ASIAN AGRI’S TRACEABILITY SYSTEM: ONE TO ONE PARTNERSHIP COMMITMENT

By:

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Asian Agri is a leading national palm oil company that put partnership with smallholders as its main business model.
ABOUT ASIAN AGRI

N. SUMATRA
- 43k Ha (Owned)
- 8 CPO Mills
- 2 KCPs
- 2 Biogas Plants
- R&D Center

JAMBI
- 18k Ha (Owned)
- 23k Ha (Plasma)
- 4 CPO Mills
- 3 KCPs
- 2 Biogas Plants

One of the largest RSPO, ISPO & ISCC certified oil producers in the world.
The 1st company with RSPO & ISPO certified independent smallholders
MILESTONE

1979
- Pioneered Plasma schemes in Riau & Jambi
- Established state of the art R&D centre
- Successfully developed and handover 1st Plasma estate

1983
- 1st Palm Oil Mill in Gunung Melayu

1987
- Pioneered plasma scheme in Riau & Jambi

1989
- Established state of the art R&D Centre

1991
- Successfully developed and handover 1st Plasma estate

1994
- Implement ZERO BURN POLICY during land preparation

1996
- Dxp Progeny testing to produce high yielding seeds

2002
- Established Planters School of Excellence

2005
- Set up seed producing facilities - OPRS

2006
- Asian Agri became member of RSPO

2007
- Set up Tissue Culture lab to clone oil palms

2008
- Achieved beyond 1 Mn MT CPO Vol

2012
- Set up Tissue Culture lab to clone oil palms

2013
- Achieved beyond 1 Mn MT CPO Vol

2014
- Biggest ISCC & RSPO smallholders in Indonesia
- Achieved 50% yield improvement in replanting areas

2015
- 5 Biogas plant and 6 KCPs
- Kick Start Plasma Replanting

2016
- Independent smallholders became the 1st ISPO certified - Amanah Association

2017
- ISPO
- Kick start Fire Free Village Program (FFVP)

2018
- 7 Biogas plants and 9 KCPs
- Kick start independent smallholders replanting

2019
- 100% RSPO certified plasma smallholders plantations

2020
- Independent smallholders became the 1st ISPO certified - Amanah Association

2021
- Kick start Fire Free Village Program (FFVP)

2022
- 7 Biogas plants and 9 KCPs
- Kick start independent smallholders replanting

2023
- 100% RSPO certified plasma smallholders plantations

2024
- Independent smallholders became the 1st ISPO certified - Amanah Association

2025
- Kick start Fire Free Village Program (FFVP)
1. No Deforestation
   - Conservation of HCV areas
   - GHG emission monitoring & reduction
   - Zero burning policy
   - Conservation of HCS areas for new development
   - No new development on peatland

2. Protection of Peatland
   - Explore long-term restoration options for unsuitable peat areas for replanting
   - Best Management Practices for existing peatland estates
   - Ensure food security

3. Positive Socio-Economic Impact
   - Inclusion of smallholders and stakeholders in our supply chain
   - Develop a transparent grievance mechanism system
   - Respect the rights of all workers
   - Provision of healthy working environment & practicing a fair treatment policy
   - Respect the rights of indigenous & local communities on FPIC of land
   - For people, smallholders & the community
BEST MANAGEMENT PRACTICES

1. INTEGRATED PEST MANAGEMENT
2. SOIL & MOISTURE CONSERVATION
3. CONSERVATION & BIODIVERSITY
4. ENERGY MANAGEMENT
5. SUSTAINABLE WATER MANAGEMENT
6. ZERO BURNING POLICY

CERTIFICATIONS:

- ISPO
- ISCC
- GMP+
- Kosher
- SGS
SMALLHOLDERS CONTRIBUTION IN ASIAN AGRI

PLASMA SMALLHOLDERS
250,000 MT

3rd PARTY SUPPLIERS (including ISH)
250,000 MT

NUCLEUS
500,000 MT

* Per year

Total area of 3rd Party suppliers:
243,000 Ha

ISH Partnership: 36,000 Ha

* Data per October 2018
Plantations are considered to be traceable if the following data is complete:

- Plantation’s GPS coordinate
- Name & address of the plantation
- Plantation area in hectare
- Process to overlay with the provincial spatial plan (RTRWP) map
- Yield data for quota lock mechanism
TRACEABILITY PARTNERS

- N. Sumatra
- Riau
- Jambi

* Will start at the end of 2018
* Landscape analysis using GRAS tool
* Traceability system verification

* Started in 2016
* Smallholder verification, polygon mapping, and training
* Certification preparation for independent smallholders
The One to One Commitment will see us match each hectare of our own plantations with land owned by smallholders by the end of 2018. We provide smallholders with training, assistance and modern equipment to help increase yields and earn sustainability certification.

100,000 Ha : 100,000 Ha

**Environment**
1. Increased sustainability
2. No new land clearance
3. Help smallholders earn sustainability certification

**Economy**
1. Higher production
2. Increased welfare
3. Development of local economy potential

**Smallholders**
1. Increased yield
2. Higher income

**Who Benefits?**
- **Environment**
- **Economy**
- **Smallholders**
- **Asian Agri**

Traceability of supply chain
KEY SUCCESS FACTORS

1. **Foster and Manage Smallholders’ Plantations**
   Planting best quality seeds and implement best management practices

2. **Managed by Dedicated Team**
   Deployed the best team to partner smallholders, including R&D team

3. **Develop and Manage Cooperative Village Unit**
   To help smallholders in daily coordination and provide daily needs

4. **Routine Accompaniment & Sustainable Development**
   Trained by experts who are master in their field

5. **BUY FAIR BE FAIR**
   Fair and On-time Payment
   Paying based on the price set by the government
WHERE WE ARE HEADING

<table>
<thead>
<tr>
<th>Year</th>
<th>Plasma Smallholders</th>
<th>Independent Smallholders</th>
<th>Owned by Asian Agri</th>
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<tbody>
<tr>
<td>2012</td>
<td>2,791</td>
<td>0</td>
<td>72,208</td>
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<tr>
<td>2013</td>
<td>6,045</td>
<td>0</td>
<td>63,955</td>
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<tr>
<td>2014</td>
<td>11,242</td>
<td>0</td>
<td>35,515</td>
</tr>
<tr>
<td>2015</td>
<td>18,600</td>
<td>0</td>
<td>11,400</td>
</tr>
<tr>
<td>2016</td>
<td>24,500</td>
<td>0</td>
<td>2,500</td>
</tr>
<tr>
<td>2017</td>
<td>31,000</td>
<td>0</td>
<td>100,000</td>
</tr>
<tr>
<td>2018</td>
<td>31,000</td>
<td>0</td>
<td>100,000</td>
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</tbody>
</table>

100,000 Ha
INDEPENDENT SMALLHOLDERS PARTNERSHIP

Total: 36,000 Ha

- N. Sumatra: 14,000 Ha
- Riau: 9,000 Ha
- Jambi: 13,000 Ha
The One to One commitment not only protects the traceability of palm oil, but also increases the capability of the smallholders to achieve optimum results.

**Negeri Lama**
- The First Independent smallholder empowerment project in 2012
- Growing from 1,169 ha to 5,097 ha
  - Involving 1,209 families

<table>
<thead>
<tr>
<th></th>
<th>Yield (Ha/Year)</th>
<th>Price (Rp/Kg)</th>
<th>Logistic (Rp/Kg)</th>
<th>Income (Mio/Mo/Ha)</th>
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</thead>
<tbody>
<tr>
<td>Negeri Lama</td>
<td>9</td>
<td>1100</td>
<td>325</td>
<td>0.4</td>
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<td></td>
<td>12</td>
<td>1310</td>
<td>30</td>
<td>1.0</td>
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<tr>
<td>Amanah</td>
<td>18</td>
<td>1060</td>
<td>92</td>
<td>1.2</td>
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<tr>
<td></td>
<td>21</td>
<td>1378</td>
<td>48</td>
<td>1.9</td>
</tr>
</tbody>
</table>

**Amanah**
- The First Independent smallholder association that received RSPO certificate & ISPO Certificate in Indonesia
- Growing from 763 ha to 1,048 ha;
  - Involving 501 families
AMANAH ASSOCIATION

Increased FFB buying price to IDR 0.3 Mio / MT

Increased income from IDR 1.2 Mio to IDR 2.2 Mio / Month / Ha

Increased production from 18 MT to 21 MT

July 29th, 2013
First independent smallholder association in Indonesia certified by RSPO

April 11th, 2017
First independent smallholder association certified by ISPO
SMALLHOLDER JOURNEY TOWARDS SUSTAINABILITY

1. Improved Productivity
2. Maximized FFB Yield Potential
3. Optimized Income & Livelihood
4. Understanding Sustainability Perspective
5. Dis-incentive Un-sustainable Practices

Intensification:
1. Better management through Assistance Program
2. Better Genetic through Planting

The journey for smallholders to move towards sustainability requires support and assistance in multi-dimensional perspectives.

It starts from understanding the needs, engagement to build commitment and loyalty, education agriculture knowledge, facilitation of access to many aspects (from Off-taking the FFB, Fertilizer to Financing).

The idea of Sustainability would only be making sense to smallholders after certain level of Welfare & Livelihood has been reached.
Thank You

Asian Agri

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www.asianagri.com