

No: E.001/AP-GW/GAR/06/2015

Global Witness
Lloyds Chambers, 1 Portsoken Street
London, E1 8BT United Kingdom

25 June 2015

Dear Global Witness,

We are looking forward to our meeting with Jonathan Gant and Louise Riley on July 2nd in London. Prior to that meeting we are, as requested, providing answers to the questions raised in your letter of June 18th 2015. We thought it would be useful to send these so you can raise any additional questions or points of clarification at the meeting.

Please find our responses below to the questions you asked.

1. GAR has a remarkably poor human rights and environmental track record. Reports over the last year alone have shown that the company has violated the rights of Indonesian communities, failed to comply with Indonesian plantation permitting laws, and bought palm oil from suppliers operating in the Sumatran Leuser ecosystem, the last wild refuge of critically endangered Sumatran orang-utans, elephants, tigers, and rhinos.

A. Answer to: *"reports over the last year alone have shown that the company has violated the rights of Indonesian communities, failed to comply with Indonesian plantation permitting laws"*

GAR's priority is to fully embrace the challenges that have been highlighted in the implementation of our Forest Conservation Policy (FCP) and Free, Informed and Prior Consent (FPIC). We admit we have faced challenges in carrying out our policies and we are currently involved in instituting a broad range of management and policy reforms to ensure that problems we have encountered are minimised in the future.

Below are the specific actions we are carrying out:

1. We are taking steps to ensure FPIC is implemented properly for all concessions

a) We have revised and updated SOPs

In 2014, we enhanced our FPIC process in land compensation SOP and developed a separate FPIC SOP in collaboration with The Forest Trust (TFT) and other NGO partners. That policy is now being implemented. We are in the process of training all personnel including all field staff, contractors, and local communities surrounding the concessions. 12 regions have completed the

training and the remaining 15 regions will be completed by December 2015. We welcome inputs from all stakeholders to improve the implementation of our FPIC SOP.

b) We are commissioning field surveys to better understand the needs of the communities

A number of issues related to past FPIC implementation at one of our concessions, PT KPC, were raised last year. We are currently seeking to resolve these issues with the objective of strengthening long term relationships with local communities. We have engaged TFT to conduct a field survey of the communities in the concessions where concerns have been raised. Based on the information gathered, GAR, in consultation with relevant stakeholders and local NGOs, will develop solutions that meet the needs of the affected communities. This model will be used in our FPIC implementation moving forward to address any issues and resolve conflicts as they arise.

As for Liberia operations, Golden Veroleum Liberia (GVL) has been working since 2013 to develop and apply FPIC processes in community engagements. The relevant SOPs, produced between GVL and TFT in August 2013, have been shared with stakeholders. GVL will continue to improve these SOPs and their implementation on the ground. (Please note that GVL will be responding separately in detail to your recent letter to them.)

2. We are carrying out Participatory Mapping

GAR respects and recognises the long term customary rights of the indigenous and forest dwelling communities to their traditional land and commits to ensuring FPIC from these communities prior to commencing any developments and conservation of land. Implementation of this policy will include Participatory Mapping (PM) of all indigenous and local community lands prior to negotiation. In conducting the PM, we are following the existing guidelines as agreed with TFT. We started our participatory mapping in late 2014 and we are now carrying out PM in 12 concessions and 83 villages (desa). Please see attached slide for progress updates on our PM process.

3. We are launching a new strengthened GAR Sustainability Policy

We are currently finalizing a new Sustainability Policy, which will integrate an enhanced FCP with an improved Social and Community Engagement Policy (SCEP), and the inclusion of our Zero Tolerance Policy, in consultation with key NGO stakeholders. We plan to launch this in July 2015. It will include an updated and strengthened policy to deal with third party suppliers who fail to comply with our policies.

We have attached the draft policy and would welcome your inputs. Please note that the draft is not for publication in any form.

4. We are supporting independent smallholders

We are extending support to independent smallholders through the establishment of the Innovative Financing Programme for replanting. The program was established to help independent farmers increase their productivity and income in which we (through subsidiary company, PT. SMART Tbk.) served as a guarantor of the loans. We also manage the plantations and off-take the fruit bunches until the loan has been repaid or throughout one planting rotation.

The Innovative Financing Programme was approved by the Ministry of Agriculture on 30 October 2014. About 400 farmers from ten villages in Kampar Region, Riau received detailed information

about the program. 29 farmers with a total ownership of 92 hectares from a population of 232 hectares have joined the programme.

Additionally we are working on the following initiatives:

1. Restructuring to improve implementation

We have undertaken a major restructuring process to boost and strengthen the capacity of the Sustainability Team and will continue to review the effectiveness of the new structure. Specifically, our sustainability team is now fully embedded across our operational teams, both at headquarters and in the field. We are recruiting several new team members to ensure we have an appropriate resource base to make good on the operational changes we are making.

2. Boosting efforts to conserve HCV and HCS forest areas

GAR has suspended all new plantings since November 2014. In 2013, we declared that we would set aside HCS and HCV areas for conservation.

Successful HCS conservation will require multi-stakeholder collaboration, the involvement of communities in conservation efforts and implementation of the rigorous emerging HCS methodology. We are revising our operational guidance that will set out in detail our best efforts to conserve HCS and HCV areas. This will be finalized in August 2015.

GAR is finalizing conservation maps for the concessions identified in the complaint to the RSPO. These will integrate the findings from HCS plot sampling by TFT, HCV monitoring by Ekologika Consultants and participatory mapping to define land use maps for these concessions, a key deliverable in GAR's FCP commitment.

We are committed to continuously engaging governments and communities to try to resolve these issues. We will also use our voice within relevant industry bodies to encourage and drive more progress on these challenges.

Priorities we have identified in terms of our own actions include:

- a) Conducting participatory mapping and participatory conservation plans centered around local communities and local government's preference. Once conservation maps are completed, we will develop action plans in partnership with stakeholders to keep conservation areas within our cadastral and HGU areas.
- b) Conducting workshops with community, government, and civil society organizations to address the challenges of implementing HCS conservation.
- c) Joint efforts between NGOs, local government and industry (KADIN/IPOP) to promote the prerequisite policy change to enable conservation of HCS on APL area. Options include upgrading the legal status of existing HCS areas to forest land, issuance of district regulation on local conservation areas, and designating HCS areas as social forestry or village forest areas.
- d) Developing a broader conservation program that involves local communities, conservation NGOs, academia and other stakeholders.

3. Restoration of cleared HCS areas

GAR had committed some breaches of the FCP with regards to clearance of HCS forest and HCV Areas, which took place in 2013 and 2014. These breaches have all been fully investigated. Investigations revealed that causes included poor internal communications within GAR,

insufficient progress on the 2011 FCP, and widely acknowledged technical challenges involved with the identification of HCS and HCV areas on the ground due to poor satellite imagery and local community clearance of identified HCS forest areas. TFT have now calculated that these areas amount to roughly 1,500 ha. GAR is fully committed to restoring and rehabilitating an equivalent area of land.

4 . We are taking steps to ensure our supply chain is deforestation-free

On 27 May 2015, we launched an upgrade to our online sustainability dashboard which improves traceability and provides information on the company's palm oil mills, nucleus estates, smallholders, third party suppliers as well its refineries. By the end of 2015, GAR expects to achieve full supply chain traceability to palm oil mills.

In the last few weeks, we have responded swiftly to reports from NGOs indicating violations of our FCP by our third party suppliers such as PT ANJT and PT SSS. Our response includes active engagement and immediate suspension of new purchases from problematic suppliers. GAR is also proactively working with suppliers to ensure that they fully understand GAR's policies as well as helping them build capacity to be compliant with the policies. Together with TFT we have developed a grievance handling procedure, which includes a supplier engagement protocol, to formalise our handling of complaints by stakeholders about suppliers. Please see the grievance flow chart attached.

B. Answer to "bought palm oil from suppliers operating in the Sumatran Leuser ecosystem, the last wild refuge of critically endangered Sumatran orang-utans, elephants, tigers, and rhinos"

With regards to the Leuser ecosystem, GAR takes the matter very seriously and has carried out actions in line with what we have detailed in point (4) above, i.e. engaging closely with suppliers and working on joint action plans with them or suspending those who are unwilling to engage on this matter. GAR is in communication Rainforest Action Network (RAN) to find solutions in this matter.

We have attached our recent presentation to RAN on this matter for your kind attention.

2. The Forest Trust has suspended its relationship with GAR subsidiary PT SMART because the company repeatedly breached GAR's Forest Conservation Policy and Social and Community Engagement Policy.

We are working to address specific breaches of the FCP and FPIC and we have detailed these actions in our response above.

The suspension by TFT is for the upstream operations of PT SMART, while the partnership to work on the downstream operations is continuing. GAR has been working with TFT on a downstream work plan since February 2015 which is progressing well.

GAR and TFT have remained in close dialogue throughout the last few weeks, and on 22 June 2015, TFT and GAR issued a joint statement on the Agreed Action Plan for the Re-Engagement by TFT on GAR's Upstream Plantation Operation, which we attach with this letter.

GAR is committed to learning and making continuous improvement and we remain receptive to constructive feedback from our NGO partners.

We hope that we have answered your queries satisfactorily. Please do not hesitate to contact us should you have more queries.

Thank you.

Sincerely,



Agus Purnomo,
Managing Director, Sustainability and Strategic Stakeholder Engagement
Golden Agri-Resources Ltd.

Attachments:

1. Progress of Participatory Mapping
2. Draft GAR Sustainability Policy (not for publication)
3. GAR presentation to RAN on 15 June 2015
4. Joint Statement by TFT & GAR on 22 June 2015
5. Grievance Procedure Flow Chart