ASIAN AGRI

Pioneer of Oil Palm Smallholder Partnership Program

40% planted land owned by 30,000 plasma smallholders

Partnering independent smallholders who manage 30,000 ha oil palm plantation

Employing 25,000 people

Producing certified crude palm oil together with smallholders

One of the biggest palm oil producers certified by RSPO, ISPO, and ISCC

Partnering the first independent smallholders certified by RSPO and ISPO
World Vegetable Oil & Fats

Palm oil has a market share of 32% from total 17 major oil & fats in the world:

- Palm oil only utilizes 7% of land for vegetable oil cultivation.
- Palm oil is the most efficient vegetable oil, yielding 7-10x more than its peers.

Market share in global and oil fats:
- 32% Palm
- 25% Soybean
- 12% Rapeseed
- 8% Sunflower
- 2% Cottonseed
- Others

Total area = 279.6 million Ha
Total prod = 204 million MT

Land use among other vegetable oil crop:
- 44% Soybean
- 9% Sunflower
- 11% Rapeseed
- 11% Cottonseed
- Others
World Palm Oil Industry

Among the 17 major oil & fats, palm oil is the most consumed oil, with annual consumption of 58.9 million MT in 2016.

In 2016, Indonesia produces 32.1 million MT – 54% of world palm oil, followed by Malaysia at 17.3 Mn MT - 29%

By 2020, at least 78 million MT of palm oil is required.

With limited land in Malaysia, Indonesia is expected to drive growth of the industry.

Source: Oil World 2016

*Source : Oil World 2014, MOSTA vol. 22
Palm Oil - Integral Part of Indonesia Economy

- 4th Most populous country in the world
- 5th Largest labor force in the world
- The Largest Economy in South East Asia
- 10th Largest in the world (PPP)

Population: 257 Mn
- 7% Stated Owned
- 52% Company Owned
- 41% of Indonesia palm oil plantation is owned by Smallholders

GDP: $862 Bn
- 17% of GDP

No. 1 CPO Producer & Exporter

Palm Oil Export: $17 Bn
- Largest export sector in Indonesia

National Export: $150 Bn

- Produces 33 Mn MT per annum
- 16% of world’s vegetable oil
- Export 26 Mn MT

* Source: Oil World, World Bank, Ministry of Trade
* Source: World Bank 2015
* Source: Directorate General of Estate 2015
Assets Summary

- **160,000 Ha of Plantations**
  - Nucleus: 100,000 Ha
  - Plasma: 60,000 Ha (40% of area)
- **20 Palm Oil Mills**
  - Capacity:
    - 5 Mn MT FFB per annum
    - 1 Mn MT CPO per annum
- **R&D center and Seed Processing Unit**
  - Capacity:
    - 25 Mn seeds per annum
- **Planter School of Excellence**
- **7 Methane Capture Facilities (Biogas Plants)**
- **6 Kernel Crushing Plants**

Mill Operations are Strategically Located

- **43k Ha (Owned)**
  - 8 CPO Mills, 2 KCPs, 2 Biogas Plants
- **39k Ha (Owned)**
  - 35k Ha (Plasma)
  - 8 CPO Mills, 3 KCPs, 3 Biogas Plants
- **18k Ha (Owned)**
  - 23k Ha (Plasma)
  - 4 CPO Mills, 1 KCP, 2 Biogas Plants

Production Overview

- **Inti: 500,000 MT**
- **Plasma: 250,000 MT**
- **Annual vol: ± 1 Mn MT CPO**

One of the largest **RSPO & ISCC** certified oil producers in the world.

**No. 1 volume** in sustainable oil from smallholders plantations

The 1st company with **RSPO** certified Independent Smallholders
Asian Agri became member of RSPO
Acquired 8,000 Ha land bank in north Sumatra
1st Palm Oil Mill in Gunung Melayu
Established state of the art R&D centre
Successfully developed and hand over 1st Plasma estate
Implement ZERO BURN during land preparation
Set up Seed producing facilities - OPRS
Established Planters School of Excellence
DxP Progeny testing to produce high yielding seeds
Set up Tissue Culture lab to clone oil palms
Achieve beyond 1 Mn MT CPO Vol
Biggest ISCC & RSPO certified smallholders in Indonesia
Achieve 50% yield improvement in replanting areas
7 units of Biogas plant & 6 KCPs; 13 planned
Kick Start Plasma Replanting
Focus on Sustainability

AA’s Journey to Sustainability

2006
Became member of RSPO

2007
100% RSPO & ISPO certified

2010 - 2011
1st RSPO & ISCC Certification Nucleus & Plasma

2012
Awarded Largest Certified Smallholders

2014
All nucleus & plasma are ISCC certified

2017
100% RSPO & ISPO certified

Asian Agri’s Commitment

- Protection of High Conservation Value (HCV) & High Carbon Stock (HCS) areas
- Protection of peat regardless of depth
- Drive positive socio-economy impact for people and communities

Immediate Moratorium:
- No forest clearance and new peat land development
- Traceability of FFB suppliers by 2016
Adopt Founder’s Philosophy to Support Plasma Smallholders

Based on Founder’s philosophy, Asian Agri became PIONEER in supporting govt. PIR-Trans program through Plasma Smallholders program in **1987**

- **Good for Community**
- **Good for Climate**
- **Good for Country**
- **Good for Company**
- **Good for Customer**

**Partnership for 60,000 Ha of Plasma Smallholders land.**

**40%** of total ASIAN AGRI Managed plantation area.

One of the largest in the palm oil industry.
Key Success Factors

Take care of smallholders plantation area
Planting with best quality seeds and management practices

Established strong + Dedicated team
200 Personnel to engage Smallholders daily on Agronomic Practices including R&D Supports

Formation of Smallholders Co-operatives
To represent & assist smallholders daily coordination and needs

Daily Engagement and Continuous Empowerment
Training by Experienced Operation Personnel & Industry Experts

Fair and on-time purchase of production
Based on government regulated price. Incentive reward for good quality.
Palm Oil: A Key Economic & Income Growth Driver

Driving Economic Growth & Job Creation

- **Economic Growth**: 1.6% of Indonesia GDP
- **Jobs & Employment**: 4.5 mn employment
- **Total Production**: 33 million tons of CPO and CPKO – No.1 in the world

Alleviating Poverty Among Local Community

- **Annual Household Income, 2014 (in USD per capita)**
  - Plasma Farmers: $3,600
  - Independent Farmers: $2,800
  - Non Palm Oil Farmers: $800
  - AA Plasma Farmers: $6,000

Poverty Line: $350

~69% Of Palm Oil Production Is Based In Sumatra

- Sumatra: 69%
- Kalimantan: 28%
- Others: 3%

Past

Present

Source: Secretariat of Directorate General of Estates / Ditjenbun, Indonesia, 2014
Source: Indonesia Ministry of Industry
Source: PASPI (Palm Oil Agribusiness Strategic Policy Institute) 2014

~69% Of Palm Oil Production Is Based In Sumatra

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- Others: 3%
Where We Are Now

30 Years
Successful partnership in managing 60,000 Ha of plasma smallholders lands

30,000
Smallholders engagement & empowerment

100%
100% ISCC Certified in 2014
86% RSPO Certified in 2015
Pioneer in ISPO Certification for independent smallholders in Apr 2017

72
Smallholders Co-operatives, with average asset value of USD 1.5 Mil each co-operative

ASIAN AGRI conducts
Certified Oil Premium Sharing with Plasma Smallholders

NEWS RELEASE
ONE OF THE WORLD’S LARGEST SCHEME SMALLHOLDER IN INDONESIA TO BE RSPO CERTIFIED

Jakarta, September 3, 2012 – The international certification scheme and multi-stakeholder organization for sustainable palm oil, the Roundtable on Sustainable Palm Oil (RSPO), recently certified another two scheme smallholder plantations in Indonesia under Asian Agri.

These latest two plantations combined with its previous two plantations, which are all located in Sumatra, were certified in 2010 and 2011, contributing to a total Certified Sustainable Palm Oil (CSPO) production volume of 211,913 metric tonnes - making Asian Agri one of the world’s largest scheme smallholder in Indonesia.
ISCC Certification for Smallholders

To facilitate and provide good agricultural knowledge and technical skills in oil palm management

Also involve in ISCC Sustainability Journey (Self Declaration Preparation, Green House Gas Calculation)

Dedicated Smallholder Mgt Team

Next Potential Target: 1.042 Independent Smallholders in Riau and 10,000 Independent Smallholders in Jambi

ISCC Certified, Plasma Scheme 29,000 Smallholders (60,000 Ha)
Smallholders Partnerships as A Business Model for Sustainability and Growth

**Plasma Smallholders**

- Kick start **2nd generation Plasma** with Superior Seeds and Agronomy Practices in 2015
- 100% ISCC Certification by 2014
- 100% RSPO Certification by 2017
- 100% full traceability of supply chain by 2016

**Independent Smallholders**

- Leverage on plasma partnership experiences & success stories to **embrace Independent Smallholders into Plasma Smallholders Program.**
- By being part of the program, Independent Smallholders will achieve higher and sustainable production from better agronomic practices, with guaranteed market uptake and fair price

1st Independent Smallholder Program to be RSPO Certified for sustainable production in 2013

1st independent smallholders association to be certified by Indonesian Sustainable Palm Oil Program in 2017
Smallholders Replanting Program

Kicked off the oil palm replanting program with smallholders and government officials in a replanting ceremony on April 20th, 2016.
Where We are Heading - *1:1 Partnership Commitment*

Area (Ha)

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<th>Plasma Smallholder</th>
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<tr>
<td>2018</td>
<td>100,000 ha</td>
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AA Owned Plantation

- Independent Smallholder
- Plasma Smallholder
Benefits to Smallholders

Negeri Lama
The first independent smallholder empowerment project in 2012

- The first independent smallholder association that received RSPO certificate;
- Growing from 763 ha to 1,048 ha;
- Involving 501 families

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Smallholder Journey Towards Sustainability

The Journey for Smallholders to move toward 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 Welfare & Livelihood has been reached.*
Community Services through CSR Programs
Thank You