taking into consideration the forested areas that surround the plantations.

Motivated by the intention to help realise the potential that exists in West Papua and contribute to the efforts to raise the living standards of the local inhabitants, we have expanded our oil palm plantations in Maybrat Regency and South Sorong Regency, West Papua in association with our subsidiaries, PT Putera Manunggal Perkasa (PMP) and PT Permata Putera Mandiri (PPM). By the end of 2016, we had prepared a nursery area of 80 ha managed by PMP to fulfil the requirements of a nucleus and plasma plantation.

Sustainable Land Management

Our vision in West Papua is very clear. We have decided to invest in a sustainable and long-term goal of addressing the needs of community welfare and the sustainability of the environment in equal measure. Therefore, we are very careful in the decision making surrounding the management of West Papua's rich natural resources and dense forests.

Since 2015, we temporarily stopped activities dealing with land development and assigned a team to re-evaluate the total area of land that is classified as HCV. We also needed to ensure that there was no peatland within our operational area.

Our company assigned a reputable international consultant to perform an ecological study. Currently, the findings show that areas consisting of peatland, wetland and marginal land have been reserved as conservation areas.

As a member of RSPO, we perform land clearing in areas belonging to PMP and PPM by involving certified RSPO assessors as supervisors. Besides, we also ensure that each concession area has obtained Other Utilization Area (APL) status based on the Decree of Minister of Forestry, as shown in the table below.

Concession Status of Plantation Area in West Papua*

Parent Company and Management Subsidiary	Area	Decree of Minister of Forestry	Concession Period
PT Austindo Nusantara Jaya Tbk (ANJ)	South Sorong Regency and Maybrat Regency	Decree No. 84/Menhut-II/2014 dated on 22 January 2014	35 years
PT Putera Manunggal Perkasa (PMP)	South Sorong Regency and Maybrat Regency	Decree No. 606/Menhut-II/2012 dated on 31 October 2012	35 years
PT Permata Putera Mandiri (PPM)	South Sorong Regency	Decree No. 731/Menhut-II/2011 dated on 21 December 2011	30 years

Note:

- *) Decree No. 783/Menhut-II/2014 dated on 22 September 2014 on Water and Forest Conservation Area in West Papua Province has stipulated that the plantation areas of PMP, PPM, and PAM (now ANJ) are no longer included as protected forest

Prioritizing Dialogue and Mutual Understanding

We realize that land development in West Papua must be conducted based on a mutual agreement with the local community, government, and in line with the demands for development. Moreover, the development of plantations should also take into consideration the sustainable conservation of nature. Pursuant to our commitment to sustainability, our business development in West Papua prioritizes dialogue with related stakeholders based on the principle of free, prior and informed consent (FPIC).

We have implemented FPIC principles in PPM and PMP since 2011 and 2013 respectively. We have documented the implementation prior to the acquisition of customary land. In accordance with our accountability, we disclosed and gave the documents pertaining to land acquisition to the signing parties in the local community.

Pursuant to New Planting Procedure regulated by the Roundtable Sustainable Palm Oil (RSPO) in 2016, we held a public consultative forum. The event was held in Mratuwa Sesna Hotel in Teminabuan, South Sorong on June 1 and 2, 2016. We aimed to develop a relationship with local community, discuss the risks and opportunities of the oil palm industry, and disclose information regarding a study on the Environmental Impact and HCV conducted by Malaysian Environmental Consultants.

The forum was attended by 200 representatives of local tribes in Maybrat (including Ikana, Mukamat, Womba, Srumate, and Benawa I villages), representatives of the consultative leadership board (Muspida), local government representatives of Maybrat Regency and South Sorong Regency, non-government organizations and media. The event provided a good opportunity for our Company to express our commitment to achieving a balance between business, environment sustainability and community welfare, especially as it affects the people in West Papua.

Besides conducting public consultative forums, we have assigned about 40 staff to manage our social responsibility initiatives in West Papua. We also held "Forum Aspirasi Kampung" (Village Aspiration Forums) to map the needs of each village and initiate communication with the local people.

Handling Grievance, Resolving Conflict

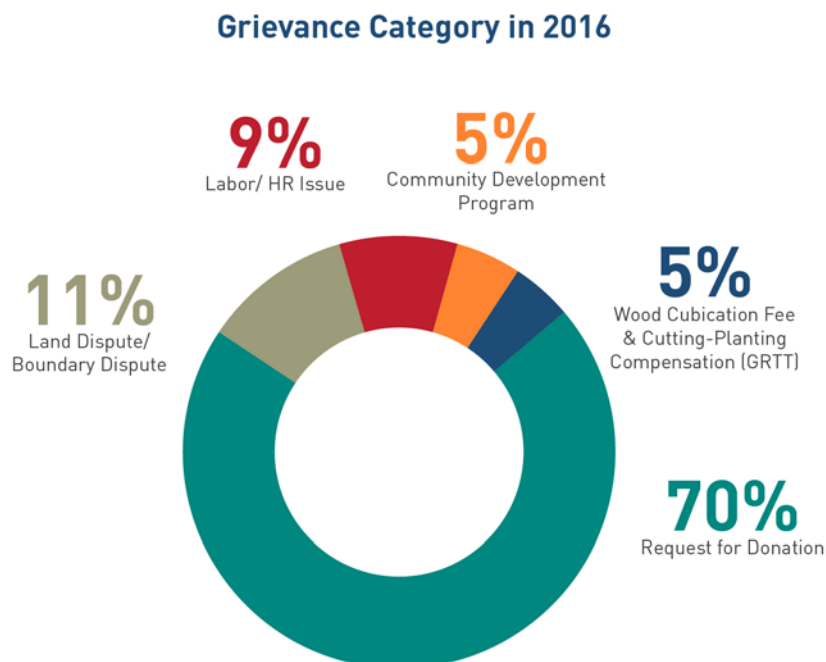
In order to handle grievances from the community, currently we carry out social risk assessments covering three essential components, namely stakeholder mapping, risk mapping and grievance monitoring. The three components serve as measurement tools for us to assess social performance and monitor important issues, which may affect our business operations.

Currently, we continue to improve our SOPs and regulations in order to handle a wide range of demands and complaints. The improvement and implementation of the SOPs for handling grievance will help field officers to treat any grievance addressed to the Company in a clearly defined procedure.

Up to the end of 2016, we have classified grievances into five categories. The largest number was related to requests for donation (70%), whereas other grievances dealt with land/boundary disputes among local tribes (11%), employment requests (9%), community development programs (5%) and wood cubication fees & cutting-planting compensation (GRTT) (5%).

The diagram below depicts the percentage of each grievance category in 2016.

Percentage of Each Grievance Category in 2016.



In addition to complaints and grievances, we also faced some issues and lawsuits, such as those dealing with land boundaries and disputes over compensation amounts. One significant issue within the last two years was a lawsuit filed by Yakomina Gue against our Company. She declared herself as the only heir of customary land owned by the Iwaro tribe within the operational area of PPM. Yakomina Gue filed a lawsuit and claim for compensation to Sorong District Court on 1 October 2015. On 25 July 2016 the court decided to reject the lawsuit based on the evidence of documents filed with the court.

Within the plantation areas belonging to PMP and PPM, we still have to deal with land boundary disputes among local tribes and land compensation

issues which we have settled based on agreement with local community. The issue of tribal boundaries is one of most sensitive as disputes can raise tensions between tribes.

Settling disputes about land boundaries transparently is critical. We can only provide compensation when the land boundary has been clearly identified. Pursuant to the FPIC procedure required by RSPO, the process of land boundary dispute settlement is time consuming as it involves a dialogue among local tribes, families and family members and should also involve local government representatives and prominent figures in the local community.

Addressing Global Concern on the Environment

As a member of RSPO, we are aware of the global concerns about the environment. It is reflected in our response to Greenpeace, an international organization with an environmental mission. In September 2016, our Company was asked to disclose information regarding our operational in West Papua, as a part of an investigation report written about the IOI Group, a group of oil palm companies' headquartered in Malaysia. The report focused on practices conducted by third party suppliers to the IOI Group.

We have stated that ANJ is not a third party supplier to the IOI group and we attempt to comply fully with RSPO provisions and regulations. We also confirmed that our Company had performed a thorough HCV reassessment, which involved a temporary moratorium on land clearance as an internal initiative pursuant to RSPO regulations.

In terms of our community approach, we stated that the implementation of FPIC was our main consideration as a requirement for land acquisition by involving the local community. We have also taken a consultative approach toward them, and in general the expansion of our oil palm operations has been broadly accepted.

In keeping with our concerns over sustainable development, we respect Greenpeace as an important stakeholder in the national discourse over the responsibilities of the oil palm industry. We welcome constructive interactions with Greenpeace as well as other environmental observers in the future.

Further information regarding the Company's response to Greenpeace can be found on pages 141-143 of the 2016 Annual Report of PT Austindo Nusantara Jaya Tbk.

Building Household Economy through Agriculture

We have encouraged economy development in West Papua through the agricultural sector. Promoting the agricultural habit in South Sorong is not an easy task because people are used to extracting forest products directly from the natural habitat. In Puragi-Tawanggire, local people have now started to plant vegetables around their houses, but they did not perform diversification and apply an agricultural system. In 2016, we cooperated with Yayasan Paramitra to assist the local community in Puragi-Tawanggire and Saga by training farming skills.

After four months, the plants were ready to be harvested. Even up to now, harvest can be done once in two weeks, and the produce is sold to the Company and neighbouring communities. In the light of this achievement, more local people have started planting vegetables in their own yards.

In addition to farming skills, local community was also provided with training and mentoring in marketing, arithmetic, and basic accounting skills.

Contributing to Community Healthcare

We carried out a basic health survey in 27 villages in West Papua in cooperation with Yayasan Pembangunan Citra Insan Indonesia (YPCII). The survey aimed to measure several basic health indicators, such as water quality, community health, healthy lifestyle habits, and household trash disposal.

In addition, we partnered with the local government's health officers to conduct free health check-ups for women and children. In 2016 we also built infrastructure to provide clean water in one of the villages by partnering with Yayasan Anak Sehat Papua (YASP).

Parenting Education and Early Childhood Education

In the education field, we considered that early childhood education (PAUD) could not be separated from the context of parenting education. Therefore, we cooperated with Yayasan Indonesia Lebih Baik (YILB) to conduct an educational campaign on children's growth and development in accordance with our support for PAUD.

One of our foster partnerships is PAUD Ceria, located in Kampung Saga Village, Metemani District of South Sorong Regency. Located in the community hall, PAUD Ceria provides free education for groups of children between 2-3 years old in a Play Group Class, between 4-5 years old in Kindergarten-A Class, and around 6 years old in Kindergarten-B Class. PAUD Ceria is managed by Yuliana Tanopi, who likes to be called Bunda Lili, along with some other friends. We provide donations such as books, learning tools and educational toys to encourage them to keep making a positive contribution to the children in Kampung Saga.

In February 2016, we formed a community motivator team which has started to visit parents regularly to discuss their children's growth. The team also

educates parents and provides some insights into nurturing children. In March 2016 we conducted an educational campaign in Kampung Sumano, Benawa 1-Kauri, Saga, and Puragi-Tawanggire with educational banners and posters containing various statements on how to keep the environment clean, how to perform character building and how to raise children.

Another effort we undertook in the education sector was to revive learning activities of PAUD by engaging women in Puragi-Tawanggire to teach children. We had first initiated PAUD in the area since 2015. However, it stopped operating for a while due to a lack of incentives given to women in their role as tutors. In February 2016 the community motivator team started to support several women, who then returned as active tutors of PAUD. This activity was supported by local officers who allocated a portion of the village funds to buy equipment needed for PAUD and provide incentives for those women.

In Benawa and Sumano, we also promoted learning activities for PAUD. Starting with informal classes for children in February 2016, the community motivator team reached out to parents. After their children had participated for four months and they had observed their development, those parents began to take their children back to school. Currently, there are approximately 20 parents in Benawa and Sumano taking their children to join the class regularly.

The type of programs we have conducted in cooperation with YILB have really affected the community in a positive way. Parents have begun to comprehend the importance of taking their children to school. They have learnt to educate their children, including how to introduce anatomy to children, how to teach children using songs to help them memorize the lesson, and how to have a better communication with them. Besides, parents have also supported their children while studying at home and examined their homework. We also observed that discussions on parenting have taken place in churches and mosques with other community groups in the village.

Mentoring and Improving Capability of Local Officers

Furthermore, we noticed that in the context of community empowerment in education sector, there is a need to improve the capacity of local officers. They have a strategic role for community welfare improvement. Therefore, they must have adequate knowledge and sufficient skills to fulfil this role.

Since November 2016, the community motivator team of YILB has provided mentoring for the local officers of Kais-Tapuri, Puragi-Tawanggire, Benawa 1-Kauri, Saga, Ikana-Mukamat, and Makaroro villages. The activity was centred on the routine administrative practices and budgeting around village allocated funds to help them understand and serve the people's needs. Besides, we also encouraged them to communicate and interact more frequently with the community.

Currently, local village officers hold a meeting with the community once in a month to discuss important issues and the actual situation of each village. For example, discussion on education topics has been held in Benawa 1-Kauri and Saga villages, whereas discussion on community empowerment issues, such as

family welfare movement, early childhood education, and farmer group, has started to take place in Puragi-Tawanggire, Makaroro, and Kais-Tapuri.

Moreover, local officers have started to understand the importance of village administration. For example, in Ikana-Mukamat, they requested IT training to enable them to do administrative tasks more quickly and accurately. In fact, they have even included computers and printers in the 2017 Village Fund Budget.



Apolos Sewa

Principal of Papuan Customary Council Sorong, West Papua

We have stated to the Company that all this time the Papuan Customary Council has always kept an eye on all the activities performed by the Company. Regarding community expectations, we think that the Company has responded to each aspiration. We do hope that all issues can be resolved immediately.

Over this time, we haven't found any problem showing that the Company does not respect our local tradition. There are probably some mistakes, but overall we can say that those are only minor ones. The Company has performed traditional ceremonies while opening new plantation, supported customary institutions and others.

We also notice that the Company is very open to the community, so our concerns can be quickly picked up by the Company's leaders. Moving forward, we do hope that the Company will prioritize native Papuans regarding job opportunities. Land boundary issues among local tribes need to be handled immediately, including community rights dealing with land compensation and other delayed resolutions.



Dominggos Aifufu

Head Chief of Imekko in South Sorong, West Papua

In our opinion, if the Company had not had a good intention, it would have stopped operating long ago. But, since the Company has good intentions, it has been able to continue operating up to now.

We see the Company has respect for local customs and traditions. If there are any remaining issues, the Company should try to solve them gradually. Since the beginning, the Company has involved us as local figures. It means that the Company respects local tradition.

Our suggestion for the Company is to always put the concerns of the community first, to help them achieve a better life. As for employment issues, we urge the Company to prioritize the local workforce so that there won't be any unemployment in Imekko.

SUSTAINABILITY POLICY

Commitment Statement

PT Austindo Nusantara Jaya Tbk (PT ANJ Tbk) is an agribusinesses company involved in palm oil, sago starch, edamame and biogas production. We are committed to responsible development with the aim of producing high-quality products that are environmentally sustainable by using best management practices based on a balanced implementation of our main policy pillars: **Environmental Stewardship, Business Policy and Social Responsibilities.**

Scope of policy

This policy applies to PT ANJ Tbk and all its subsidiaries. We expect all business associates to respect and comply with our commitments.

PT ANJ Tbk is also fully committed to the Principles and Criteria (P&C) of the Roundtable on Sustainable Palm Oil (RSPO), national and other global Sustainability Standards.

The key pillars of the company's sustainability policy are as follows:

Sustainability Policy Pillars

A. Environmental Stewardship

I. Environmental Management

Environmental Management is concerned with maintaining the landscape ecology of the area and includes the following elements:

- Conservation of primary forest and utilization of secondary forest areas to promote rural development in line with the nation's development goals
- Commitment to reducing Greenhouse Gases (GHG) and maintaining areas with High Conservation Values (HCVs) and High Carbon Stock (HCS)
- No development on peat and wetlands
- No burning of land for development
- Precautionary approach when developing on fragile soils, slopes and water ways (including river basins)

II. Sustainable Development

Sustainable Development should satisfy current environmental, social and economic needs but also ensure that future productivity can be sustained. The following are ANJ's commitments to sustainable development:

- A balanced development approach which considers social, environmental and economic needs
- Responsible development of new areas incorporating an integrated landscape approach

III. Best Practices

Best Practices are benchmark operating procedures that allow management standards to be set and maintained. These procedures apply to the following:

- Implementation of Integrated Pest Management (IMP)
- Water management in peat areas and wetlands
- Waste management promoting reduction, reuse and recycling
- Responsible use of chemicals and restricted use of paraquat
- Reduction of pollution

B. Business Policy

I. Economic Viability

Economic viability refers to the ability and capacity of a company to make a reasonable and sustainable profit.

- Commit to good corporate governance
- Guarantee high quality of products

II. Responsible Business Practice

Responsible Business Practice requires the company to take into consideration ethical, environmental and social factors in striving for profitability.

- Compliance with local laws and regulations and international conventions
- Subscribe to a Fair and Ethical Code of Conduct

C. Social Responsibilities

I. Gender Equality

Gender Equality ensures that all employees and related parties should receive equal treatment and not be discriminated against, based on their gender.

PT ANJ Tbk will promote gender equality within the company and all its associates.

- Women Empowerment
 - Childcare and reproductive rights
 - Women's healthcare
- Equal Opportunity
 - Fair wages and bonuses and equal opportunities for advancement

II. Human Rights

Human Rights refers to basic rights that should be respected by all and are guided by universal principles and norms.

- Children's Rights
- No Violence, Harassment or Sexual Exploitation
- Zero tolerance for any discrimination based on race, religion, nationality, political views, physical conditions and others
- Labour Rights
 - No child trafficking or forced labour
 - Employment Conditions and Benefits
- Community land rights and customary rights
- Effective Grievance Mechanisms

III. Safety and Security

Safety and Security aims to provide a safe and secure environment to enable employees to work without risk of injury and illness.

- Occupational Health and Safety (OHS)

IV. Social Responsibility

ANJ regards communities as equal partners and commits to actively manage social risks associated with its operations in cooperation with all stakeholders. The targeted goal is to promote activities that improve community welfare and sustainable livelihoods. This includes community empowerment through provision of education, health and economic opportunities.

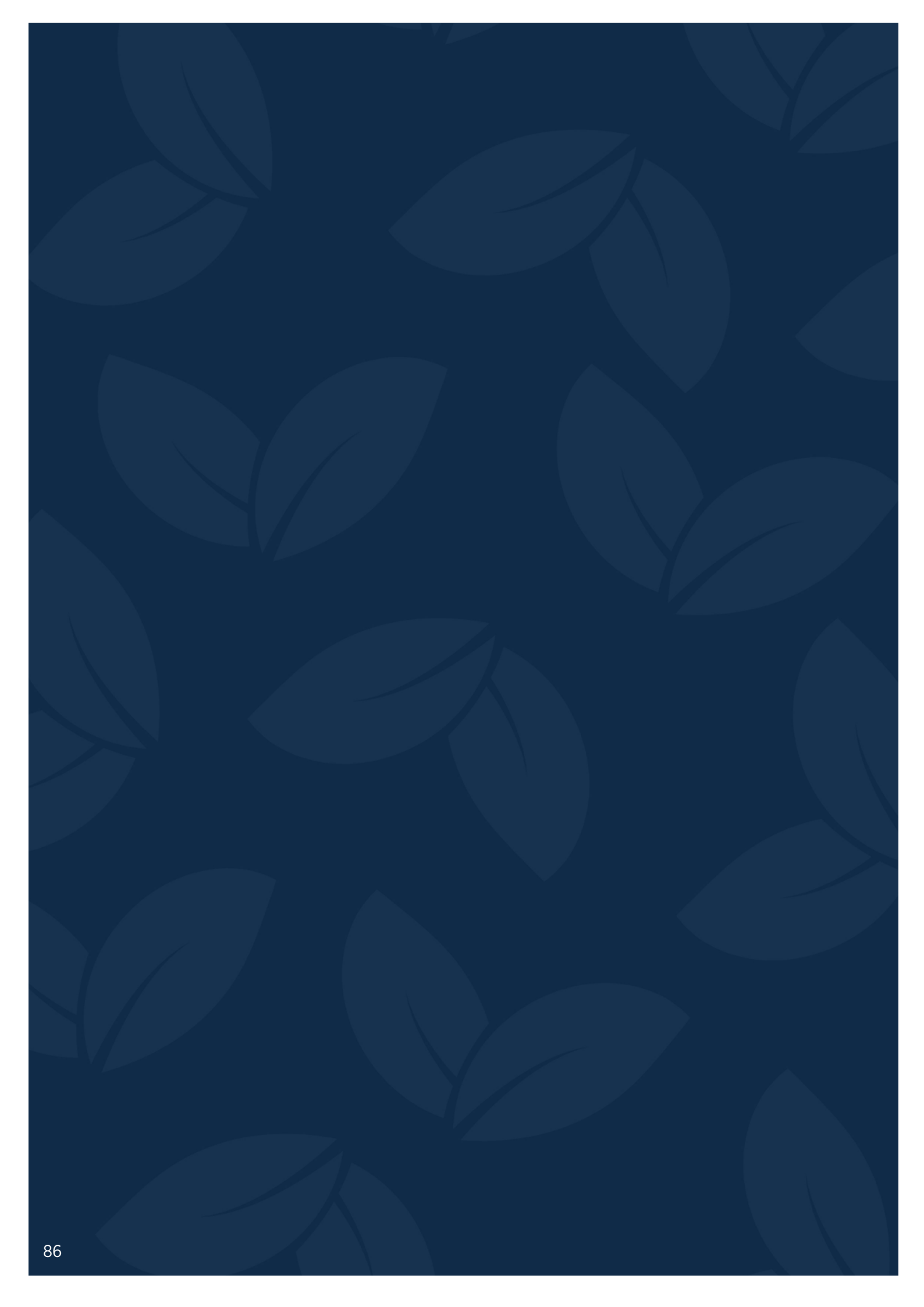
ANJ is committed to an adaptive management approach in implementing this policy. This involves a Commitment to Continuous Improvement through periodic updates, reviews and the adoption of new technologies to improve all three pillars of this policy. ANJ also subscribes to Corporate Transparency and is committed to provide appropriate information to relevant stakeholders on environmental, social and legal issues through consultative processes and thus also enabling the traceability of ANJ products and its supply chain.

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*DMA = Disclosure on Management Approach



FEEDBACK FORM

Dear stakeholders,

We would like to request your participation to kindly submit feedback after reading this Sustainability Report by sending this form through fax, courier, or postmail. You can also email after scanning this form into digital format.

Name (if you please) :
Institution/Company :
E-mail :
Land line/Mobile :
Stakeholders Group :
☐ Government ☐ Media ☐ Industry ☐ Academic Institution
☐ Community ☐ Corporation ☐ NGO ☐ Other, please state

Please choose the most appropriate answer by adding "X" inside the boxes.

1. This report describes the Company's performance in sustainable development

☐ Agree ☐ Neutral ☐ Disagree

2. This report increases your trust to the Company's sustainability commitment and implementation

☐ Agree ☐ Neutral ☐ Disagree

3. This report is interesting and easy to understand

☐ Agree ☐ Neutral ☐ Disagree

4. Rate which material aspect(s) is (are) the most important to you:

(score 1 = most important up to 5 = least important)

- Environmental management ()
- Local community ()
- Traceability ()
- Sustainability-related certification ()
- Economic performance ()
- Occupational health and safety ()

5. Do you wish to receive and read other reports from us?

☐ Yes ☐ No

6. Please give us your advices/suggestions/comments on this report:

Kindly send this feedback form to address below:

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SUSTAINABILITY REPORT 2016

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