

Dear Bapak Syufrianto,

Thank you for giving us the opportunity to clarify the allegations made in the Friends of the Earth report for your perusal. As you are aware that most of these allegations are historic and have been addressed by PT Astra Agro Lestari Tbk (AAL) and its responses published in other sources.

We are disappointed that Friends of the Earth (FoE) took the decision not to publish, or acknowledge, AAL's response to them, instead suggesting that AAL did not engage with the report. For your reference, AAL provided them with its response on 7 March 2022.

We have spent some time going through their report in detail to investigate each and every claim that is made to ensure that there are no lingering issues relating to our operations.

As you will note, the report categorizes the allegations across three areas:

1. Governance – which relates largely to allegations around permits and land rights
2. Human rights
3. Environmental

Below, we provide a summary response to the allegations across these areas.

Alleged governance risks and impacts

Please be advised that information on permits is not public information. Further, under Indonesian land disclosure regulations¹, we are not able to share permits information publicly. Land certificate information is also not published online by the Indonesian authorities. As such, it is understandable that FoE would not have complete information on AAL subsidiaries' permits.

We confirm that PT Mamuang (Mamuang), PT Lestari Tani Teladan (LTT) and PT Agro Nusa Abadi (ANA) have always operated in accordance with the law in Indonesia and hold all the necessary permits to conduct their business and operations. None of these AAL subsidiary companies is involved in any illegal land acquisitions.

In respect of the HGU (Right to Cultivate) land title certificate (HGU Certificate), the land certificate application process in Indonesia needs to go through stages to complete and drawn out. As it takes time to acquire an HGU Certificate, the regulations permit plantation companies, in the interim, to operate without one, provided that the companies already have obtained a Plantation Business Permit or Izin Usaha Perkebunan (IUP) and completed settlement of their land acquisition. In fact, this is a common practice for plantation companies.

The following is a summary of the HGU Certificate application process:

- 1) The first step is for a company to obtain a Location Permit (*Izin Lokasi*) from the Regent/Governor.
- 2) The company then must obtain an Environmental Permit / Environmental Impact Assessment (AMDAL).
- 3) Subsequently, the company must obtain an IUP.

¹ Articles 6 and 17 of Law No. 14 of 2008 concerning Openness of Public Information, article 44 paragraph (1) of Law No. 43 of 2009 concerning Archives, and articles 34 and 35 of PP No. 24 of 1997 concerning Land Registration.

- 4) Land acquisition process in the case where the land is located on community land:
 - a. The company approaches the relevant Village Head to obtain a list of all Land Statement Letters (*Surat Keterangan Tanah or SKT*) issued by the Village Head related to the land. The SKT is one of the initial indications of ownership.
 - b. The Village Head informs all land owners regarding the company's plan to acquire the land and holds meeting(s) with the land owners to identify the rightful owners of the land based on land ownership document.
 - c. In the event of a dispute (overlapping area), a Plantation Land Dispute Settlement Team will be formed, consisting of the Village Head, Sub-District Head, Police, Regional Land Office, community leaders.
 - d. The Team will invite all land owners to submit its land ownership documentation and perform validation to the document to determine originality of the land ownership document.
 - e. The result of the validation will be set out in a decree issued by the Sub-District Head. The decree is a public document and is the basis for the company in identifying the valid land owners.
 - f. Determination of the compensation/land price is carried out based on an agreement with the community as outlined in the minutes signed by the representative of the community and the company with acknowledgment from the Village Head and Regent Head.
- 5) The company and the community will then come to an agreement to develop a plasma plantation out of 20% of the land designated for the community (plasma schemes are social initiatives that provide economic and social assistance to surrounding villagers and are mandatory for plantations established after 2007²).
- 6) The company will then apply to the National Land Agency to measure the boundary of the land areas which will then be inspected and verified. Once it has been confirmed the lands are conflict free, the Minister of Agrarian Affairs and Spatial Planning is able to issue a decree granting the HGU Certificate.

Both Mamuang and LTT³ obtained the relevant HGU Certificates in 1997 and 2002, respectively. The applications for HGU Certificates for ANA are still in process. ANA has obtained its IUP and completed its land acquisition settlement in compliance with the regulations. The processing of ANA's HGU Certificates application has taken some time, mainly due to involvement of a number of applications as the land falls under various different regional governments and subsequently, the applications needed to be refiled due to a district expansion resulting in certain relevant villages falling under the jurisdiction of a new district.

Alleged human rights risks and impacts

We assure you that all of our subsidiaries do not engage in any form of 'land grabbing' or human rights violations. As a responsible and sustainable operator with a long history in Indonesia, we take any overlapping land ownership claims extremely seriously and rely on the established legal system to resolve any ownership disputes.

As the report notes some allegations due to human rights against ANA, LTT and Mamuang has been raised through a formal grievance process under Wilmar's reporting system, as officially lodged by P&G in March 2021 For details kindly refer to this below link :

<https://www.wilmar-international.com/sustainability/grievance-procedure>

² The Minister of Agriculture Regulation No. 26/2007 concerning Plantation Business Licensing Guidelines

³ None of the HGU Certificates referred in the table of the FoE report in page 11 relates to land owned by LTT.

We are unable to comment on any incidents where individuals were arrested or sentenced through a court of law. These were decisions made by legal authorities and the courts, with no influence from AAL or its subsidiaries.

AAL is fully aligned on its Human Rights strategy with the United Nations Guiding Principles on Business and Human Rights, which has been implemented across the company's entire operations and supply chain.

Alleged environmental risks and impacts

AAL is committed to running its business in an environmentally and socially sustainable manner, in compliance with all applicable laws. This includes managing its impact on the local environment and helping to support the livelihoods of local communities.

Since 2015, ALL has formalised their commitment to the NDPE principles of “No Deforestation, No Peat Development, and Respecting Human Rights”, following which there has been no new development of land. NDPE is also a critical element of its 5-year sustainability plan (2021-2025), in which AAL outlines specific steps for each category.

Furthermore, ANA, LTT and Mamuang have taken strict measures around the disposal of palm oil waste and to prevent any possible agrochemical contamination around their plantation sites. ANA for instance has a liquid waste treatment protocol for which all generated liquid waste is processed in a thorough process that takes a total of 25-30 days. Once it has been properly processed, it is then used as a liquid fertilizer on the plantation land – this is fully aligned to the Ministry of Environment and Forestry regulations. Every month laboratory tests are conducted on the quality of waste in accordance with regulatory provisions.

Equally, LTT has strict SOPs in place for the safe the management of palm oil waste and operates under the supervision of the local government. LTT routinely evaluates air and water quality to ensure its operations do not impact or pollute the surrounding environment, as mandated by government regulations.

Having investigated each of the allegations made in the FoE report in detail, AAL is confident in the processes that it has in place across the group to ensure that it is operating responsibly and in accordance with its operating procedures and in line with all applicable regulations.

Should you require any further clarification, please feel free to call for a meeting for a comprehensive discussion. Thank you.

Regards,
Bandung Sahari
EVP Sustainability