

## General Announcement::Sustainability Report 2017

## Issuer &amp; Securities

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<b>Submitted By (Co./ Ind. Name)</b>	Cheng Sai Hong
<b>Designation</b>	Company Secretary
<b>Description (Please provide a detailed description of the event in the box below)</b>	Japfa Ltd is pleased to release its first Sustainability Report as attached.
<b>Attachments</b>	<p> <a href="#">JAPFA SR 2017.pdf</a></p> <p>Total size =4892K</p>

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# GROWING TOWARDS MUTUAL PROSPERITY

Nurturing a Brighter Future





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# Message from Our CEO



Dear Stakeholders,

I am proud to present you with our first Sustainability Report.

The concept of sustainability has always been an integral part of our corporate DNA since the establishment of our business in 1975 by our founder, Mr. Ferry Teguh Santosa. But it was not until 1990, when JAPFA Tbk first published its Annual Report, that we introduced our vision of Growing Towards Mutual Prosperity, which crystallised our sustainability approach. Today, this vision not only remains intact, but becomes even clearer as the Group makes steady progress in feeding emerging Asia with affordable protein foods. Our approach has always been to grow our business in a sustainable manner that positively impacts all our stakeholders – consumers, farmer partners, employees, community and shareholders.

Sustainability and our agri food business go hand in hand, particularly in our operating markets. In Indonesia and the emerging Asian markets, malnutrition is a serious and growing problem, largely due to the low per capita GDP and socioeconomic gap between the rural and urban areas.

As one of the top producers of animal protein in this region, we see the need to emphasise the importance of better nutrition and improve the lives of the population in these markets. To enable as many people as possible to increase their protein intake, our goal is to provide affordable animal protein to the regions where we operate, reaching out to the most remote areas. This can only be achieved with an efficient production system, as well as sustainable, growth-orientated business practices.

For this inaugural Sustainability Report, we have chosen our poultry business in Indonesia as the point of focus, given that it generates more than half of our consolidated Group revenue.

At JAPFA, we firmly believe that efficient production enhances the well-being of our livestock, as a happy and healthy chicken is a productive chicken. Therefore, strong emphasis is placed on providing our livestock with comfortable and conducive housing and nutritious feed, as well as adhering to stringent biosecurity in the production of our high-quality day-old chicks and vaccines. We are confident that our industrialised approach to farming and steadfast focus on production efficiency will continue to keep our costs low, enabling us to readily offer affordable and nutritious chicken meat to consumers.

As a responsible corporate citizen, we have adopted measures to protect the environment. Throughout 2017, we used 98% renewable biomass energy to power our business units, and reused 100% of the boxes for the transportation of our day-old chicks. In addition, we source our materials locally whenever possible. We believe these efforts provide an added dimension to our sustainable practice and further enhance our production efficiency.

To reach out to the most remote areas in Indonesia and improve the livelihood of the community surrounding us, we have developed partnerships with more than 9,000 farmer partners in Indonesia, where we raise their technical skillsets and farming capabilities. By equipping our farmer partners with valuable technical knowledge and the know-how in setting operational discipline in the poultry farms, we lay the foundation for them to achieve higher output, and in the process, improve their lives.

Additionally, our long-running community engagement programmes, including JAPFA Foundation and JAPFA4Kids, aim to improve the well-being and economic capacity of the community. We will continue to play an active role in improving the quality of life of our surrounding communities, through education and campaigns for balanced diet and healthy lifestyle.

This inaugural Sustainability Report attempts to detail the initiatives that we have put in place throughout our 40 years of growth. Moving forward, we will continue the good work of our founders, by continuously assessing and improving JAPFA's impact and contribution towards sustainable development.

Tan Yong Nang  
Chief Executive Officer  
JAPFA Ltd

**Tan Yong Nang**  
Chief Executive Officer



1

### Renewable Energy



Our business units are **98%** powered by **renewable biomass energy**

2

### Biosecurity

We adhere to **stringent biosecurity** measures in our farms to ensure the health of our chickens -- keeping them happy and productive



4

### Reusable Chick Boxes

We **use 100% reusable** chick boxes to transport our day old chicks to keep our materials out of landfill



5

### JAPFA4Kids

In 2017 **12,325** students and **752** teachers from **56** schools were involved in JAPFA4Kids program



3

### Partners

We partner with more than **9,000** local farmers in Indonesia

6

### Certification

Our poultry products have received the **Halal Certification** by Majelis Ulama Indonesia/ Indonesian Council of Ulama ("MUI")



# HIGHLIGHTS

# OVERVIEW

[GRI 102-1, GRI 102-2]

In the upstream, our animal feed production enjoys economies of scale on an established network. Leveraging our strengths in livestock genetics, feed and farming technologies, bio-security and animal welfare, we have created large-scale standardised operations that not only allow us to consistently produce quality proteins, but to replicate our business model across different markets and protein types. We enhance the value of our brands by producing high quality consumer dairy, meat, and aquaculture products with food security and traceability across the entire supply chain.

### OUR CORE COMPETENCIES

<p><b>LARGE SCALE</b></p> <ul style="list-style-type: none"> <li>Ability to manage mega-scale farming operations; over 34,000 employees across five countries</li> <li>Scale of the Group's animal feeds business provides stability to group revenue and profitability</li> </ul>	<p><b>ANIMAL HEALTH</b></p> <ul style="list-style-type: none"> <li>Best in class bio-security using stringent operating procedures</li> <li>In-house vaccine production firm PT Vaksindo</li> </ul>
<p><b>TECHNOLOGY</b></p> <ul style="list-style-type: none"> <li>Joint Venture's with leading genetics companies (Aviagen and Hypor) for superior breeds and genetics</li> <li>Advanced feed technology</li> <li>Combined with best farm management practices</li> </ul>	<p><b>STANDARDISATION &amp; REPLICATION</b></p> <ul style="list-style-type: none"> <li>Replication of best practices and infrastructure design across five protein groups and five countries</li> <li>Replication of farm design model in dairy farms, DOC breeding farms, feedmills, etc</li> </ul>



## JAPFA'S Business Model

JAPFA is a leading pan-Asian, industrialised agri-food company dedicated to feeding emerging Asia with essential proteins. We specialise in producing quality dairy, protein staples (poultry, beef, swine, and aquaculture) and packaged food through an integrated approach to farming and food production. Our vertically integrated business model covers upstream, midstream and downstream stages across the entire value chain.

# OUR OPERATIONS

From a single poultry feedmill in Indonesia in 1975, we have grown to become the leader in multiple protein segments. We operate our business in the five fast-growing economies of Indonesia, China, Vietnam, Myanmar and India. More than 40% of the world's total population - approximately 3 billion people - are living within our operation locations. Protein consumption in this region is driven by the growing disposable income, as well as population and economic growth of each country.

Headquartered in Singapore and listed on the Singapore Stock Exchange since 2014, we employ over 34,000 employees at JAPFA Ltd. Our customers span across the entire value chain

from farmers, slaughterhouses, wet markets, hotels, restaurants, caterings, to end consumers. As our business is vertically integrated from animal feed production and breeding to commercial farming and food processing, we provide our customers with greater assurance of food security and traceability.

Our business locations allow ample room for sustained growth with some of the lowest poultry consumption per capita rates in Asia. The growing GDP per capita is projected to underpin the growing protein consumption in this region. Given poultry's relative affordability, religious neutrality, consumer preference and increasing penetration and popularity of quick service restaurants, it is deemed to be the "meat-of-choice". Especially, with the rise of meat-based protein diet from the currently carbohydrate-heavy diets.

Details of our business locations and key markets are on our website at [www.japfa.com](http://www.japfa.com). [GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7]

GRI 102-7, GRI 102-8

## OUR EMPLOYEES AT JAPFA LTD 34,114 people\*



male

17,535 employees

+

10,606 contract workers



female

3,889 employees

+

2,084 contract workers

in total

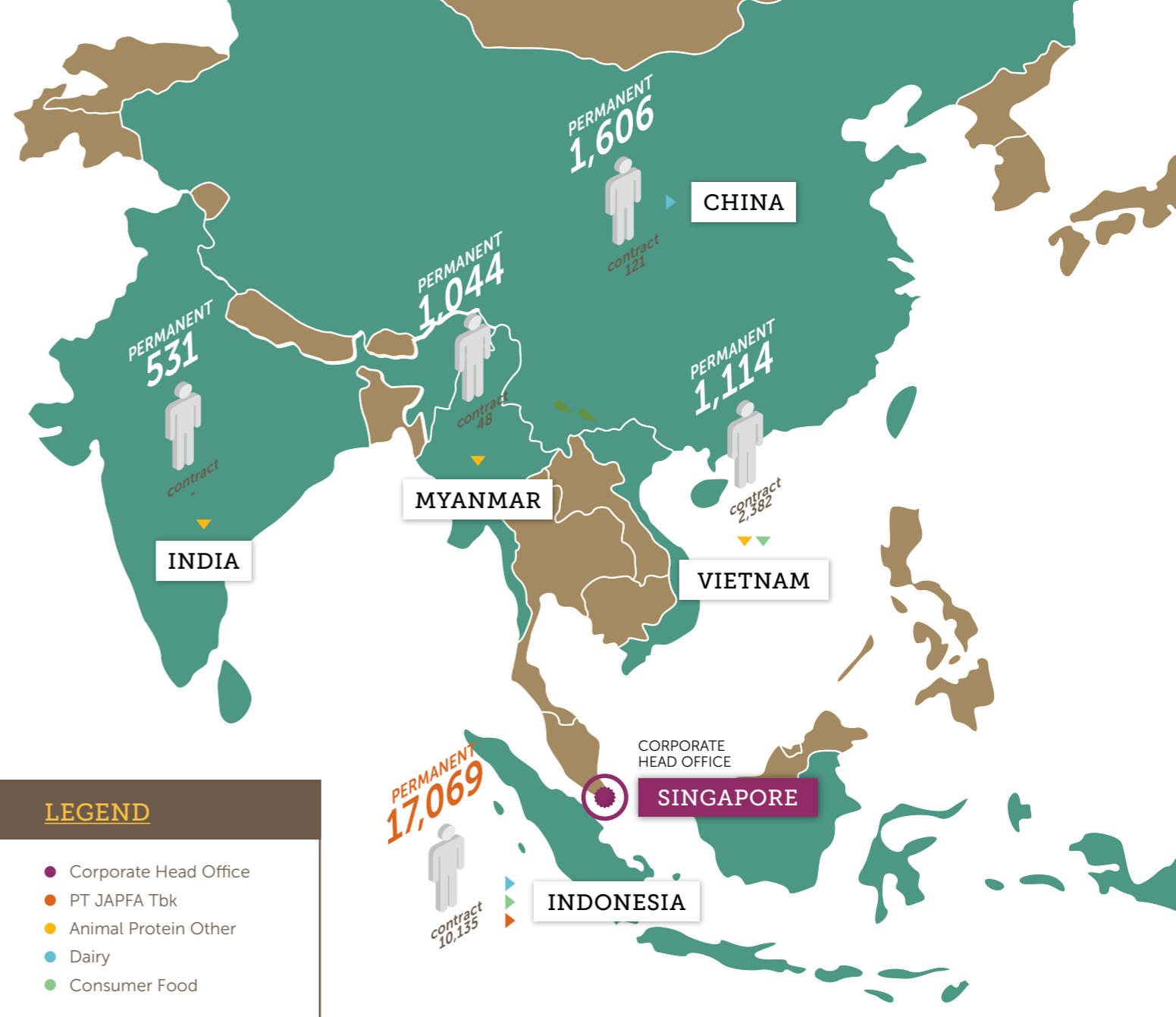
28,141

5,973

We actively partner the local communities surrounding our business locations, where we educate, develop, and empower local farmers to grow towards mutual prosperity.



\*Based on Human Resources Database System on 31 December 2017



### PT JAPFA Tbk

#### INDONESIA

- Poultry feed manufacturing, breeding, commercial farming and poultry slaughterhouses
- Beef cattle breeding, fattening and processing
- Aquaculture feed manufacturing, hatcheries, cold storage and processing

### Animal Protein Other

#### VIETNAM

- Poultry feed manufacturing, breeding and commercial farming
- Swine feed manufacturing, breeding and fattening

#### MYANMAR

- Poultry feed manufacturing, breeding and commercial farming

#### INDIA

- Poultry feed manufacturing, breeding and commercial farming
- Poultry diagnostic lab

#### CHINA

- Beef cattle fattening

### Dairy

#### CHINA

- Dairy farming
- Raw milk production

#### INDONESIA

- Dairy farming
- Milk processing
- Distribution of branded premium milk and dairy products

### Consumer Food

#### INDONESIA

- Branded ready-to-eat poultry, beef and milk-based food
- Branded, fresh, ready to cook poultry, beef and seafood based food
- Food manufacturing, sales and distribution and consumer marketing

#### VIETNAM

- Branded ready-to-eat meat-based food products
- Food manufacturing, sales and distribution, and consumer marketing

# OUR PRODUCTS

[GRI 102-2, GRI 102-6]

Our operations are built on years of extensive research and development ("R&D"). We have developed our own production technology to formulate nutritious animal feed, optimise breeding conditions, maintain proper animal health, and ensure sustainable commercial live bird farming and chicken processing according to food safety standards.

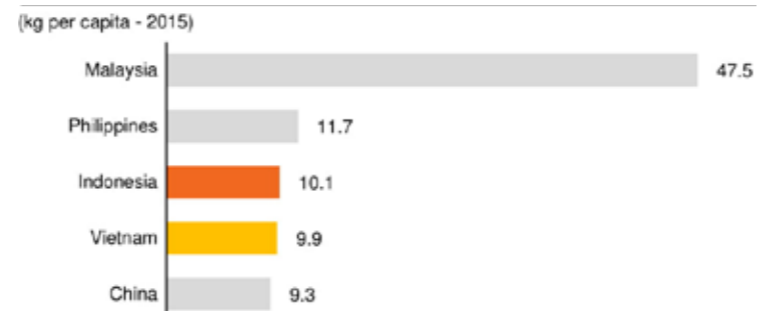
## Poultry

We are one of the most recognised Total Poultry Solution Providers in Indonesia. Since 1975, generations of business-to-business ("B2B") farmers have relied on our scale, infrastructure and distribution network to succeed in poultry production.

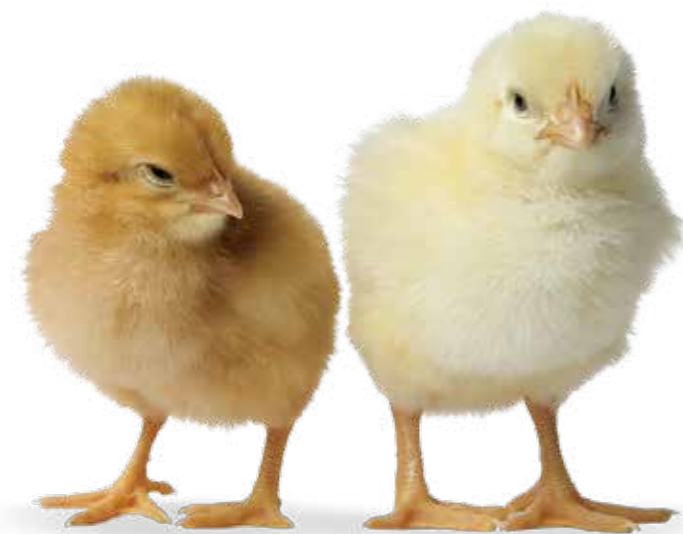
Our products consist of Poultry Feed, Day-Old Chicks ("DOCs") Broiler/Layer and Pullets, Vaccines, Farm Supplies, Commercial Live Broiler Birds, and Processed Chicken. The quality of our products is matched by the breadth and depth of our value-added services. We have dedicated teams of technical specialists to provide customised solutions and on-site after-sales product support to our farmer customers in countries which we operate in.

In collaboration with Aviagen, a world leading supplier of poultry genetics, we are able to deliver high performance DOCs which are adapted to tropical conditions. We have also established internal testing and R&D facilities to fine-tune our products to specific local consumer preferences, and support commercial poultry farmers with expert advisory.

Poultry Meat Consumption per capita in Asia



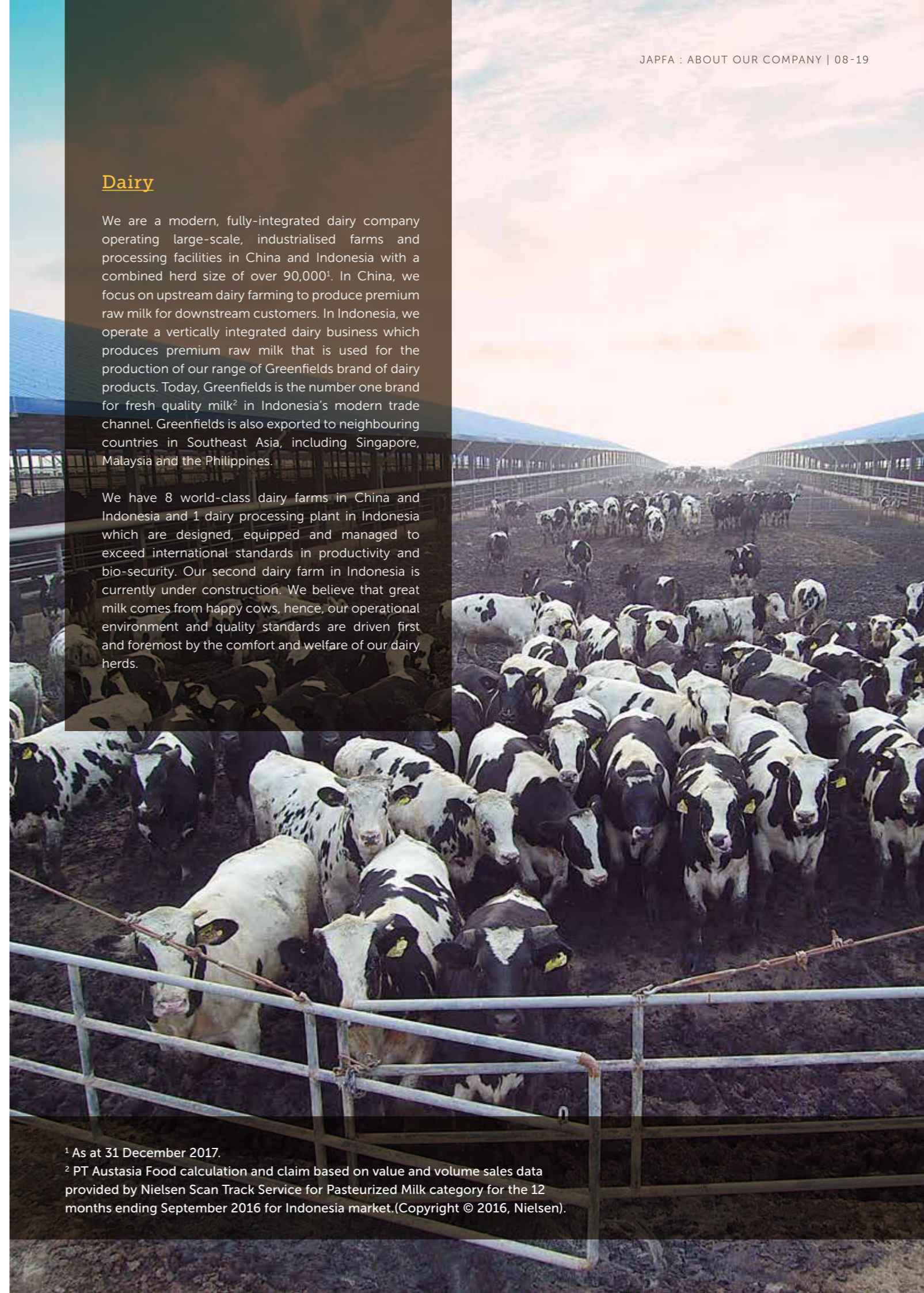
Source: Frost & Sullivan Estimates, 2017



## Dairy

We are a modern, fully-integrated dairy company operating large-scale, industrialised farms and processing facilities in China and Indonesia with a combined herd size of over 90,000<sup>1</sup>. In China, we focus on upstream dairy farming to produce premium raw milk for downstream customers. In Indonesia, we operate a vertically integrated dairy business which produces premium raw milk that is used for the production of our range of Greenfields brand of dairy products. Today, Greenfields is the number one brand for fresh quality milk<sup>2</sup> in Indonesia's modern trade channel. Greenfields is also exported to neighbouring countries in Southeast Asia, including Singapore, Malaysia and the Philippines.

We have 8 world-class dairy farms in China and Indonesia and 1 dairy processing plant in Indonesia which are designed, equipped and managed to exceed international standards in productivity and bio-security. Our second dairy farm in Indonesia is currently under construction. We believe that great milk comes from happy cows, hence, our operational environment and quality standards are driven first and foremost by the comfort and welfare of our dairy herds.



<sup>1</sup> As at 31 December 2017.

<sup>2</sup> PT Austasia Food calculation and claim based on value and volume sales data provided by Nielsen Scan Track Service for Pasteurized Milk category for the 12 months ending September 2016 for Indonesia market. (Copyright © 2016, Nielsen).



## Animal Protein Others



### Cattle

We are a leading integrated beef company in Indonesia with a total capacity of over 56,000 heads] of cattle per year. We operate beef cattle feedlots where we breed and fatten beef cattle for domestic consumption.

To meet the growing domestic demand for specialty beef products, we have built our own deboning and processing plant to produce specialty cuts and Wagyu beef products for grocery chain retailers, modern food services, hotels and restaurants. We market our top range Wagyu cuts under the Tokusen brand and other quality processed beef under the Santori label.

We ensure food safety and traceability by adhering to stringent animal welfare and bio-security protocols set by the Indonesian government throughout our beef supply chain from breeding to downstream processing.

In 2014, we established our feedlot operations in China, where beef consumption has risen significantly in recent years as part of the country's shift in dietary habits towards high-protein food.



### Swine

Vietnam is one of the world's top pork consumption countries and stands second in Asia, only after China\*. To meet the consumption demand, we manufacture specially formulated swine feed and produce a high-performance breed of piglets for external customers and our own company/contract fattening farms. We partner with Hypor, one of the world's leading suppliers of swine genetics, to operate a great grandparent breeding farm. JAPFA on its own, then operates the entire chain from grandparent and parent breeding farms to swine fattening farms for domestic consumption.



### Aquaculture

Feed manufacturing is the core activity of our aquaculture business in Indonesia. Our five aqua-feedmills produce a wide range of feed products for commercial fish and shrimps farms. Our products are sold directly to local farmers and independent distributors throughout Indonesia. We also operate cold storage and processing plants, as well as fresh water fish farming, shrimp pond and shrimp hatcheries to support our customers who require commercial quality seeds.

\* USDA Foreign Agricultural Service, Vietnam, Grain and Feed Annual, 2017

## Consumer Food

We use our animal protein products as raw materials for our own downstream consumer food segment. Our *So Good* and *So Nice* brands are leading brands in Indonesia for processed meats, such as chicken nuggets, meatballs and shelf-stable sausages. We also manufacture and market small-pack UHT liquid milk under the *Real Good* brand in Indonesia, and branded shelf-stable sausages under the *So Yumm* brand in Vietnam.



More details and updated lists of our products are available at:

- <https://www.japfacomfeed.co.id/en/product-and-services>
- <https://greenfieldsdairy.com/>



CHICKEN NUGGETS



CHICKEN NUGGET  
DINOBITES



CHICKEN WINGS



# OUR VALUES

[GRI 102-16, GRI 102-40, GRI 102-42, GRI 102-44]

Central to our Corporate Culture & Responsibility is the nurturing of sustainable, growth-orientated relationships based on trust and integrity.

## With Shareholders

Our goal is to achieve consistently superior investment returns

## With Business Partners

We work to reinforce each other's core competence

## With Customers

We focus on delivering quality products and services at competitive prices

## With Suppliers

We adopt fair and ethical business practices

## With Employees

We identify and develop programmes that bring out the best in everyone

## With Local Communities

We actively strive to be a good neighbour by engaging in social programmes that address specific needs



## GROWING TOWARDS MUTUAL PROSPERITY

is the vision which we practise and uphold  
with JAPFA's various stakeholder groups.



To be the **leading dependable** provider of **affordable protein** foods in emerging Asia by building on the foundation of our **excellent teamwork** and **proven experience** for the benefit of all stakeholders.

## Our Mission

To be the leading dependable provider of affordable protein foods in emerging Asia by building on the foundation of our excellent teamwork and proven experience for the benefit of all stakeholders.

### Leading

- Top of mind
- Reference point by industry
- A continuing process
- Ahead of competition

### Dependable

- Dependable to all partners, farmers, consumers and staff
- Consistent, traceable, good quality, safe, disease-free products
- Responsible to the community and environment

### Affordable

- Cater mainly to the masses
- Not the cheapest, but good value
- Role in alleviation of food shortages
- Efficient protein converter, leading to reasonable long-term profit for business sustainability

### Protein Foods

- Emphasis on poultry, livestock and marine proteins
- Including key upstream operations of feed, livestock breeding and raising, and vaccines etc
- Food grade, for human consumption

### Teamwork

- Cooperate and support each other even without being asked
- Seamless coordination
- Operate as one unit
- Differences in opinions encouraged but move as a team

### Proven Experience

- Experienced in farming and emerging economies



# ABOUT THIS REPORT

JAPFA Ltd ("JAPFA" or "the Group" or "the Company" or "we" or "our") Sustainability Report is prepared in accordance with the GRI Sustainability Reporting Standards. This is our inaugural Sustainability Report, covering the reporting period of Fiscal Year 2017 from 1 January to 31 December 2017. Going forward, we plan to issue a sustainability report yearly, together with JAPFA Ltd's annual report. As this is our first Sustainability Report, there is no past comparative report and therefore, there is no restatement of information, or changes to the material topics and topic boundaries. [GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-52]

JAPFA's Sustainability Report has been prepared in accordance with the GRI Standards: Core option, published by the Global Reporting Initiative ("GRI") in 2016. For a clearer content presentation, we have included disclosure numbers in the relevant sections of the Sustainability Report. A GRI Content Index is presented at the end of the report listing all the disclosures. [GRI 102-54]

We welcome feedback from our stakeholders. Please visit [www.japfa.com](http://www.japfa.com) or send feedback to JAPFA Investor Relations team at email [investorcontact@japfa.com](mailto:investorcontact@japfa.com). [GRI 102-53]

Alternatively, you may send a letter to our Head office. [GRI 102-3]

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# DEFINING THE REPORT CONTENT

[GRI 102-46]

To achieve high quality sustainability reporting, we have applied 10 reporting principles for defining report content and report quality. In defining the report content, four reporting principles must be met, namely stakeholder inclusiveness, sustainability context, materiality and completeness. The quality of the report is governed by six reporting principles: accuracy, balance, clarity, comparability, reliability and timeliness.

As engraved in our vision of "Growing Towards Mutual Prosperity", stakeholders are an inseparable part our business [GRI 102-42], while sustainability is an important part of our agriculture business. The agriculture and the food sector is responsible for i) a large share of the environmental impact; and ii) the resource utilisation by farmers and those working in the value chain. This report will discuss what matters the most to JAPFA, in terms of business, economic, environmental and social performance, as well as our sustainability strategy.

We define materiality by using a simplified method of Life Cycle Sustainability Assessment ("LCSA"). It evaluates all environmental, social and economic benefits, as well as the related impact during the decision-making process as the Group works towards producing more sustainable products. Only by understanding and acknowledging the risks of trade-offs between the possible impact associated with our products (both manufactured and consumed) and the climate change issues from a holistic perspective can we be responsible in our decision-making. This keen understanding

will guide us in our priorities for resource allocation and investment, and enable us to make further improvements to our products and processes.

LCSA takes into account the triple bottom line of sustainability, which are PEOPLE, PLANET and PROSPERITY based on ISO 14040:2006 and ISO 14044:2006.

$$LCSA = LCA + LCC + S-LCA$$

## Where:

LCA = Environmental Life Cycle Assessment  
 LCC = Life Cycle Costing  
 S-LCA = Social Life Cycle Assessment

ISO 14040 specifies the life cycle assessment framework in four phases, which is also applied to LCSA:

1. Goal and scope definition
2. Inventory analysis
3. Impact assessment; and
4. Interpretation

We categorise our product lines into different types of proteins, namely chicken, beef, dairy, swine, and aquaculture. These proteins are assessed based on their life cycle perspective using LCSA. This way, the materiality assessment will provide a balanced perspective of our sustainability performance, and an analysis on how we contribute to sustainable development.

As our products are consumables, our assessment only took into consideration the production and distribution of our products. For clarity, the usage and end-of-life phase were excluded from our assessment. Social aspects considered in this assessment included employees, contract farmers and other community developments.

### Focus of Sustainability Report Economic

Our economic impact was assessed based on the revenue of all types of proteins across our operations.

While JAPFA produces five proteins across five countries, approximately 68% of our consolidated Group revenue in FY2017 was generated by PT Japfa Comfeed Indonesia Tbk ("PT JAPFA Tbk"). Within PT Japfa Comfeed Indonesia Tbk ("PT JAPFA Tbk"), the poultry operations contributed 85% of its revenue. As a result, the poultry operations in PT Japfa Comfeed Indonesia Tbk ("PT JAPFA Tbk") contributed more than half of total Group revenue.

The scope of this sustainability report has been determined by the respective contribution to revenues from the different protein in different countries. The poultry operation in Indonesia represents 59% JAPFA Ltd's total consolidated revenue.

### Environmental

To understand the environmental impact of our operations, we identify the system boundary of our processes, from feed production to consumption. A literature review on LCA of the five types of proteins was conducted to understand the common potential impact of our products.

In 2010, De Vries and de Boer\* published a report which compared the environmental impact of livestock products in the member countries of the Organisation for Economic Cooperation and Development ("OECD"). The report assessed the environmental impact of the production of pork, chicken, beef, milk and eggs, including the related impact from importing and exporting these products.

\* M. de Vries and I. J. M. de Boer, "Comparing environmental impacts for livestock products: A review of life cycle assessments," *Livest. Sci.*, vol. 128, no. 1-3, pp. 1-11, 2010

According to the findings, beef cattle requires the largest land use, the highest energy usage, and has the highest probability to cause global warming. Swine also requires a high amount of energy usage and is one of the highest contributors to acidification risks.

In contrast, the production of chicken and tilapia uses the lowest amount of energy, and has the lowest global warming risk. This places the impact of chicken and tilapia production almost on par with the production of milk and eggs.

Although the above-mentioned findings may differ due to different geographic locations, the report serves as a good reference for conducting our own Life Cycle Assessment on JAPFA's products in the future.

### Social

Our simplified social life cycle assessment was based on several metrics. The social aspects, among others, include employment, salary above the minimum regional wages, and the number of partnerships with farmers.

**Our sustainability goal is to have the highest contribution to the economic and social fronts with the lowest environmental impact.**

The results from our simplified Life Cycle Assessment have encouraged us to start conducting our own Life Cycle Assessment for our products in the future.

Our sustainability goal is to have the highest contribution to the economy and social front with the lowest environmental impact. The results show that Poultry is leading on all three aspects of the triple bottom line and therefore, it is the recommended material protein for JAPFA Sustainability Report 2017.

[GRI 102-46]

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**BASED ON OUR  
ASSESSMENT, WE  
CONCLUDE THAT  
THIS INAUGURAL  
SUSTAINABILITY  
REPORT WILL FOCUS  
ON OUR POULTRY  
OPERATIONS IN  
INDONESIA.**

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Beyond this point, the term "JAPFA Poultry" and "our Poultry" refers to JAPFA's Poultry Units in Indonesia. We will cover poultry operations in other countries as well as other proteins in the future. [GRI 102-45]

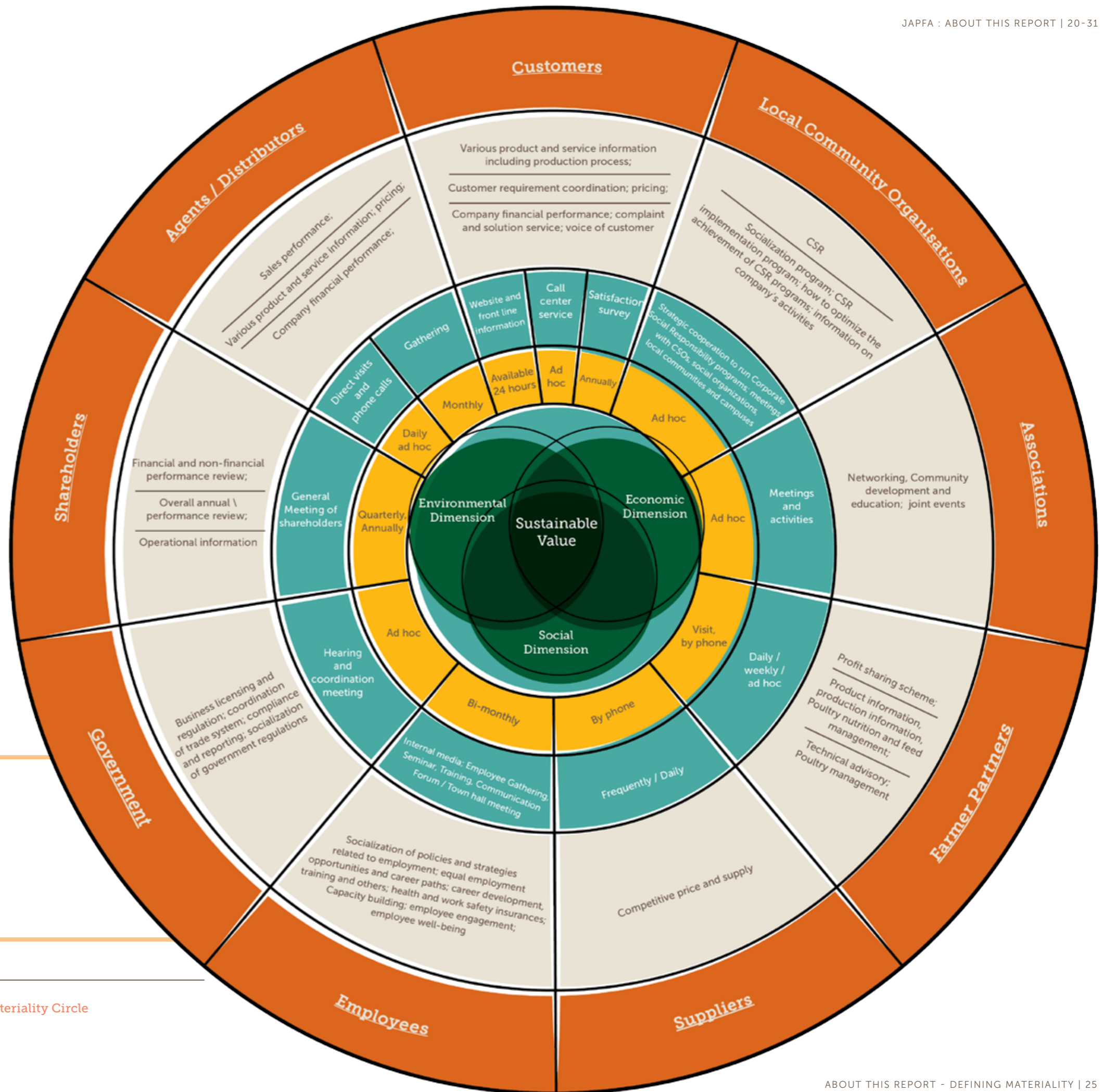
# DEFINING MATERIALITY

[GRI 102-46]

Following the initial assessment to ascertain the focus of our Sustainability Report, we conducted focus group discussions with the Sustainability Reporting Committee and the Poultry Operation Team to find out what matters the most to JAPFA, in terms of business, economic, environmental and social performance. We also conducted surveys with our internal and external stakeholders to determine the relevance and key sustainability issues.

We practise and uphold the motto of "Growing Towards Mutual Prosperity" with our stakeholders, namely shareholders, business partners, customers, suppliers, employees and local communities. We engage with these internal and external stakeholders on an ongoing basis, with an aim to develop a long-term relationship with them, and be kept abreast of their expectations and interests.

- Stakeholders [GRI 102-40]
- Engagement Method [GRI 102-43]
- Frequency [GRI 102-43]
- Topics [GRI 102-44]



Defining Materiality Circle

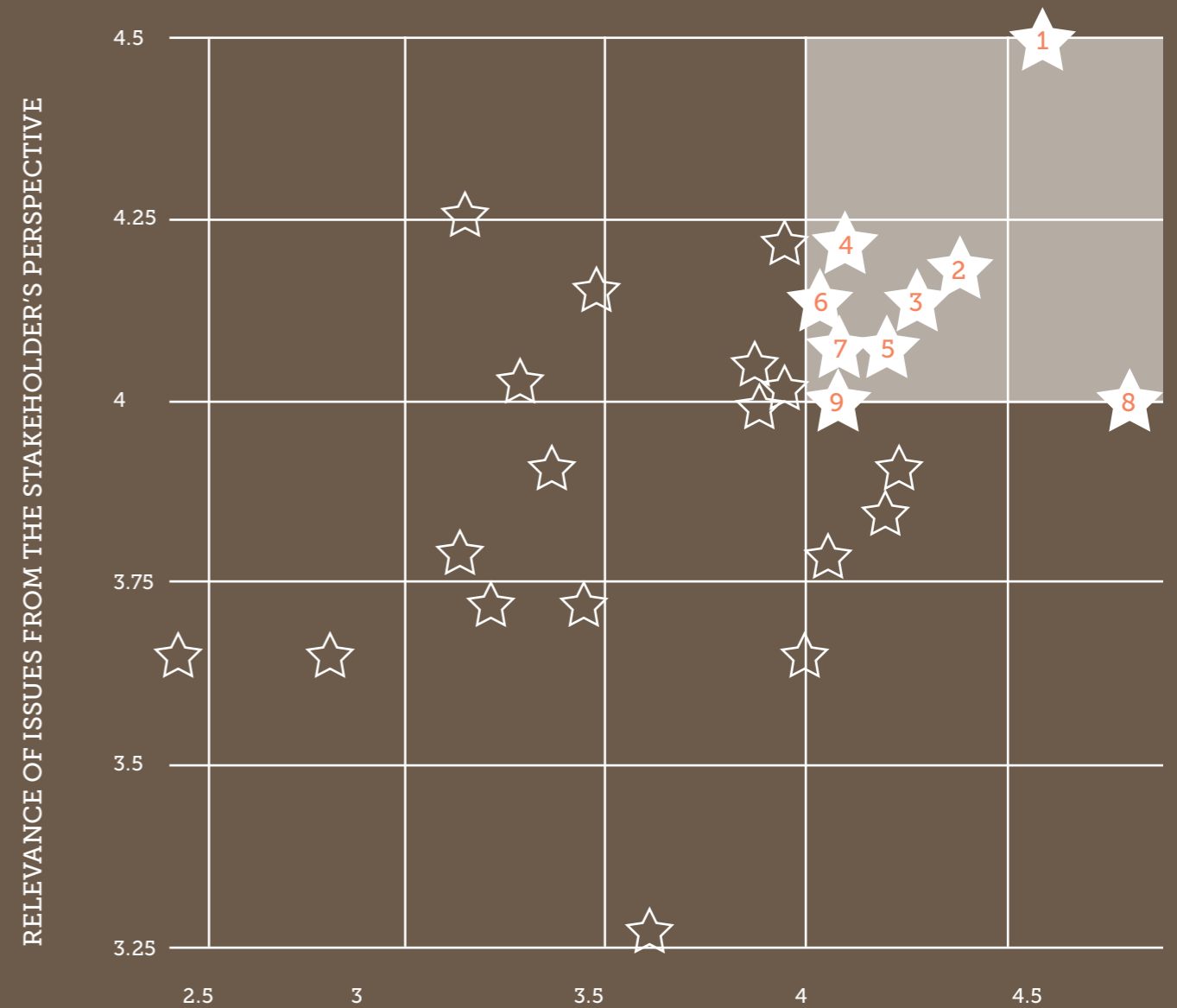
# KEY PRIORITIES FOR OUR 2017 SUSTAINABILITY REPORT

A materiality survey among 80 internal and external stakeholders was carried out, as part of the reporting process to our representative shareholders, business partners, customers, suppliers, employees and local communities. [\[GRI 102-42\]](#)

Based on our quantitative analysis, we constructed our materiality matrix and defined our priority for this year's reporting.

## LEGEND

- ★1 Company's economic performance
- ★2 Product is processed in facility with food safety certificates
- ★3 Employee benefit (including, retirement program)
- ★4 Occupational health and safety (OHS)
- ★5 Providing nutritious and affordable food to community/consumer
- ★6 Nutrition for the animal
- ★7 Air pollution in production area
- ★8 Farm partnership
- ★9 Waste water treatment









RELEVANCE OF ISSUES FROM THE COMPANY'S PERSPECTIVE

# REPORT CONTENT

- CAUSE
- CONTRIBUTE
- LINKED

[GRI 102-47]

The content of our report has been constructed based on the issues that are important to our Company and stakeholders. These priority issues are then linked to topic-specific standards, according to the Global Reporting Initiative Sustainability Reporting Standards.

OUR FOCUS AREAS IN 2017		GRI TOPICS	JAPFA SUPPLIERS	JAPFA LTD	PT JAPFA TBK	JAPFA POULTRY UNITS IN INDONESIA	JAPFA PARTNER FARMS
	<b>GROWING TOGETHER WITH OUR STAKEHOLDERS</b>	Economic Performance, Procurement Practices, Anti-Corruption, Anti Competitive Behaviour, Socioeconomic Compliance	<span style="color: #f9cb9c;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #f1c40f;">●</span>
	<b>PROVIDING AFFORDABLE AND NUTRITIOUS PROTEIN</b>	Housing of the Chickens and a Sustainable Approach to Poultry Farming, Feed Balance Diet, Safe Transport, Marketing and Labeling		<span style="color: #f1c40f;">●</span>	<span style="color: #f1c40f;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #f1c40f;">●</span>
	<b>DEVELOPING OUR FARMER PARTNERS</b>	Economic Performance, Community Development, Indirect Economic Impact		<span style="color: #f1c40f;">●</span>	<span style="color: #f1c40f;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>
	<b>EMPOWERING OUR EMPLOYEES</b>	Employment, Occupational Health and Safety, Diversity, Training and Education, Security Practices		<span style="color: #f1c40f;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	
	<b>RESPONSIBLE FOR OUR ENVIRONMENT</b>	Reclaimed Packaging Materials, Energy, Emissions, Water, Effluent and Waste, Environmental Compliance		<span style="color: #f1c40f;">●</span>	<span style="color: #f1c40f;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #f9cb9c;">●</span>
	<b>NURTURING OUR COMMUNITY</b>	Indirect Economic Impacts, Local Community		<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	



# OUR POULTRY SUPPLY CHAIN

[GRI 102-9]

We recognise the importance of traceability in a sustainable supply chain. Our products are traceable throughout our supply chain. This creates value for our customers and suppliers, as the food safety of our products is assured, minimising risks to our ongoing business.

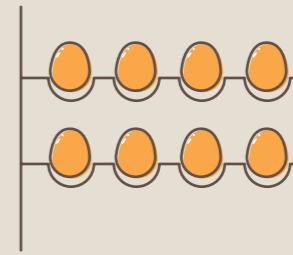
## Raw Material

More than 56% of our raw materials are sourced from local suppliers\* [GRI 204-1]  
 \*Companies with legal entities in Indonesia



## 3 Vaccine

We research and produce all vaccines under stringent compliance to the Good Manufacturing Practice and ISO 9001: 2015 standards



## 1 Feedmill

## 2 Breeding

## Plastic Container

100% of our plastic containers for packaging of DOCs are returned and reused. Our containers are compliant with Indonesian National Standards ('SNI')

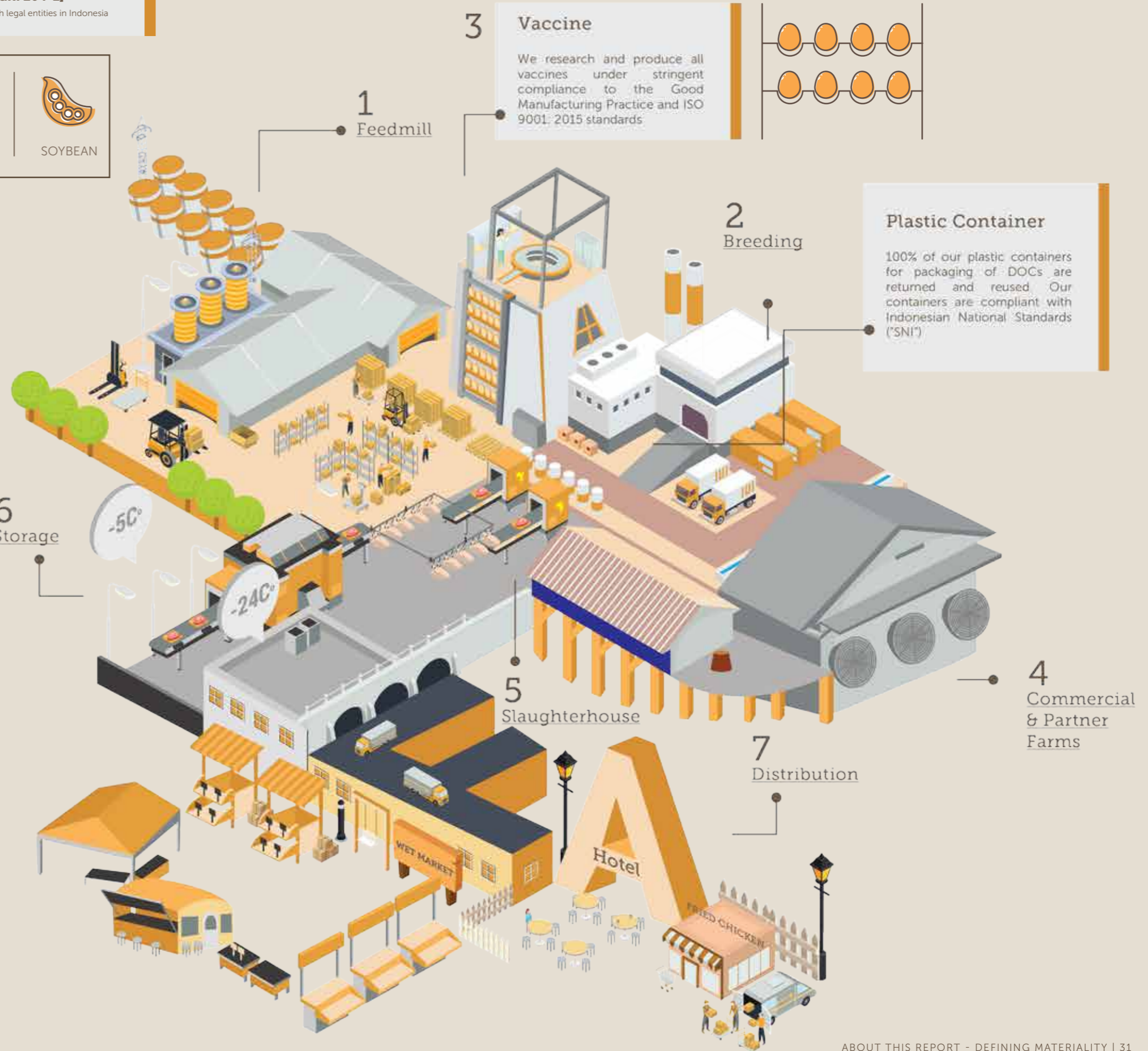
## 6 Storage



## 5 Slaughterhouse

## 4 Commercial & Partner Farms

## 7 Distribution





# PROVIDING AFFORDABLE AND NUTRITIOUS PROTEIN

Across Indonesia, malnutrition is a serious public health problem. More than 12% of children under the age of five are acutely malnourished. Severe acute malnutrition affects 1.3 million Indonesian children, while moderate acute malnutrition affects 1.6 million Indonesian children (UNICEF, 2016). Based on these figures, Indonesia ranks fourth in the world, in terms of the number of children suffering from acute malnutrition.

According to the World Health Organisation, the prevalence of acute malnutrition is critical in six provinces in Indonesia, including Nusa Tenggara Timur in the eastern part of the archipelago. Child malnutrition can be in the form of severe wasting, overweight, stunting, and underweight. These conditions arise mainly due to poverty and poor economic conditions. Therefore, our contribution in providing affordable and accessible food is essential.



Indonesia has relatively low meat consumption per capita, compared to other countries in the region such as Malaysia and the Philippines. Poultry meat is a leading source of protein in Indonesia, accounting for approximately 87% of total meat consumption. Affordability and dietary restrictions (88% of the population are Muslims) explain the significant share of poultry. With the strengthening of Indonesia real GDP growth to 5.1% in the third quarter of 2017, Indonesia's appetite for meat is expected to increase.

As an agri-food producer, JAPFA is passionate about improving the health of Indonesians, especially children, by providing affordable and nutritious protein throughout the Indonesian archipelago. It is imperative to have affordable protein easily available through efficient production management while ensuring a safe and healthy environment for the chickens to grow to maturity.

Efficiency in the animal protein business is achieved by improving animal performance through :

- Selecting the right genetics of the animal with superior feed conversion ratios in the tropical climate where we operate our livestock farms;
- Producing animal feed that provides the nutritional value for the animal to reach its best potential.
- Minimising the incidence of diseases through stringent biosecurity practices to facilitate the health of animals.

To provide a constant supply of safe and nutritious protein, one of our strategies is to apply strict biosecurity practices throughout our operations. [GRI 416-1] Biosecurity refers to procedures used to prevent the introduction and spread of disease-causing organisms in the poultry flocks. We have one of the most stringent biosecurity systems in Indonesia's poultry industry, as we believe that prevention is the most suitable and economically feasible approach to the control of infectious diseases.

Our biosecurity measures are based on three major components, namely isolation, traffic control and sanitation. We implement these measures throughout our operations from feedmills, breeding farms to hatcheries, and vaccines sites, complying with the Indonesian National Standard ("SNI") [GRI 102-12]. In terms of isolation, we designate isolated areas and implement hygiene technology that prevents bacterial contamination from different sources, including raw materials, equipment, or people. In addition, traffic control of both humans, animal, vehicles and equipment into and within all operational areas follow strict procedures and policies. The traffic flow patterns are designed to minimise traffic and prevent the spread of diseases. The procedures for traffic control also include sanitation and disinfection of materials, people and equipment entering the hatcheries, feedmill and farms, as well as the cleanliness of our personnel within these sites.

The health of our chickens is our main priority in every step of our production cycle, and we ensure their well-being by preventing flock infection from external sources. We are focused on identifying, evaluating, and resolving issues relating to animal well-being both within our farms and with our local farmers. Our approaches include:

## Efficiency is the key to producing affordable and nutritious protein food

We produce efficiently by ensuring the well-being of our chickens, from sourcing our feed material, formulating the optimum nutrition, disease prevention and implementing good biosecurity practices throughout our operations.

### 1. Formulating Balanced Feed

[FP 12]

We provide specially-formulated feed for various age groups of chickens to fulfill their nutrition requirements. To produce healthy and productive poultry, we have conducted extensive research on their nutrition requirements by considering growth, feed efficiency, egg production, and quality of poultry product, especially in a tropical climate. We use the best raw materials available, applying advanced feedmilling technology and rigorous quality control.

We adopt the most advanced science and technology in developing our business to minimise waste in each production stage. Our experienced and qualified professionals assess and formulate the best nutrition component in our feed with precision, by using the Near Infrared Reflectance ("NIR") Machine. This technology allows our nutritionists to better understand the raw materials variation in real time, enabling them to adjust the diet formulation and therefore optimising the production efficiency while ensuring the animals receive adequate nutrition.

Our Poultry feed products are well labelled with information on the packaging to provide customers with the necessary knowledge about the product and ensure a correct feeding approach. We recognise the importance of comprehensive and clear information on labels, such as nutrition value, composition, quality and freshness to facilitate purchasing decisions. The feed products are labelled in accordance to and comply with Indonesia's legal requirements. The label provides information about the origins of the feed production ingredients, direction of use and the date of expiry.



Our chicken feed is specially formulated to fulfill nutrition and dietary requirements of poultry in different stages of growth.

## 2. Housing of the Chickens as a Sustainable Approach to Poultry Farming

We are focused on driving our poultry industry, by creating and implementing best practices in the area of animal welfare. One key focus is the housing system for our chickens. We raise our chickens in both closed and open house systems. This way, the chickens are able to move freely throughout their housing area and be exposed to their natural behaviour. Our closed house farms are temperature-controlled equipped with good ventilation and lighting to ensure the comfort of our chickens. The ventilation keeps the farm moderately dry to help control microorganism growing in the chicken manure.

Our breeding farms are equipped with advanced technology hatchery system. The eggs are hatched in a temperature and humidity controlled system which facilitates the production of high quality day old-chicks ("DOCs").

Our farmers and technical advisors are also trained to respond quickly when handling chickens. Carcasses are removed promptly. When two or more chickens are found dead, vaccination of the flock and immediate actions by breeding personnel are immediately conducted to avoid any possible spread

of disease. In the event of a disease outbreak, it may be necessary to get rid of the whole flock as part of our disease control measures. These procedures are aligned with the sustainable poultry practice.

Chicken is a social bird that enjoys the company of its flock. It has a natural pecking order which is a natural process that chickens have to work out among themselves. This behaviour can cause them to fight easily and get injured. That is why we practise beak trimming to our broilers at the farm level. The goal of this treatment is to enable our chickens to eat more easily, so that the feed will not spill everywhere. It will also prevent fighting amongst our chickens, facilitate the mating process, and reduce injury to the female chickens. In addition, to prevent cannibalism, we always monitor the ratio of male and female chickens in the farm. [FP10]

**We conduct various trainings, including animal handling, in our hatchery 10 times a year and in slaughterhouses at least twice a year.**



## 3. Safe Transport

We transport our DOCs by road and by ship to our customers around Indonesia. Our DOCs are packed in plastic boxes which comply with the Indonesia National Standard (Standar Nasional/SNI 2043:2011) on every aspect of our packaging by listing out the capacity, dimension, weight of empty package, and producer. The label on our packaging also provides information on the chick size and hatching date. We utilise our own transportation fleet such as trucks or vans which are equipped with GPS for tracking purposes. Our management always ensure that all of our farmers and workers comply with safety regulation in the loading and unloading of our DOCs. We optimise our routes for transporting the DOCs to customers so that we will not exceed our standard delivery duration as well as minimise our waiting time. Moving forward, we will continue to improve the method of transportation so as to transport our DOCs in a more effective and efficient way.

In 2017, there were no incidents of non-compliance in the handling, slaughtering and transportation of animals. Our farmers, drivers, and employees are required to attend training based on their role in the handling of chickens and for incident prevention. By doing this, we can ensure that we practise the best handling procedure right from the start. [FP13]





#### 4. Vaccine [FP12]

To counter the threat of poultry diseases, our own in-house animal vaccine company, Vaksindo produces antigenically-matching and efficacious vaccines, based on innovative research and international standards of quality and safety.

Vaksindo is a leading poultry vaccine research-based vaccine manufacturer in Indonesia, producing vaccines for a variety of segments, from poultry to livestock for application at the hatchery, breeding and commercial farms.

With experienced veterinarians, we research and produce all vaccines under stringent compliance to the Good Manufacturing Practice, ISO 9001: 2015 standards, and internal Quality Assurance processes. Vaksindo contributes to the field of poultry health through its continuous, comprehensive and updated research towards local endemic diseases in Asia and Africa, such as Newcastle Disease, Infectious Bronchitis, & Avian Influenza. Vaksindo develops biological products ranging live, inactivated, viral and bacterial vaccines in response to novel emerging diseases and outbreaks. With its BSL-3 facilities, Vaksindo is able to isolate, characterize and handle of hazardous biological materials.

Strengthened by international research collaborations, Vaksindo maintains and incorporates up-to-date technologies and innovate techniques. We provide technical services and education to increase the productivity of farmers. Our vaccines have the necessary labels to provide comprehensive product information for our customers.

We are committed to maintaining the health of our chickens. Vaccine and antibiotics are used as medication and means of prevention. Nevertheless, to comply with the Indonesian government law (14/PERMENTAN/PK.350/5/2017) which bans the use of antibiotics such as AGP we have replaced antibiotics with other substances such as probiotic/prebiotic and/or essential oils. We never use hormone as growth promoter on our chickens.

We manufacture our own vaccines using advanced technology and state-of-the-art facilities to counter the threat of diseases and keep our animals healthy.

#### 5. Disease Prevention

The main route of disease spread and infection in chicken occur mostly through contaminated tools and apparel such as footwear and clothes. Animals such as rodents, insects, and pets can be carriers for pathogens to spread into farms. We apply biosecurity measures to reduce the introduction of disease on our farms, which include:

- Traffic control and visitor matrix
- Sanitation and disinfection procedures
- Implementing pest control programmes
- Daily monitoring of flock health
- Maintaining farm hygiene
- Vaccination programmes

#### 6. Slaughterhouse Practice

We manage most of the slaughterhouses in Indonesia. Currently, we have 10 slaughterhouses across Indonesia. The poultry slaughtering process in our slaughterhouses are carried out properly, adhering to the appropriate ritual according to the standard requirement for Halal cutting and good slaughtering practices. Hence, our poultry products have received the Halal certification by Majelis Ulama Indonesia/ Indonesian Council of Ulama ("MUI").

Our employees are also well-trained in handling the chickens. For instance, we stun the chickens before slaughtering procedures begin. This is to ease the process and increase the quality of our chicken meat, which is in line with sustainable poultry practices.

After the slaughtering procedure, the chickens are efficiently packed and delivered to our customers. Most of our products are customised based on customer orders, and they can be either branded or non-branded. Our customers include hotels; restaurants, caterers, supermarkets, and fried chicken outlets across the country. Additionally, we sell our own products in our meat shops.

Our slaughterhouses have attained several certifications such as Halal certification, which is recommended by MUI, Supplier Quality Management System ("SQMS") certification, and Food Safety System Certificate ("FSSC"). For further details about these certifications, please refer to the Annual Report of PT Japfa Comfeed Indonesia Tbk.

As a leading poultry producer in Indonesia, we are proud of our product quality and we constantly assess the quality and safety of our products. To date, we do not have any incidents of non-compliance concerning the marketing communications of our Poultry products.

[GRI 416-1, GRI 417-3]





# DEVELOPING OUR FARMER PARTNERS

[GRI 413-1]

In line with our core values, our community development programme aims to provide social benefits to the society. We have developed a partnership programme with local farmers to provide affordable and nutritious protein throughout Indonesia. This partnership programme empowers and builds the capacity of local communities to be knowledgeable and profitable farmers. Through these local farmers, chicken farms are spread throughout Indonesia and with this, the community can enjoy affordable proteins. Together with our farmer partners, we can create shared value and grow towards mutual prosperity.

The partnership programme has been implemented by PT Ciomas Adisatwa, a subsidiary of PT JAPFA Tbk. Initiated in 1998 when the financial crisis hit Indonesia and South East Asia, the programme aims to create job opportunities through the development of local farming so as to raise farmers' ability in enhancing production efficiency.

Efforts have been made to ensure this partnership programme results in a win-win solution for all parties. Our main role in this programme is to provide Day-Old-Chicks ("DOCs") and poultry feed to the farmer partners, and assist them through continuous capacity building. The programme is expected to help farmers improve their financial condition, as well as revive the local economy, specifically in the rural areas.



# OUR POULTRY PARTNERSHIP

**DEVELOPING PARTNERSHIP PROGRAMME WITH FARMER PARTNERS** has been a key focus of JAPFA. Throughout 2017, PT JAPFA Tbk has operated partnerships with **MORE THAN 9,000** local **FARMER PARTNERS FOR POULTRY**.

By developing partnerships with the local farmers, we have adopted an inclusive business model. This model embraces community engagement where the local farmers are equipped with technical skills to achieve financial independence. More importantly, the approach allows us to synergise the Company's objectives with community empowerment efforts.

This opportunity is available to all local farmers who are willing to be our partners and are able to meet our partnership terms. JAPFA first assesses all prospective farmer-partners to ensure both parties are confident of working together, share the same perspectives and principles, before entering into a formal agreement.



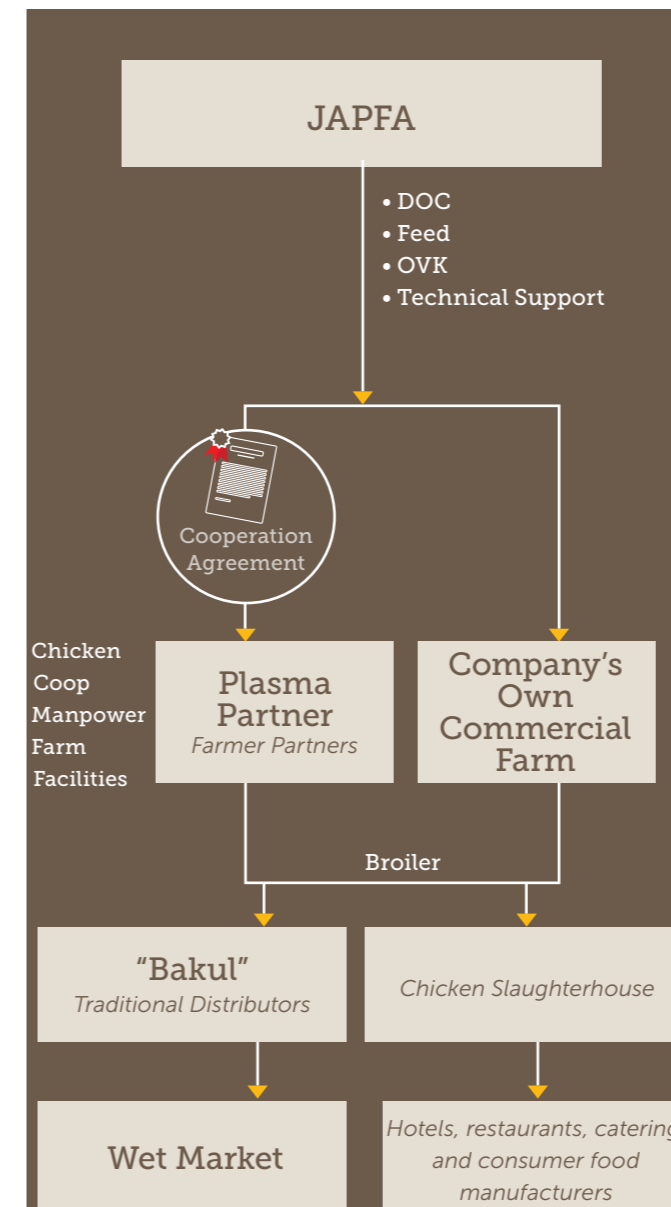
## JAPFA PARTNERSHIP PRINCIPLES

1. Mutual trust
2. Mutual need
3. Mutual benefit
4. Free will

Within this partnership programme, we supply our farmer partners with DOCs, feed, medicines, vaccines, chemicals ("OVK") as well as veterinary service and technical assistance. The farmers are required to provide the farming land and workers. Our most significant role in this programme is to provide technical assistance to enable the farmers to produce healthy and affordable poultry.

The technical experts from JAPFA assist the farmers on various fronts including farm management, feed nutrition, and chicken health. They ensure the farmer-partners are on the right path in breeding healthy and high-quality chickens to achieve optimal production. In this way we provide continuous "on-the-job" training to our farmers, which in turn improves their competency and skill set over time.

### Our Poultry Partnership Model



This partnership model emphasises the benefits for local farmers, in terms of production and income continuity. The farmer partners can focus on day to day commercial farming to produce healthy and high-quality chickens with a guaranteed uptake. In addition, as part of the partnership agreement, we also support the farmers in marketing and distribution.

Other benefits include the incentives given to farmer partners in the form of feed conversion rate, mortality, and market bonus. These benefits are given based on regular assessment of farmers' performance. Accordingly, farmer partners are motivated to give their best effort in producing high-quality poultry so as to improve their earnings.

Our Poultry partnership model has substantial principles of being transparent. At early stages of the agreement, our farmer partners will receive crucial information such as their share of sales and how we manage the sales and marketing. In situations where broiler market prices are low or when losses are incurred, the farmer partners will still be given a basic living cost compensation. When the broiler market prices are high, the farmers will enjoy the upside accordingly. Our Poultry partnership programme with small local farmers is in line with our number one goal of Sustainable Development which is to reduce poverty.



“Partnering with JAPFA allows me to have more time with my family, provides me with financial support and allows me to send my two daughters to school to achieve their dreams.”

PARYADI - Former inter-island and province truck driver, JAPFA Farmer Partners of four years

Partnership with the farmers also means encountering and solving problems together. Challenges such as low consumption rate and low purchasing power of chicken meat in Indonesia are some examples of major issues in the industry.

Dealing with poultry diseases and low barn capacity, where farms could only hold less than 5,000 chickens, are common problems that we face in our daily operations. Nonetheless, these challenges make our partnership with the farmers more dynamic, as they motivate us to develop strategies that can improve our partnership with the farmers.

We also seek the government's cooperation to support us in promoting a healthy lifestyle and a balanced diet through poultry based protein consumption. By expanding our partnership with farmers, we contribute in shortening the poultry supply chain, which in turn leads to price reduction. This will drive poultry to become the primary choice of protein due to its affordability.







# EMPOWERING OUR EMPLOYEES

At JAPFA, our prosperity begins with growing with our employees. To ensure the quality and safety of our poultry, we continuously develop our employees through trainings and development programmes. We maintain fair and secure working conditions as part of our corporate culture. The Company is committed to fulfilling the rights of employees and complying with all applicable laws and regulations pertaining to human resources ("HR")

Our HR practices emphasises fair and equal treatment in staff competency development, with no gender bias. All employees have the same right to develop their career in JAPFA. We uphold professionalism in our operations and provide professional development training for our staff. Equal opportunities are given to all employees to develop their potential and to contribute to the Company regardless of gender.

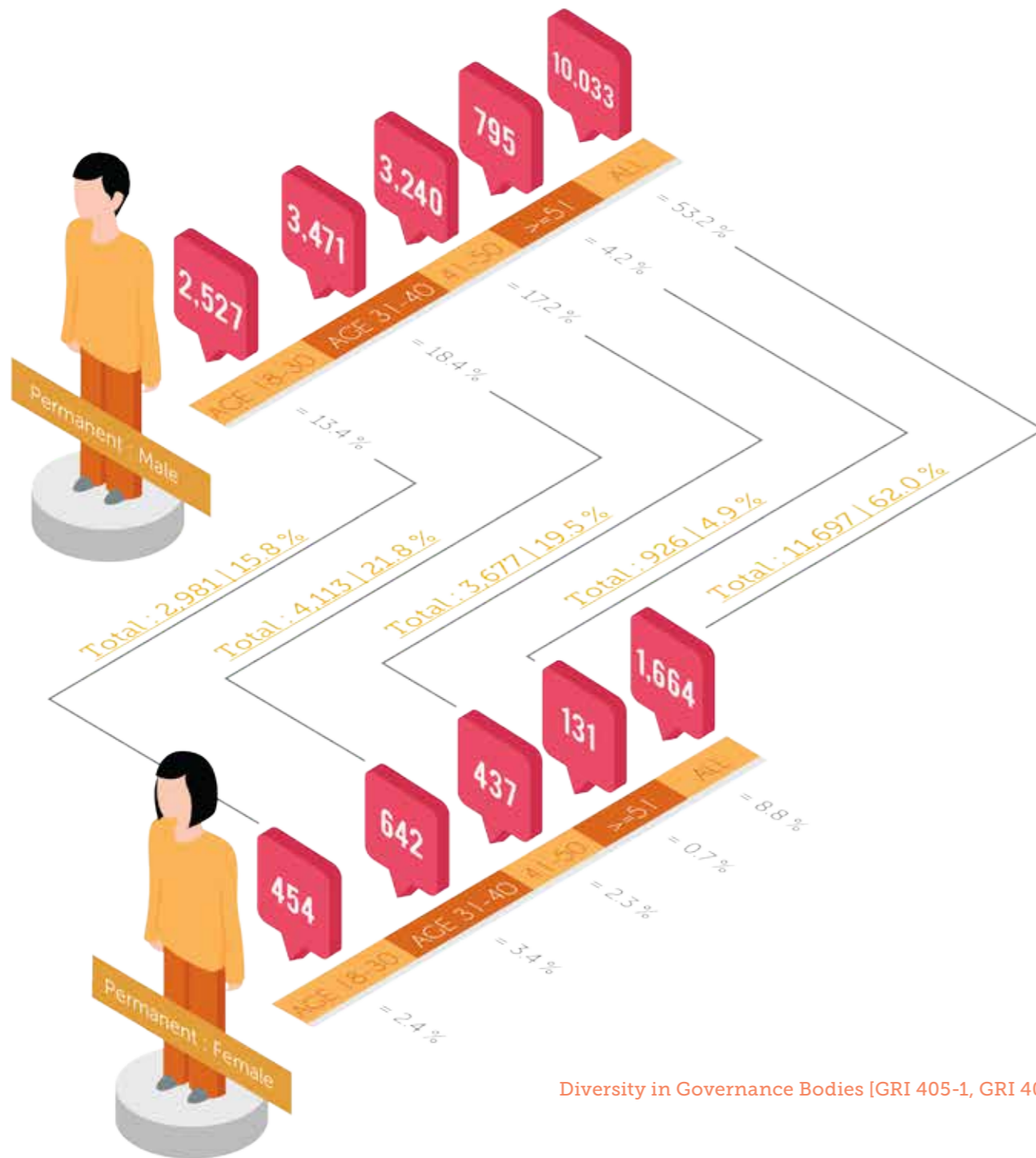
In conducting recruitment and promotion, we treat all potential employees equally and fairly. We also follow the principle of equality regardless of origin, religion and beliefs. Every employee is assessed and appraised based on a transparent and scalable system that focuses on merit and performance. The system which emphasises fair and equal treatment, aims to motivate employees to have a positive mindset and a strong sense of camaraderie in contributing to the growth of the Company. In the end, we proudly to say that there is not any discrimination incident along reporting period. [GRI 406-1]

### Diversity of Governance Bodies and Employees

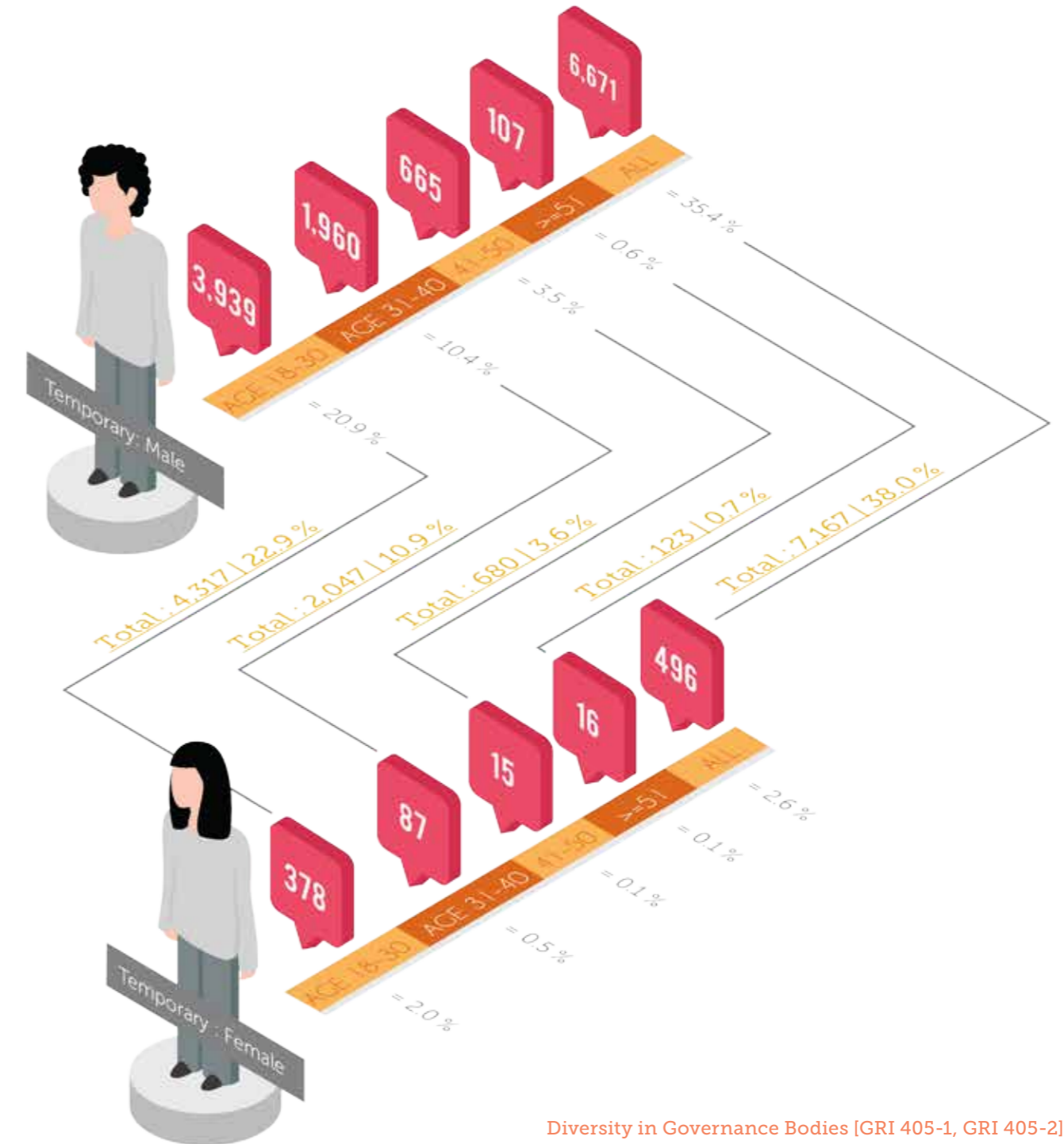
Japfa Poultry employs 18,864 people comprising 16,704 male and 2,160 female employees. 62% of our Poultry employees are permanent workers while the rest 38% are contract workers. Our workers are diversified across age groups. Employees have equal basic salary and remuneration in JAPFA, with no gender differentiation.

Year 2017 | JAPFA Poultry

Male	16,704
Female	2,160
Total : Permanent and Temporary	18,864



Diversity in Governance Bodies [GRI 405-1, GRI 405-2]



Diversity in Governance Bodies [GRI 405-1, GRI 405-2]

### Diversity in Our Management Board

To provide strategic guidance for our company and effectively monitor and ensure the accountability of management, we are led by management professionals.

Our middle and top management mainly consists of people in the age group of above 40 years old. We treasure our employees and are proud of our long tenured employees who show job satisfaction, providing stability and sustainability to the company.

Year 2017 | JAPFA Poultry

Employee Category [middle and top management]	Male	Female	Total
	766	177	943
Total	11,697	7,167	18,864
%	6.5 %	2.5 %	5.0 %

\*Govenance bodies : committee or board responsible for the and our stakeholders

Percentage of employees per employee category in gender and age group categories: [GRI 405-1, GRI 405-2]



### Wages, Transport and Meal Fee, Annual Bonus

JAPFA has operational locations in various provinces and cities in Indonesia. In setting the minimum wage for our employees, we always apply the rules in accordance to the Regional Minimum Wage regulations in each area with no gender bias. As the regional regulations differ in each area resulting in different Regional Minimum Wage ("UMP/K"), JAPFA adjusts the minimum wage provision to our employees according to the existing regulations in each area.

As with the previous years, in 2017, JAPFA's wages to entry level employees were in accordance with the existing Regional Minimum Wage standard. Bonus was given regularly in accordance to the employees performance. In addition, we provide salary increment every year according to market conditions.

### Communication Forum

[GRI 102-41]

We form a bipartite cooperation between the management and the worker. We provide a communication forum where the management can discuss important issues with all members, across the hierarchy, and share the latest information relevant to the projects managed by each business division. The forum provides an effective environment for all employees in each division to optimise their work performance, and for the management to make crucial business decisions. It also serves as a platform for us to clearly communicate regulations and policies to our employees.

### Employee Gathering

To support the Employment Engagement Programme, we hold employee gatherings regularly, in conjunction with key celebrations or religious events, such as Hari Raya Idul Fitri, Waisak Day and Christmas.

### General Employee Facilities

For the wellbeing of our employees, general facilities, such as an affordable and accessible cafeteria are provided in each of our business units. We also provide a sports budget, as well as sport facilities and equipment, to encourage our employees to lead an active lifestyle. Music equipment is available in most of our business units and they can be used in employee gatherings, religious events or other celebrations when we build relationships with the surrounding communities.

### Koperasi (Cooperative Unit)

We provide a cooperative unit for employees in each of our business units. It is a form of economic activity for employees where they can promote their personal products and sell to the unit. The cooperative unit provides loans to members for production and development. At the end of the financial year, the cooperative unit will hold a board meeting for the key members where they will calculate and share dividends ("SHU") for all its members.

### Whistleblowing System

As part of our commitment to Good Corporate Governance and ensure a business practice that places integrity above all, we have developed a Whistleblowing System. It is a platform for the employees to report incidents which are suspected to be related to fraud, criminal action, as well as violation of the corporate regulation and code of conduct involving our employees and/or affiliated parties. The objective of the Whistleblowing System is to encourage employees to report the violations without being afraid of victimisation, discrimination or potential loss.

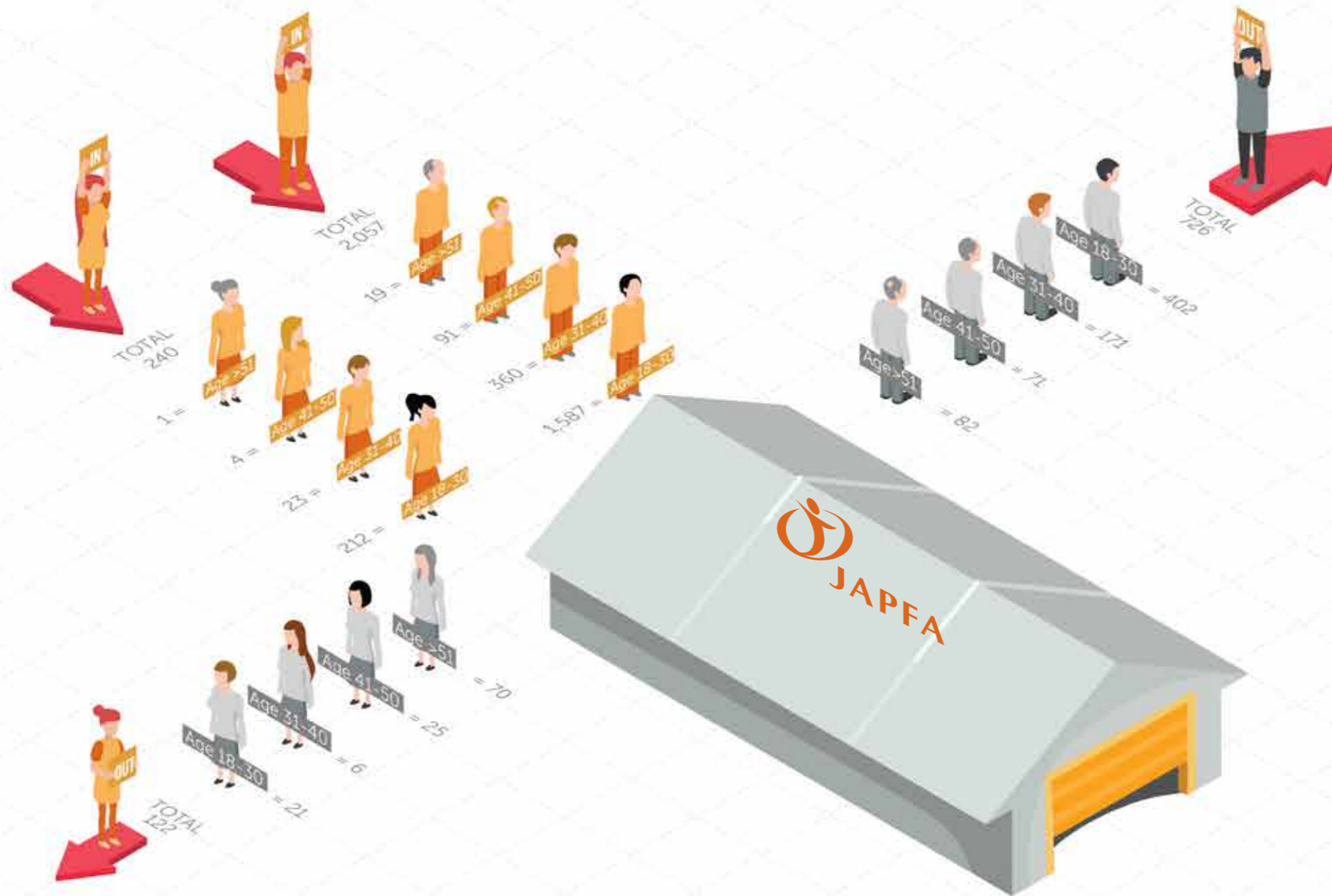
By the end of 2017, the Whistleblowing System is centralised to the overall JAPFALERT system, which has all the necessary functions to safeguard the Company's corporate governance. Details of the JAPFALERT System can be found in the JAPFA Ltd's Annual Report and the website.

At JAPFA, we maintain a relatively low level of employee turnover to ensure the organisation continues to run well. In 2017, the employee turnover rate in our Poultry division was 4.5% or 848 employees.

Throughout 2017, JAPFA Poultry recruited 2,297 new employees to fill various positions, according to our needs and development plan. We manage JAPFA Poultry employment database through an ERP System, consolidating SAP-HCM and HURIS system. The total number and rate of new employees hired during 2017 can be divided into the following categories [GRI 401-1]:

Year 2017 | JAPFA Poultry Total number of new hires and turnover by age group

Age Group	18-30		31-40		41-50		>51	
	In	Out	In	Out	In	Out	In	Out
Total	1,799	472	383	196	95	77	20	103



Benefits	Contract Workers	Full-time
Life Insurance	BPJS Ketenagakerjaan	BPJS Ketenagakerjaan
Healthcare	BPJS Kesehatan and in-house medical coverage within certain limit	BPJS Kesehatan and in-house medical coverage
Disability and Invalidity Coverage	BPJS Ketenagakerjaan	BPJS Ketenagakerjaan
Parental Leave	3 Months for women giving birth (according to employment law)	3 Months for women giving birth (according to employment law)
Retirement Provision	None	Yes
Transport Allowance or Benefits	Yes	Yes

Note : The above policies are applied in all operations in Indonesia including our Poultry

We believe that our employees are our key asset. They deserve our highest level of attention in the fulfillment of their rights so they can contribute optimally to the sustainable growth of JAPFA. Therefore, we are committed to strengthening the professionalism and competencies of our employees, as well as providing good compensation and benefits. [GRI 401-2]

We provide a pre-pension programme for our employees, one year before their retirement to prepare them mentally, physically and financially.

As part of our commitment to provide the best benefits to our employees, we have developed an Employment Engagement Programme. The programme is aimed at building a good relationship between the Company and the employees from all levels, on both professional as well as personal fronts. This Employment Engagement Programme, which includes activities that are beneficial to both parties, is expected to yield positive results and generate value for the Company and the employees.

# TRAINING AND EDUCATION

[GRI 404-1, GRI 404-2]

Skilled human resources are imperative for the smooth running of a business. Along with the changing needs in business development, there is a need to continually sharpen our staff's professional skills. An effective and efficient HR management strategy is therefore needed, focusing on competencies mapping and improvements, as well as ensuring the availability of human resources that suit the Company's needs.

The Company has developed an extensive training programme for new and existing employees. The implementation of employee training programme is done based on priority and analysis of

the Company's future needs. We also apply an effective and fair training strategy, providing opportunities for all employees to develop their competencies and to move up their career path.

We regard our employees as partners. We believe, employees are not just our partners in carrying out operational duties, they are also our partners in improving productivity. We strive to comply with all laws and regulations.

By the end of 2017, our Poultry division as conducted 130 classes of training, participated by 3,454 employees. Apart from the above trainings, our employees also participated in outsourced training, both domestic and abroad.

The Company continuously improves employees performance evaluation method to ensure the use of accurate standard and data. This helps us in organisation development planning. We review employees performance annually based on key performance indicators.

The Company has also developed a talent management programme to identify potential employees who are suitable to take up strategic positions within two to five years. A specific development programme is being implemented for employees who have been earmarked for strategic roles, to prepare them before they move to the next level of their career.

Our security personnel are outsourced to a third party company. To ensure human rights are upheld in all our operation locations, 100% of the security personnels have received formal training on human rights policies. [GRI 410-1]

## Training

[GRI 404-2]

During 2017, our staff development was carried out through tiered and regular programmes.

### 1. Tiered programme

Employee development with tiered programme was implemented through three stages, namely Foundation Programme ("FP"), Middle Management Course ("MMC") and Senior Management Course ("SMC").

- ▶ FP was designed for employees in Junior Management level, to equip them with the principals in management, leadership, cross functional knowledge and thinking pattern for "change". During 2017, this training was conducted in four classes, participated by approximately 30 employees per class.
- ▶ MMC was designed for employees in Middle Management, to strengthen their management capabilities by broadening their knowledge, and guiding them in handling bigger challenges. During 2017, this training was conducted in as many as seven classes, participated by approximately 30 employees per class.
- ▶ SMC was designed for employees in the Senior Management level to strengthen their ability to think strategically, analyse business competition, and strengthen JAPFA's market position. During 2017, this training was conducted in three classes, participated by approximately 30 employees per class.

### 2. Regular programme

Regular training programme was done in common modules and participated by cross level employees, namely:

- ▶ Quality and Productivity Improvement Modules, such as 5S, Gemba Kaizen, K3, OHS, ISO 9001:2015, ISO 14001:2015, ISO 22000:2005 and TPM (Total Productive Maintenance).
- ▶ Employee Individual Mentality Building Modules, such as PMAB (Positive Mental Attitude Building) and Excellent Communication and other modules.
- ▶ Individual Skills Modules, such as PDAC (Problem Analysis and Decision Choice) and Effective Presentation, as well as other modules.
- ▶ Effective Modules, such as English training
- ▶ Technical Training, programmes for the Poultry Breeding Unit.
- ▶ Pre-Retirement Training Modules as we, prepare our soon-to- retire employees on various fronts, including mental, financial, health, and independence.

## PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMMES

TYPE OF PROGRAMMES AND TRANSITION ASSISTANCE PROGRAMMES	HOURS OF TRAINING PER YEAR	HOURS OF TRAINING PER YEAR PER EMPLOYEE
5S	3,654	7.0
AQ	306	18.0
ETHOS KERJA / WORK ETHICS	2,674	14.0
GEMBA KAIZEN	5,922	14.0
ISO 9001 INTERNAL AUDIT	1,582	14.0
ISO 9001 : 2015 CONCEPT	630	14.0
ISO 9001 : 2015 AMANDEMENT	1,148	14.0
K3 DASAR / BASIC OHS	14,896	14.0
K3 LANJUTAN / ADVANCED OHS	336	14.0
PADC	1,428	14.0
PMAB	2,492	14.0
EFFECTIVE PRESENTATION	630	18.0
SERVICE EXCELLENCE	1,932	14.0
EXCELLENT COMMUNICATION	1,134	14.0
EFFECTIVE LEADERSHIP & PROBLEM SOLVING DECISION	4,228	14.0

note : the above data is for JAPFA Poultry only

Training Data [GRI 404-1, GRI 404-2]



# RESPONSIBILITY ON EMPLOYEES' OCCUPATIONAL HEALTH AND SAFETY

[GRI 403-1, GRI 403-2]

One key focus area for JAPFA is Occupational Health and Safety ("OHS"). We strive to create a safe working environment that supports optimal business performance. Therefore, we are committed to creating a healthy work environment, that is free from injuries, and we conduct our operations according to applicable rules. To prevent accidents and disasters in the workplace, we have equipped all operational areas with standard occupational safety devices such as: light fire extinguishers, smoke detectors, water hydrant diesel pumps, emergency ladders and safety signs.

In fulfilling our OHS commitment, we have developed, implemented and maintained OHS objectives and targets for every relevant function and level within the organisation. This is to :

- Protect and guarantee the safety of every worker and other people in the workplace.
- Guarantee every production source is utilised safely and efficiently.
- Improve the national welfare and productivity.

We conduct OHS training for our employees so

that they understand the importance of OHS, and act correctly in accordance with the OHS rules. We periodically conduct inspections in all our OHS facilities, to ensure that the facilities function optimally.

The Company has formed OHS Committees ("P2K3") in almost all our Poultry business units, with around 5-10% of total employees as committee members. This forms a platform for the management and employees to improve the OHS system within the Company. [GRI 403-1]

We strive to create a safe working environment, so as to minimise the possibility of accidents. We won Zero Accident Awards for four of PT JAPFA Tbk's business units, namely two feedmills, one breeding farm and one plastic packaging unit. [GRI 403-2]

## Occupational Health

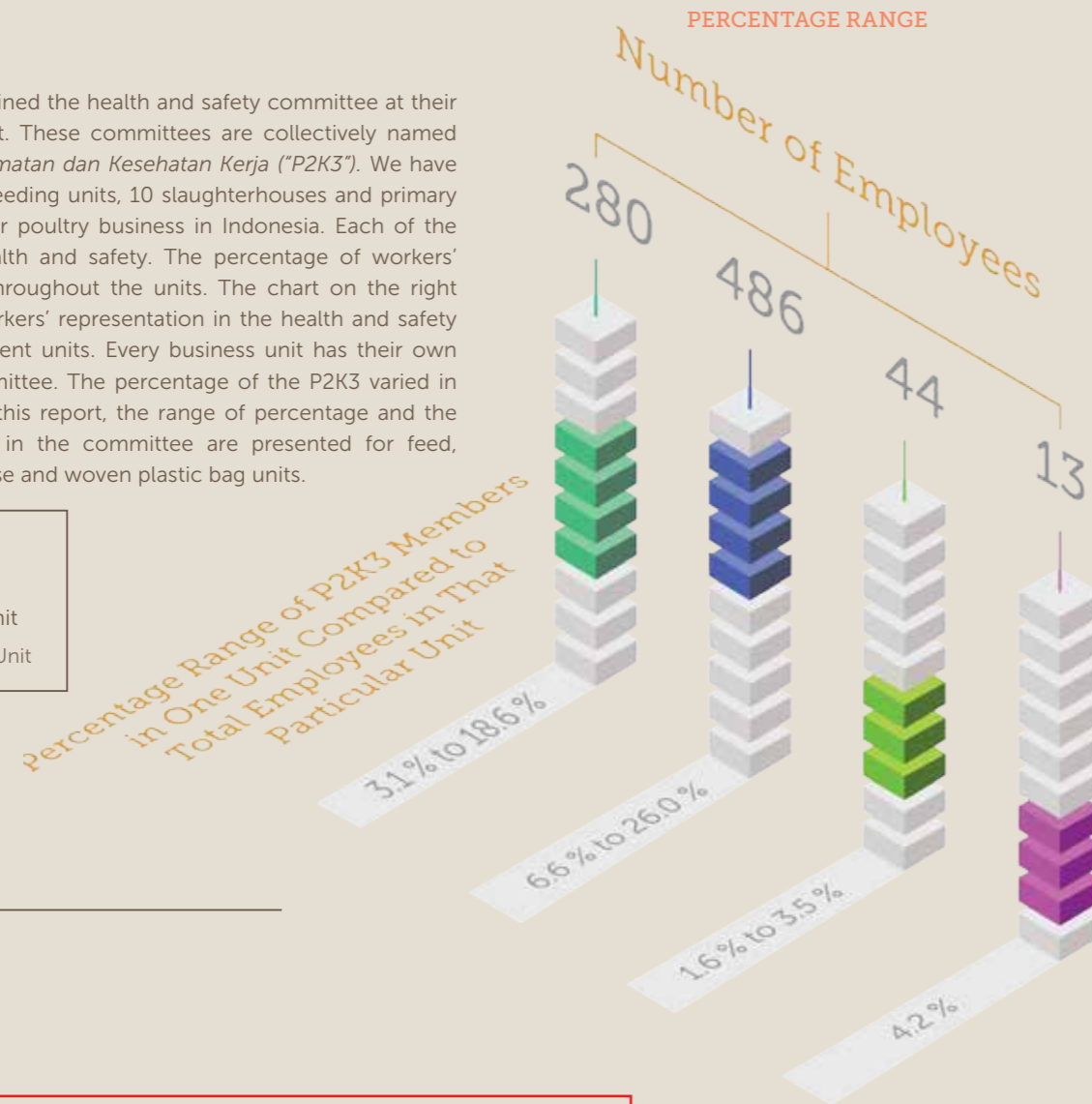
Our employees' health is an important factor for them to contribute optimally to the Company's performance. Apart from the employees themselves, we are also responsible for maintaining our employees' health. Therefore, we provide our employees with sports activities to raise awareness and motivate them to maintain and improve their health. In addition, we also provide doctors and health clinics in several operational units. We ensure a vehicle and a driver are available in each business unit to cater to cases that require immediate hospital attention, if an accident occurs.

During the reporting period, we are deeply saddened to report that two occupational fatalities occurred in our breeding units. We extend our deepest condolences to their families, friends and colleagues. From this incident, we are determined to improve our OHS system and implement it across all stages of our operations. Investigation results, action plans, lessons learned, and external recommendations regarding the incident have been shared and adopted across the Company.

[GRI 403-1]

A number of workers joined the health and safety committee at their respective business unit. These committees are collectively named *Panitia Pembina Keselamatan dan Kesehatan Kerja ("P2K3")*. We have 17 feedmill units, 68 breeding units, 10 slaughterhouses and primary processing plants in our poultry business in Indonesia. Each of the unit has their own health and safety. The percentage of workers' representation varied throughout the units. The chart on the right shows the range of workers' representation in the health and safety committee in the different units. Every business unit has their own health and safety committee. The percentage of the P2K3 varied in every business unit. In this report, the range of percentage and the number of employees in the committee are presented for feed, breeding, Slaughterhouse and woven plastic bag units.

- Feed Unit
- Breeding Unit
- Slaughterhouse Unit
- Woven Plastic Bag Unit



Year 2017

[GRI 403-2]

**+** Type of Injury and Total Number of Injuries (2017)

FEEDUNIT				BREEDINGUNIT			
	Male	Female	Total		Male	Female	Total
<b>LIGHT</b>	22	2	24	<b>LIGHT</b>	8	0	8
<b>MODERATE</b>	18	3	21	<b>MODERATE</b>	14	0	14
<b>SEVERE</b>	2	0	2	<b>SEVERE</b>	2	0	2
<b>FATAL</b>	0	0	0	<b>FATAL</b>	2	0	2
<b>TOTAL</b>	42	5	47	<b>TOTAL</b>	26	0	26

SLAUGHTERHOUSE UNIT				WOVEN PLASTIC UNIT			
	Male	Female	Total		Male	Female	Total
<b>LIGHT</b>	1	0	1	<b>LIGHT</b>	0	0	0
<b>MODERATE</b>	5	10	15	<b>MODERATE</b>	2	1	3
<b>SEVERE</b>	0	0	0	<b>SEVERE</b>	0	0	0
<b>FATAL</b>	0	0	0	<b>FATAL</b>	0	0	0
<b>TOTAL</b>	6	10	16	<b>TOTAL</b>	2	1	3

**FINAL TOTAL =** 76 Male + 16 Female = 92 People

2017

Injury Rate: Number of work accidents per one million man hours due to accidents or injury in one year	Feed Unit		Breeding Unit		Slaughterhouse Unit		Woven Plastic Bag Unit					
	Male	Female	Male	Female	Male	Female	Male	Female				
	2.3 to 15.6	13.0 to 63.2	3.1 to 13.2	0	5.9 to 13.2	13.2	4.8	3.4				
<b>Total</b>	2.0 to 14.1		<b>Total</b>		3.1 to 13.2		<b>Total</b>		9.0		4.3	

Lost Day Rate: Number of days lost per one million man hours due to accidents or injury in one year	Feed Unit		Breeding Unit		Slaughterhouse Unit		Woven Plastic Bag Unit					
	Male	Female	Male	Female	Male	Female	Male	Female				
	2.3 to 67.6	47.4	0.5 to 1,842.8	222.9 to 3,410.5	5.0 to 51.3	10.0 to 51.6	62.8	17.1				
<b>Total</b>	2.0 to 66.5		<b>Total</b>		0.6 to 1,842.8		<b>Total</b>		15.0 to 51.4		43.9	

Absentee Rate: total number of days of employees being absent from work. No relation to accident or injury	Feed Unit		Work-Related Fatalities: Number of Occupational Fatalities.	Breeding Unit	
	Male	Female		Male	Female
	2,141	333		2	0
<b>Total</b>	2,474		<b>Total</b>	2	

Mari Budayakan Perilaku Hidup Bersih dan Sehat di Sekolah  
"Anak Sehat, Prestasi Maksimal"



## NURTURING OUR COMMUNITY

Our sustainability is not only dependent on economic factors, it also hinges on our relationship with employees and customers as staff performance and customer satisfaction level are important to our business. Equally important are our contribution to social welfare and our commitment towards sustainable development. At JAPFA, we are committed to various Corporate Social Responsibility ("CSR") activities that aim to benefit the communities around us. We also encourage our employees to join us in creating value for the community and environment.

JAPFA's community development and corporate social responsibility activities have been developed after a detailed social mapping. Two key social problems in Indonesia have been identified: malnutrition and lack of nutrition education. Against this backdrop, our commitment in providing protein-based nutrition throughout Indonesia and emerging Asia is imperative.

We do our best to engage and empower the local community. For instance, our partnership with local farmers involves raising their farming capabilities to grow healthy chickens, as well as purchasing feed raw materials from them. On the other spectrum, our flagship JAPFA4Kids programme aims to promote the importance of balanced diet and nutrition, and in the process, shape healthy behaviour in young children.

In line with the Company's vision of "Growing Towards Mutual Prosperity", we are fully committed to be a good corporate citizen. In 2017, we set up a Social Investment Department to focus on CSR activities within the Company, from programme planning, monitoring to evaluating. We firmly believe that social investment will positively impact the community and the Company in the long run.

At JAPFA, we aim to continuously grow and evolve with the community to create harmonious relationships that benefit and meet the expectations of our stakeholders.





# SOCIAL RESPONSIBILITY

[GRI 413-1]

Through continuous engagement, our CSR programmes aim to help the people in our surrounding communities improve their standard of living. The programmes are designed to cater to the needs of the community, and are systemic rather than philanthropic in nature. We aim to positively impact the community for the long-term. With programmes specifically designed with the community in mind, the society has developed a strong sense of belonging with our community programmes and has benefitted from them.



At JAPFA, the continuity of our business cannot be separated from our contribution to the community. Our social community development efforts aim to improve the economic capacity of the community, as well as to nurture other fields.



## To Develop Nutritionally Balanced Healthy Generation

According to UNICEF 2016, more than 12% of children under the age of five are acutely malnourished. Severe acute malnutrition affects 1.3 million Indonesian children, while moderate acute malnutrition affects 1.6 million Indonesian children.

Experts believe that this problem is not merely due to poverty, but also due to the lack of education on a nutritionally balanced diet. As one of the leading protein providers in Indonesia, we are committed to promoting **A HEALTHY LIFESTYLE WITH BALANCED NUTRITION.**



### Our Approach

#### **Educate**

Which provides knowledge

#### **Enable**

Which provides training so that they are able to run the system

#### **Empower**

Which gives assistance in implementing the system built

#### **Evaluate**

Which evaluates the ongoing programmes

## JAPFA4Kids

JAPFA4Kids is a programme that focuses on balanced nutrition and health campaigns, targeted at elementary school students, aged 6 to 12, in villages across Indonesia. Through this programme, we aim to raise children's awareness of their daily nutrition, health and hygiene and in the process, develop them to be agents for sustainable social transformation in the community. To bring about sustainable impact, we apply a systematic approach in Educating, Empowering, Training and Evaluating the behavioural changes on health nutrition and school hygiene.

## Our Approach on JAPFA4Kids:

### Educate – Getting the message across effectively

- ▶ Conduct an annual Science-based health and hygiene education programmes with learning materials that are in accordance with government standards
- ▶ Provide nutrition and health education at schools through various child-friendly activities conducted by nutritionists, doctors, dentists or medical teams
- ▶ Conduct training programmes to equip staff and teachers with the required skills to improve and maintain hygiene in schools

### Empower – Promote change by utilising local resources

- ▶ Discover creative and affordable solutions to operate the school's health and hygiene programmes by using local resources
- ▶ Mobilise community members to support the programme implementation, such as the regional government, doctors, medical teams and local JAPFA's employee volunteers
- ▶ Develop school management system to implement and encourage a sustainable behavioural change
- ▶ Assist schools in appointing change agent or JAPFA4Kids Ambassador to encourage the programme execution and to support post-mentoring activities

As part of the JAPFA4Kids programme, we have appointed a number of children as:

In addition, a mentoring programme has been put in place to train and monitor the school's commitment in the implementation of 5S (Seiri/Sort, Seiton/Set in order, Seiso/Shine, Seiketsu/Standardise and Shitsuke/Sustain). The 5S is a concept from Japan to keep the environment clean and organised. Through this mentoring programme, students and teachers are expected to improve their nutrition and health.

### Enable – Assist and facilitate school programmes to maximise change

- ▶ Conduct body and dental check-up at schools to observe children's nutrition status, health and hygiene
- ▶ Provide additional teaching material in accordance to the Ministry of Education and Culture's guidance.
- ▶ Provide child-friendly and fun tools to learn about nutrition, health and hygiene
- ▶ Provide nutritious packages to every child at school to encourage healthy, balanced and nutritious food consumption for better mental and physical development
- ▶ Provide training to teachers, mentoring and support schools to help schools improve and maintain sanitation and disease prevention tools.
- ▶ Conduct thematic competitions among schools and awards to maintain the participation in post-mentoring and programme implementation

### Evaluate – Notice, Review and Innovate

- ▶ Organise Annual JAPFA4Kids Award as part of evaluation and appreciation to the participants throughout the year.
- ▶ Evaluate and update the programme to continually improve and create a sustainable impact for the community.

- **Healthy Children Ambassador**
- **Healthy Food Ambassador**
- **Healthy Environment Ambassador**

During the reporting period, we conducted the JAPFA4Kids programme in six regions in Sumatra, Sulawesi, Java and Bali. The programme, which spanned over six months in each location, was conducted by two facilitators who would train the schools and monitor the programme's effectiveness. By educating students on the importance of hygiene and health, we hope they would become agents of change who can make a difference

to the society. Our slogan is "Indonesian children are clean and healthy".

Our TOGA (tanaman obat keluarga - plants as medicine for family) programme encourages students to apply natural remedy as part of medication to treat diseases. In FY2017, a cooking competition was held for little chefs to use the plants as ingredients to cook a delicious meal. As part of the programme, students also plant seeds provided by JAPFA or the teachers, and grow traditional herbs which can be used to strengthen health or heal light ailments. Some examples of these traditional herbs or jamu include ginger, turmeric, cloves and cat whiskers. Our TOGA programme is spearheaded by the head committee of 5S, consisting of teachers.

During the reporting period, we found out that menus of cafeterias in participating schools were not aligned with our healthy living objective. As such, we have encouraged students to bring their lunch boxes from home.

In addition, we have developed a partnership with local health institutions to conduct frequent health checks for the community. Our partners include health institutions and government institutions involved in education, health and environment.

In 2017, JAPFA4Kids reached 56 schools, involving 12,325 students and 752 teachers. Compared to the previous year, although the reach was smaller, we believe the quality of JAPFA4Kids programmes in 2017 had improved.

At the end of year 2017, we evaluated the performance of our programmes and their impact. During 2017, we scored 8.8 in our evaluation using Net Promoter Index for the JAPFA4Kids programme. This indicated that the programme was well-received by the community, evident from the positive changes in schools, such as stronger school policies on health issues and the launch of school meal box day, LISABILAH (*Lihat sampah ambil dan pilah* -- Spot rubbish, pick it up and sort out).

## JAPFA Foundation

Fulfilling our motto of "Growing Towards Mutual Prosperity", JAPFA Foundation aims to align our growth with the economic growth of our surrounding communities by Maximizing Youth Potential Through Development of Education, Nutrition and Sports. It focuses on the potential of young people as they are the ones who will mobilise their communities towards progress.

JAPFA Foundation activities are spread throughout Indonesia, targeting students and teachers, youth community groups, and aspiring young entrepreneurs. To support its programmes, JAPFA Foundation actively seeks contact, communication and networks to establish partnership and/or fundraising initiatives with individuals, organisations and government with the aim to seek new breakthrough ideas and solve important issue in the field of education and nutrition. To support its vision, JAPFA Foundation provides access and quality-improving programmes

through four initiatives; namely agriculture education and social enterprise development; nutrition initiative programmes; community open space initiatives ("COSI"); and sport development. These initiatives are directed to achieve the following Sustainable Development Goals ("SDGs").



The followings are JAPFA Foundation's initiative programmes:

### Agriculture Education and Social Enterprise Development

- ▶ As a company operating in emerging Asian countries, JAPFA pays great attention to education. We believe that good education is the key to a brighter future. Hence, we are committed to the advancement of education in Indonesia and the countries in which we operate.

This programme is in line with JAPFA's core business. At national level, in addition to its Financial Aid and Scholarships ("FAS") programme, JAPFA Foundation has been developing and implementing a grand design of agriculture education to bring out the potencies of vocational high schools and provides high quality education for the students. The development of this grand design is a key point to JAPFA Foundation's School Development Programme ("SDP").

### Nutrition Initiatives Programmes

- ▶ Our current nutrition initiative (focus on animal protein) were done on effort such as Conference on Nutritious Indonesia (Konferensi Indonesia Bergizi), NutriTEEN, INZI ("Indonesia Bergizi") Creative Project, Nutrition Ambassador and Local Chicken Ambassador. The activities range from social innovation and cross-sectoral collaboration in raising community awareness related to balanced nutrition, developing creative projects related to food and nutrition.

JAPFA Foundation also plays a role to preservation and protection of genetic of Indonesian native chicken breed.

## Community Open Space Initiatives (COSI)

JAPFA Foundation, as part of its social strategic efforts, also works with communities to develop youth potential through the implementation of social enterprises and development programmes. All programmes are geared towards socio-economic development via education and nutrition improvement. COSI provides an open space that encourages further collaboration with other non-governmental organisations, civil society organisations, academic institutions, private sectors companies and the public to advance these focus areas.

## Sport Development

The focus in this initiative is how to empower the youth and communities with sports. JAPFA Foundation constantly looks on how sports can bring a community together and also empowers the community to achieve better quality of life. In 2017, the initiative demonstrates the importance of healthy living by organizing some sport events; football and volleyball tournaments in several areas in Indonesia, Bantul, Lamongan and Simalungun. The events involved active participation from schools, local communities, sports enthusiasts, local NGOs and local government agencies.

## Funding

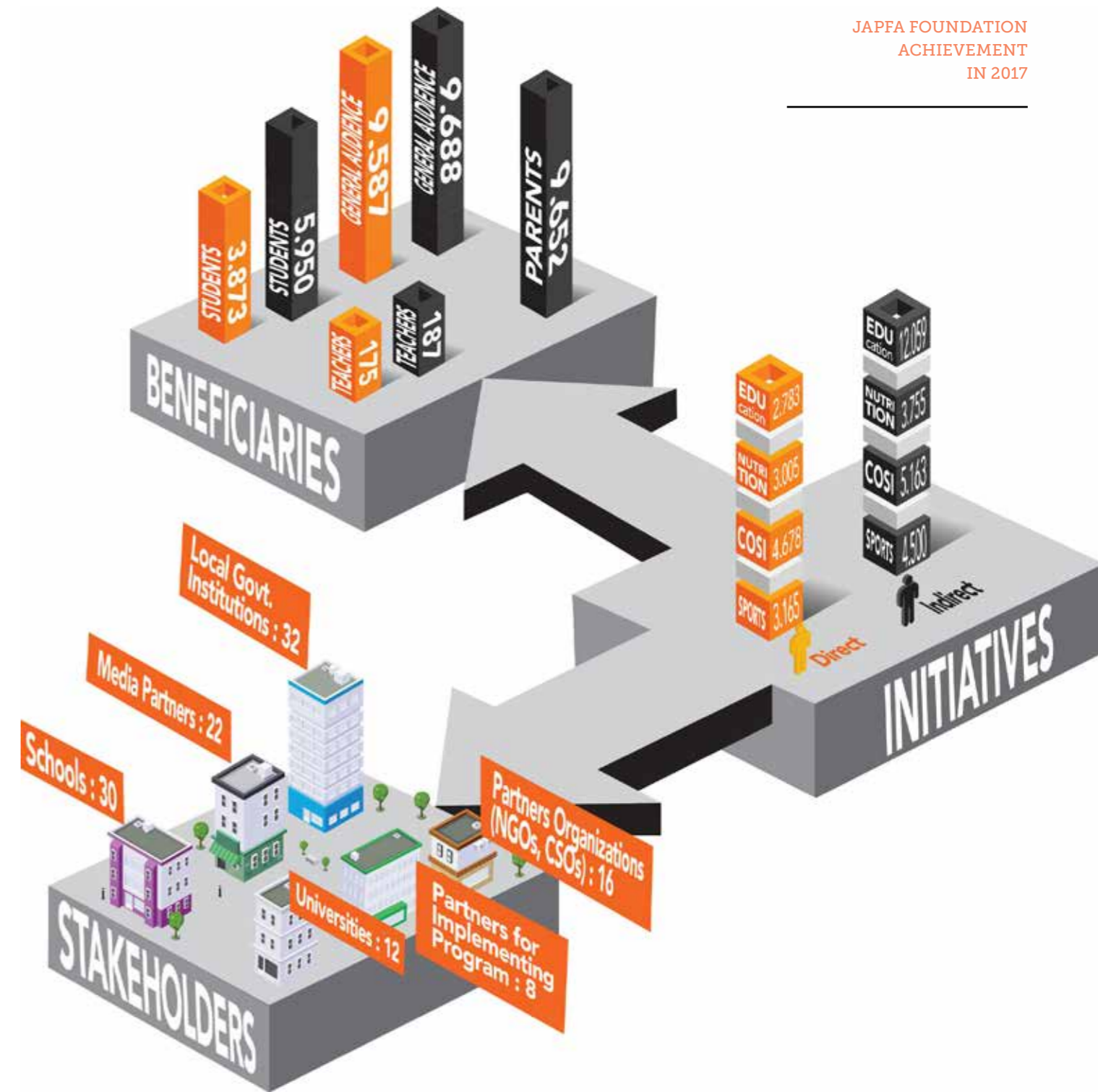
JAPFA Foundation allocated US\$1.8 million, compared to US\$1.5 million in FY2016. [GRI 203-1, 203-2]. In the implementation of the programmes, JAPFA Foundation strives to practise the UN Global Compact Principles for Social Investment. For more details of our JAPFA Foundation programmes, please refer to CSR Section in PT Japfa Comfeed Indonesia Tbk's 2017 Integrated Annual Report.

## Japfa Foundation Program Impact

As part of its impact assessment, JAPFA Foundation has started to conduct a Social Return on Investment ("SROI") for its programmes and initiatives. This is to understand the most valuable outcomes for beneficiaries, principle factors to contribute to the final outcomes and how the most valuable outcomes can be maximized. The first SROI analysis conducted as evaluative assessment was made for NutriTEEN project; to calculate total financial value invested and measure its overall impact for one year period. The results show the ration of impact / value of investment is 1: 5.58. It means NutriTEEN projects get social investment \$5.58 in return for every dollar invested.

In 2017 JAPFA Foundation's four initiatives (Education, Nutrition, COSI and Sports) have impacted 29,186 people in 12 locations throughout Indonesia.

## JAPFA FOUNDATION ACHIEVEMENT IN 2017



## JAPFA FOUNDATION PROGRAMMES AREA IN 2017



Through FAS and SDP implementation, Education initiative was able to reach 7,567 direct and indirect beneficiaries. Meanwhile COSI initiative programmes, was able to reach the highest number of direct beneficiaries of 4,678 people, by providing people access to connect one to another and share knowledge and skills especially in healthy lifestyle and entrepreneurship.

JAPFA target beneficiaries includes students, teachers, parents and general audience. 74% of the overall beneficiaries are general audience

and students. The general audience consists of local communities, young people (outside students group) or representatives from various stakeholders of all programs who are mostly assisted through COSI programmes. The highest direct beneficiaries are the youths from the students group and young people who are under the general audience beneficiaries.

The highest number of direct beneficiaries was reached through COSI's, clean and healthy lifestyle promotion programme and developing social entrepreneurship programme. The highest number of indirect beneficiaries is from Education programmes, indicating that promoting comprehensive agriculture education and social enterprise development programmes may be beneficial to more people than we have expected.



# RESPONSIBLE FOR OUR ENVIRONMENT

We are aware that by managing our operations in a sustainable way, we will reap the prominent advantage of cost savings through environmentally friendly practices. Some examples include better management of natural resources (energy and water), and waste minimisation. We believe that through good environmental management practises, we can achieve higher operational efficiencies and produce affordable proteins in a sustainable way. Accordingly, we are committed to complying with all regulations, including environmental regulations, and improving the Company's environment management performance. We aim to perform beyond compliance.

Our environmental performance is measured and monitored using the Environmental Performance Rating Programme ("PROPER") by the Ministry of Environment and Forestry Republic of Indonesia.

Between 2016 and 2017, through the Ministry of Environment and Forestry Decree no. 696 Year 2017, PT JAPFA Tbk achieved 13 Blue PROPER for 13 business units, which shows our compliance with the environmental regulation. Four business units have been nominated as Green PROPER Prospective Candidates, underscoring our efforts to go beyond compliance. The four business units are our animal feed business units located in Lampung, Cikande and Tangerang, as well as cattle feedlot business unit in Bekri, Lampung.



## Energy and GHG Emissions Management

We strive to systematically conserve energy in our business units through integrated planning by improving our energy efficiency. To this end some business units have initiated Energy Efficiency Policy and assigned a certified Energy Manager to ensure the implementation of the policy. The Energy Manager is competent in implementing the energy saving policy, evaluating our energy management, and performing energy management review at a corporate level. They are, supported by qualified human resources and an appropriate organisation structure.

Our strategy on improving energy efficiency encompasses the following:

- Revamping our boilers
- Installing Variable Speed Drive Inverter to improve the efficiency of electrical equipments
- Replacing the use of diesel oil with more environmentally friendly Compressed Natural Gas ("CNG")
- Changing light bulbs to LED Lights
- Awareness programme to employees and workers on the importance of energy efficiency.

Our energy management focuses on improving production efficiency by aiming to achieve zero bottleneck and minimising idle time. Good manufacturing practices, such as 5S (sort, straighten, shine, standardise, and sustain), cross audit of different departments or units, waste reduction, higher machine efficiency, new technology investment, and ISO standard

implementation (ISO 9001: 2008 and transition of ISO 14001:2006 to 14001:2015), have been applied across business units.

Our operations are powered mostly by gas and electricity from PLN grid. Our gas is provided by PGN (Perusahaan Gas Negara) and portable sources such as Liquefied Petroleum Gas ("LPG") and CNG.

As a part of our efforts to conserve the environment, we no longer use coal. Instead, we use renewable firewood and palm oil shells to generate electricity and boilers, especially in our feedmills, breeding farms and vaccine unit. A small amount of diesel fuel is used for our generators, as backup electricity, and for logistic transportation, such as truck, forklift, and cranes. Our consumption of electricity and gas is measured by calibrated electric meter and metering gauge respectively. These instruments are calibrated regularly, based on government regulation and the requirements from our suppliers.

Our commitment towards energy saving policy are applied in our offices and headquarters. Unnecessary lights, computers and other electronic equipment are turned off, while the standard temperature gauge for the room is set to limit the use of ambient temperature control over certain hours. Our offices and operations are spread across Indonesia and South East Asia. However, to reduce air and road travel expenses and emission for long distance business travels, we telecommute using teleconference and video-conference facilities. Additionally, we routinely renew our operational cars, and maintain with the average age of operational cars at five years. [GRI 302-1, GRI 302-4, GRI 305-1, GRI 305-2, GRI 305-7]

We calculate our greenhouse gas ("GHG") emission scope 1 and scope 2 based on the energy consumed within the boundaries of our Company, limited to poultry division in Indonesia. The emission is calculated by using the emission characterisation factor defined by the Intergovernmental Panel on Climate Change ("IPCC"). To reduce GHG emission,

As a part of our efforts to conserve the environment, we use renewable firewood and palm oil shells to generate electricity and boilers, especially in our feedmills, breeding farms and vaccine units.

98% of our energy is sourced from renewable biomass energy.

we conducted revegetation projects in or out of the business unit areas with plants that are able to absorb carbon dioxide ("CO2"), such as areca nut, rubber, durian, tropical-almond and monkeypod trees. During the reporting period, a CSR Project in Lampung planted 2,000 of mangrove Rhizophora Sp trees in Gebang village, Pesawaran Regency, Lampung as an approach to reduce GHG emission.

## Air Emission and Dust Management

Emission of particulate matter, such as dust, is an environmental impact on our feedmills. We continuously measure, manage and monitor the air quality and the air (emission) from our operations, adhering to regulations from the environmental board. To manage the dust and improve the air quality, we provide dust collectors in several locations and equip our workers with masks to protect their health and safety. We report our environmental performance regularly.

Operating in a tropical climate, air conditioning is an inevitable component in our daily operations and activities. We are aware of the potential environmental impact of ozone depleting substances ("ODS") used in our air conditioning systems. Whenever possible, we choose air conditioning equipment with eco-friendly refrigerants. To date we have yet to conduct any leak checking for our air conditioning equipment.

[GRI 305-1, GRI 305-2, GRI 305-7]

## Water Management

Water is an important factor in agriculture. In our poultry operations, water is essential due to its intense usage. Along our operational units, water is withdrawn from river, ground, and rain water.

Water is mainly used for the boilers in our feedmills, cooling systems in our farms, as well as cooling, boiling and cleaning in the slaughterhouses. Throughout the reporting period, the total water consumption for poultry operations is shown in our table on page 72-73. The Company has committed to gradually reduce water consumption. Our efforts include:

- Water consumption reduction programme
- Implementation of biopore infiltration holes for groundwater conservation.
- Rainwater harvesting programme through the installation of infiltration wells.
- Project commissioning of demineralisation plant with reverse osmosis system as water treatment facility for the boilers.

We aim to use water efficiently. Our wastewater is treated in a Wastewater Treatment System ("WWTP") before it is released to the environment. We continuously measure and monitor our wastewater quality to meet the permissible threshold and ensure compliance. We measured water consumption through water consumption billin and water balance At our office buildings, we run campaigns on responsible use of water by conducting leak checking procedures and reducing water flow from the faucets. [\[GRI 303-1\]](#)

## Waste Management

Organic by-products, or waste, of the livestock industry include a variety of materials such as solid and liquid animal manures, used bedding, spilled feed, and a variety of other substances. Most livestock-associated organic by-products are animal manure. Litter, manure and dead birds are three types of waste of primary concern in poultry production. Poultry manure contains large amounts of nitrogen, phosphorus, and potassium. These nutrients in the manure can provide positive and negative impact, depending on how they are managed. In the recent years, there is growing interest in using poultry manure and litter as soil fertilisers for crop production as it is considered a sustainable practice. The use of poultry manure and litter as fertilisers offers some advantages when compared to mineral fertilisers. In addition to nutrients supply. It improves soil structure, control erosion, and water-holding capacity.

We have developed a set of Standard Operating Procedures ("SOP") on managing the manure from our farms. Our farmers and farmer partners have been trained to manage the manure according to our SOP. Most of the manure are used or sold as compost by farmers. Meanwhile, other solids and hazardous wastes are treated by a registered third party [\[GRI 306-2\]](#)

## Non-Hazardous Waste

JAPFA has implemented a 3R principle to address our non-hazardous waste. JAPFA reduces, reuses, and recycles materials during their life cycle. However, there is no standard in determining the life-span of the 'reuse' stage. One of our main programmes is monitoring paper consumption and going "paperless" to minimise paper usage in our offices. By monitoring and controlling paper consumption we can also improve our efficiency and reduce

operating costs. We have recycled our papers through paper recyclers. We provide separated bins for non-confidential papers which will be collected and taken directly from our offices by the recyclers. For confidential papers, our team will bring them to the recycler's plant and witness the demolition process. However up until now, we have not collected data on the amount of waste paper recycled. In the future, we plan to record the amount of recycled waste paper.

The Company also invests in more durable materials, such as reusable chick boxes to minimise waste. The reusable chick boxes are made of high-grade virgin polyethylene material and are 100% reusable, replacing disposable cardboard boxes. These reusable plastic boxes are used to transport our day-old-chicks ("DOCs") from our hatchery to the customers. [\[GRI 301-3\]](#)

The effluent generated from our operations is mostly chicken blood in our slaughterhouses. We partner with a third party to manage the effluent. The third party collects the affluent regularly. According to our agreement with the third party, the affluent is not to be consumed, following the regulation from the Ministry of Religious Affairs.

## Hazardous Waste

We do not use hazardous material as raw materials for our production. Our hazardous waste are mostly waste oil generated from equipment and other waste such as packages, garments, and active carbons which contaminated by hazardous waste; used cartridge, tonner, battery, filter, TL lamp, and solvent; WWTP sludge, and medical, lab, electronic waste. The hazardous waste are temporarily stored in our on-site storage before being sent to registered third parties for treatment. We do not import, export, or treat our hazardous waste on site.

## Habitats Protected or Restored

[\(GRI 304-3\)](#)

Our company aspires to maintain the biodiversity around our operations. We play an active role to protect and enhance biodiversity sustainably. In order to fulfil our environmental responsibility, we involve stakeholders in decision-making for matters related to our environmental regulation. As set out in our Company policy, we have the full support from our top management on "Improving energy productivity and efficiency by considering natural resources conservation and quality".

A major milestone was achieved on 13 April 2017 when PT JAPFA Tbk completed the acquisition of 19% of the issued and paid up capital of PT Eco Partners Indonesia ("PT Eco Partners") for a total cash consideration of IDR 20.5 billion (approximately US\$ 1.5 million). PT Eco Partners is the holding company of PT Fauna Land Ancol, a company engaged in nature conservation park business and operates a zoo located in Ancol, North Jakarta. The zoo sits on an area of approximately five hectares of natural land and houses rare animals from the various regions in Indonesia. Faunaland, which is situated in Ancol Ecopark, is a popular destination among schools in Jakarta, promoting ecotourism, conservation and fun-education, while introducing Indonesia's culture and natural resources.

# Environmental Performance

## ENERGY 302

Energy consumption within the organisation [GRI 302-1] :	Amount	Unit	Amount	Unit	Percentage
-Electricity	217,323,505.8	kWh	782,364,620.8	MJ	1.26%
-Natural Gas PGN <sup>1</sup>	2,596,878.0	m <sup>3</sup>	95,135,326.7	MJ	0.15%
-CNG <sup>2</sup>	587,771.1	m <sup>3</sup>	21,899,731.9	MJ	0.04%
-Shell <sup>3</sup>	2,970,818.1	ton	60,901,771,460.0	MJ	98.24%
-Coal <sup>4</sup>	3,487.1	ton	81,759,294.5	MJ	0.13%
-Diesel oil	2,547,222.0	litre	92,718,879.0	MJ	0.15%
-Genset	755,191.2	kWh	2,718,688.3	MJ	0.00%
-Firewood <sup>5</sup>	1,078,800.0	kg	15,534,720.0	MJ	0.03%

Reduction of energy consumption [GRI 302-4] :		
Reduction by type :	Amount	Unit
-CNG	1,216.7	GJ
-Electricity	805.1	GJ
-Diesel oil	3,604.6	GJ
Total reduction	5,626.4	GJ
Energy consumption with reduction program	56,090.7	GJ
Percentage of reduction	9.1	%

Water [GRI 303]		
-Surface water [rivers/lakes]	152,837.0	m <sup>3</sup>
-Ground water	1,886,579.0	m <sup>3</sup>
-Municipal water	82,205.7	m <sup>3</sup>

	Amount	Unit
<b>Emission [GRI 305]</b>		
<b>GHG emission direct [scope 1] [GRI 305-1] <sup>6</sup></b>		
Gross direct [Scope 1] GHG emissions	2,030.0	tons CO2 eq.
<b>GHG emission indirect [scope 2] [GRI 305-2] <sup>6</sup></b>		
Gross indirect [Scope 2] GHG emissions	239,000.0	tons CO2 eq.
Biogenic CO2 emissions	0	tons CO2 eq.
<b>Nitrogen Oxide ["NOx"], Sulfur Oxide ["SOx"], and other significant air emissions [GRI 305-7]</b>		
NOx emissions	80.6	kg
SOx emissions	141.2	kg
Persistent organic pollutants ["POP"] emissions	0.9	kg
Particulate matter ["PM"] emissions	111.0	kg
<b>Effluents and waste [GRI 306]</b>		
<b>Water discharge by quality and destination [GRI 306-1]</b>		
Total volume of planned and unplanned water discharges	963,129.9	m <sup>3</sup>
Quality of water, including treatment method	Equalization, Filtration, Aeration, Chemical Treatment, Physical Treatment, Aerob and Anaerob	
Whether the water was reused by another organisation	No	
<b>Waste by type and disposal method [GRI 306-2]</b>		
Total weight of hazardous waste	45.8	tons
Total weight of non-hazardous waste	359.2	tons
<b>Transport of hazardous waste [GRI 306-4]</b>		
Total weight of hazardous waste transported	45.3	tons

**FOOTNOTES |** The energy consumption is measured by calibrated kwhmeter for electricity and metering gauge for gas

1. covert to MJ by standard methodology based on PT Perusahaan Gas Negara Tbk, calorific value of gas = 36.6 MJ/m<sup>3</sup>

2. covert to MJ standard methodology based on IGU (International Gas Union), calorific value of CNG = 0.037 MJ/m<sup>3</sup>

3. covert to MJ standard methodology based on RSPO, calorific value of shell = 20.5 MJ/kg

4. covert to MJ standard methodology based on Ministry of Energy and Mineral Resources, calorific value of coal = 23.45 MJ/kg

5. covert to MJ standard methodology based on FAO, calorific value of firewood = 14.4 MJ/kg

6. calculated based on IPCC 2013 100a from SimaPro software



# GROWING TOGETHER WITH OUR STAKEHOLDERS

Through our vertically-integrated business model and our industrialised approach to large-scale farming, the Group benefits from economies of scale and extensive market coverage. In addition, the Group contributes to the lives of the people in the countries it operates in, by providing nutritious and affordable animal protein staples to consumers, partnering and empowering farmers, creating jobs, and paying taxes which go towards national economic development.

The Group has more than 34,000 employees across its network of industrialised farms, mostly located in Indonesia. Our strategic partnerships with local farmer partners provide employment opportunities beyond the farms. Our relationships with breeder partners form the basis for our local community economic development programmes. Through these programmes, local farmers contribute to the economic growth in their operating regions, via the provision of food protein, job creation and local tax contributions.





# 2017 ECONOMIC PERFORMANCE

The macroeconomic pressures in 2016, have eased. Notably, the global economic conditions began to show improvement after the second half of 2016, and was one of the key factors that drove economic recovery around the world in 2017.

Similar to some of the developed countries, the economies in emerging market countries have also showed signs of improvement in 2017. For example, China's economy grew by 6.9 %, compared with 6.7% in the previous year.

In 2017, Indonesia's economy grew 5.07%, as compared to 5.02% in the previous year. The country's economic growth in 2017 was mainly driven by domestic factors such as increased Government expenditures and fairly low inflation rates.

In addition, in the second half of 2017, Bank Indonesia lowered its reference interest rate to 4.25%, which enabled the banking intermediaries to run at a more optimal level.

The agri-food business is always subject to cyclical which directly impacts the revenue and profitability of the Group's core pillar businesses. Cyclical is dependent on a variety of external factors that are beyond the Group's control, including the seasonality of harvest and festivals, as well as macroeconomic factors that affect purchasing power and government policies.

## Performance of The Group [GRI 201-1]

In FY2017, the Group posted EBITDA of US\$285.4 million and Core PATMI w/o Forex of US\$15.7 million, against a 5.2% improvement in revenue to US\$3.2 billion which was mainly driven by higher sales volumes from PT JAPFA Tbk and Dairy.

PT JAPFA Tbk's poultry business showed strong growth, with volume expansion across its poultry operations. In particular, sales volume for poultry feed expanded 15.3% while feed operating margin stood at a creditable 9.7%, despite the high domestic corn price environment. Dairy also turned in a strong performance in FY2017, generating consistent top and bottom line growth on higher milk yields and sales volumes.

During the year, the poultry feed business continued to be a key profitability pillar across the Group in Indonesia, Vietnam, Myanmar and India.

However, the Group's overall profitability was affected by losses from Animal Protein Other ("APO") in Vietnam due to the persistent low swine price environment. The market downturn, arising from China's swine import restrictions which started in the fourth quarter of 2016, had curtailed overall market demand in Vietnam causing swine average selling prices ("ASPs") to slide to levels well below cost throughout FY2017.

As a result, the Group's operating profit declined by 39.4% year-on-year to US\$188.6 million in FY2017. Nonetheless, the Group remained profitable in FY2017, anchored by PT JAPFA Tbk and Dairy which continued to generate a healthy operating profit of US\$157.1 million and US\$67.0 million in FY2017, respectively.

As at 31 December 2017, the Group's total assets increased by US\$217.9 million to US\$2.7 billion, from US\$2.5 billion a year ago, primary due to the increase in property, plant and equipment and biological assets.

Based on our direct economic value generated throughout 2017, 94.1% of the Group's revenue were distributed to Operating Cost to improve our operational efficiency and expand business markets. We valued our people and this translated into employee salaries and benefits, which amounted for 8.8% of the Group's revenue. In this sustainability report, we have identified possible improvements to our direct contribution to the community. By the end of 2017, we retained - US\$ 155.9 million.

# Economic Performance

## [GRI 201-1]

We aware that our activities should be in -line with sustainable goals. We support and play an active role in working on sustainable development. Our contributions include investment on advanced technologies to improve our efficiency throughout our productions. In addition, we also invest on enhancing the capability of our people.

Economic Performance [201-1]	FY2017 (US\$ Thousand)
<b>i. Direct Economic Value Generated</b>	
Revenue	3,189,930
Interest income	4,087
Other expense net of other income	(835)
Total	3,193,182
<b>ii. Economic Value Distributed</b>	
Operating cost (Cost of sales, SG&A exclude staff cost)	2,720,900
Employees wages and benefits	280,384
Payment to providers of capital	12,533
Environment Management Investment	485
JAPFA Foundation	1,800
JAPFA4Kids	303
Payment to government by country :	
- Indonesia	53,446
-India	345
-Vietnam	3,441
-Singapore	2,184
Total	3,073,852
<b>iii. Economic Value Retained</b>	
Economic value retained	119,330

# ANTI-CORRUPTION POLICY AND INTERNAL AUDIT

[GRI 205-2, GRI 206-1]

The Group operates in countries that are ranked relatively low in the Transparency International's Corruption Perception Index. In the 2017 ranking, out of 180 countries, Myanmar is ranked 130, Vietnam 107, Indonesia 96, India 81, and China 77. The prevention of corruption is one of our most important Good Corporate Governance commitments. We undertake every effort to eradicate corruption and criminal misconduct, and works continually to improve our employees' understanding of our anticorruption principles and tools.

To measure the effectiveness of our anti-corruption programmes, we have established Internal Control mechanisms across our business units and support operations. These control mechanisms are tested by our Internal Audit Unit. We conduct internal audit of our business units and operations continually and cover approximately 10% of our 350 auditable business units and operations annually. We performed 35 audits in FY2017. These audits were selected and conducted based on our risk assessment process. Our annual Internal Audit Plan is approved by the Audit Committee of the Board of Directors.

Results of our auditing process are presented quarterly to the Board of Directors. In addition, to ensure credible and reliable auditing process, we appointed Ernst and Young as our external auditors. Both parties exchanged and discussed information related to the recent issues in our company and industry. We communicate our audit results in the form of audit reports, and we perform follow up actions to ensure corrective or affirmative actions are taken to resolve these issues. In addition to financial audit, we also conduct audit of all our operations in all of our

business segments. In our feedmills, we review warehouse, manufacturing and inventory management processes. In our commercial farms operations our audit procedures include reviewing the well-being of our chickens to ensure that our chickens are not contaminated by pests, and that they are healthy and happy. Our Whistleblowing System ("WBS"), which is called JAPFALERT, is a way for employees, customers, vendors, and other parties to report allegations and incidents relating to fraud, crimes or violations of the Company's Internal Control Procedures and Principles, Accounting and Finance Policies and Principles, and Anti-Corruption Regulations. JAPFALERT is accessible through the website [www.japfalert.com](http://www.japfalert.com). The whistleblower can use JAPFALERT, send an email, or send a letter to the dedicated postal address, 391B Orchard Road #18-08, Ngee Ann City Tower B, Singapore 238874, and attention it to the Japfalert Committee. The information disclosed to Japfalert will be kept confidential. Anyone who reports using this alert system will not face any sanctions whatsoever, in relation to the matter disclosed, from their employers or the Group.

In the second quarter of 2016, Indonesia's Business Competition Supervisory Commission ("KPPU") ruled that 32 cattle companies, including two subsidiaries of PT Japfa Comfeed Indonesia Tbk ("PT JAPFA Tbk") which is a principal subsidiary of the Company listed on Bursa Efek Indonesia (IDX) had violated the law relating to cartel and production arrangements and all 32 cattle companies were fined. The aggregate fine applicable to the two subsidiaries of PT JAPFA Tbk was approximately US\$1 million. The Group appealed against this decision of the KPPU to the Central Jakarta District Court which on 1 August 2017 affirmed the KPPU decision. The Group appealed to the Indonesian Supreme Court against the decision of the Central Jakarta District Court on 14 August 2017. Pending the decision of the Supreme Court on this appeal, KPPU's decision does not yet have permanent legal force and the said fines are not yet payable.

In the fourth quarter of 2016, KPPU also ruled that PT JAPFA Tbk and 11 poultry companies violated the law relating to cartel by collectively agreeing to cull 6 million parent-stock and all 11 poultry companies were fined for this violation. The fine applicable to PT JAPFA Tbk was approximately US\$1.85 million. The Group and the 10 other poultry companies appealed against this decision of KPPU to the West Jakarta District Court which in November 2017, accepted the appeal and overruled the KPPU's decision. However, in December 2017, KPPU appealed to the Supreme Court against the West Jakarta District Court decision. Until the issuance of the Supreme Court decision on such further appeal, the KPPU's decision does not have permanent legal force and the applicable fines are not yet payable.

It should also be noted that the People's Representative Council of the Republic of Indonesia ("DPR") is in the process of amending Indonesia's Anti-Monopoly Law. In the current draft, DPR is aiming to expand KPPU's authority, to introduce new sanctions including a significantly higher fine that may be based on turnover, and to require mandatory pre-merger notification. Should the proposed amendments come into force, the Group will face new requirements which may affect its business practices. It is uncertain when the new Anti-Monopoly Law will come into force as the new law is still under intense discussions between the President and DPR.

In addition, the Indonesian government has been introducing more measures to regulate the agri-food sector. This may affect the market supply and demand dynamics and create uncertainties within the agri-food value chain in the future.

Throughout the reporting period from 1 January to 31 December 2017, the Company had no accident related to non-compliance with laws and regulations, neither socially nor economically. [GRI 419-1]

- We define "EBITDA" as profit before tax from continuing operations, excluding interest income, changes in fair value of biological assets and marketable securities, foreign exchange adjustments gains/(losses), finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets.
- We derived "Core PATMI" from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives and by excluding extraordinary items (namely the gain from the buyback of USD bonds and the gain on disposal of asset held for sale), attributable to owners of the parent.
- "Core PATMI w/o Forex" is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds in PT JAPFA Tbk and USD loans in Dairy, which have no tax implication.

# GOVERNANCE STRUCTURE

[GRI 102-18]

JAPFA is committed to Good Corporate Governance ("GCG") and the Group's GCG initiatives and frameworks have been implemented across various business functions, from recruitment, internal control systems and risk management to performance evaluation and rewards. Our Directors recognise the importance of corporate governance and the maintenance of high standards of accountability to our shareholders. Our Board has established four committees: (i) the Executive Director Committee ("Exco"); (ii) the Audit Committee ("AC"); (iii) the Nominating Committee ("NC"); and (iv) the Remuneration Committee ("RC"). For more details of the responsibilities of these committees, please visit the corporate governance section in our website.

JAPFA's corporate governance framework refers to the principles and guidelines of the revised Code of Corporate Governance 2012 ("2012 Code") issued by the Monetary Authority of Singapore on 2 May 2012. JAPFA has complied in all material aspects with the main principles and supporting guidelines of the 2012 Code, and will regularly review its governance policies and practices to track developments in best practices and regulations.

In addition, we continually work to improve our efforts in the management and monitoring of our business and operations, so that they are as environmentally friendly as possible.

## Organisation Structure

The Company's corporate governance structure comprise the following governing bodies: Shareholders' General Meeting; Board of Directors; and Senior Management. The Board of Directors and the Company's Senior

Management are responsible for making decisions in the best interests of the Company and its stakeholders, according to their respective levels of competence and authority.

### Shareholders' General Meeting

### Board of Directors

Non-Executive Independent Chairman	Executive Deputy Chairman	Non-Executive Independent Director	Executive Director and Chief Executive Officer	Executive Director and Chief Financial Officer	Independent Director	Independent Director
Goh Geok Khim	Handojo Santosa / Kang Kiem Han	Hendrick Kolonas	Tan Yong Nang	Kevin Monteiro	Ng Quek Peng	Lien Siaou-Sze

### Senior Management

Chief Operating Officer, Operation 1 - Poultry Indonesia	Head of Dairy	Deputy Chief Operating Officer, Operation 1 - Poultry Indonesia	Head of Legal and Compliance	Co-Country Head, Japfa Comfeed Vietnam Limited Company
Bambang Budi Hendarto	Edgar Dowse Collins	Antonius Harwanto	Christina Chua Sook Ping	Arif Widjaja

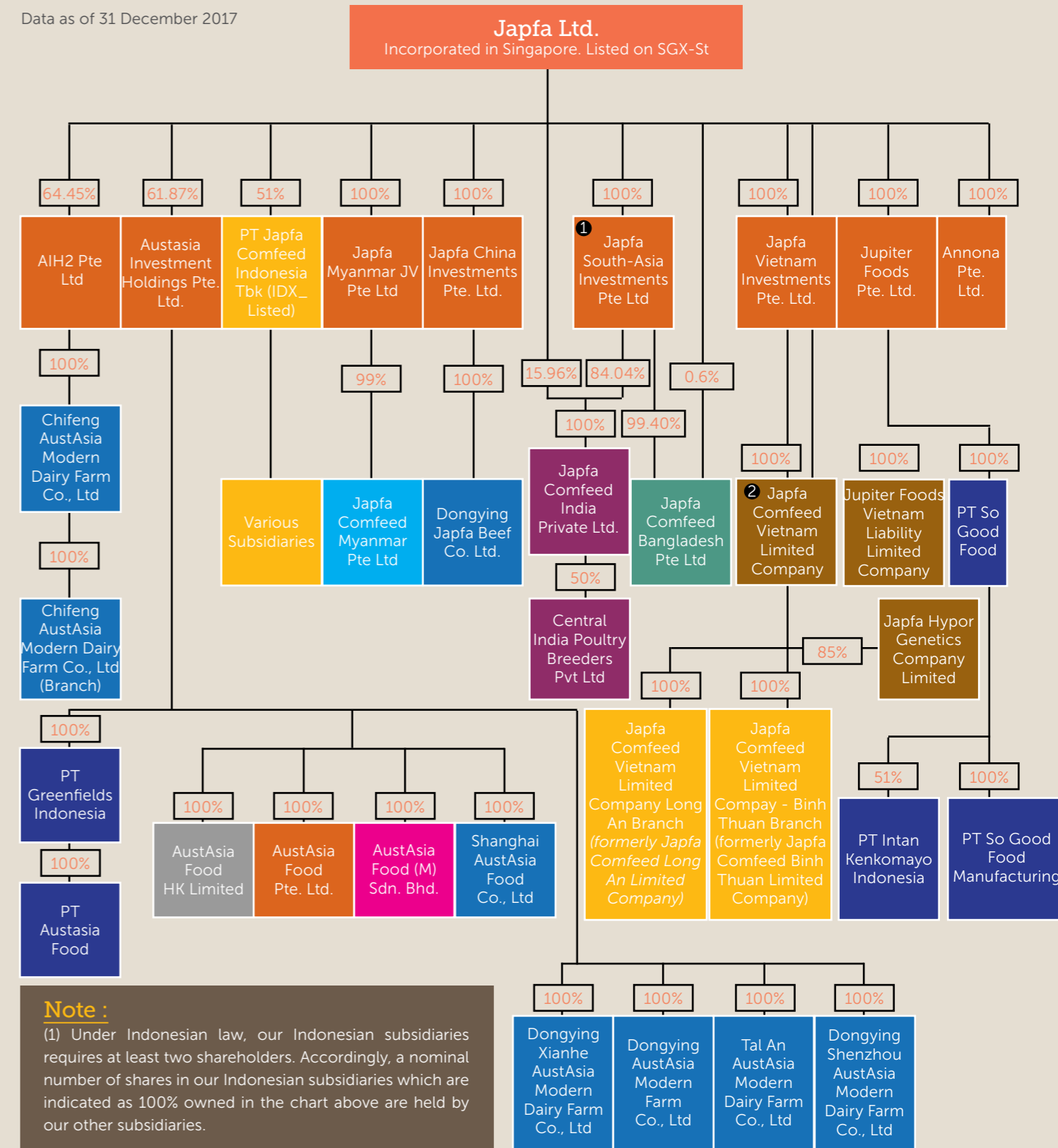
JAPFA's vision of Growing Towards Mutual Prosperity is in harmony with our commitment towards sustainable development. We plan to establish a Sustainability Steering Committee, comprising leaders and decision makers from various divisions and business units across the Company.

Our motto "Growing Towards Mutual Prosperity" is embraced by every employee in the Company as well as by our farmers and stakeholders. This not only reflects our sustainability commitment, but serves as a compass for us in evaluating global challenges and potential risks (economic, environmental and social) that are relevant to our company.

Information in relation to the Group business structure, financial statements and related disclosures, corporate governance and whistle blowing policy can be found in our website [www.japfa.com](http://www.japfa.com)

## Entities in JAPFA's Consolidated Financial Statements [GRI 102-45]

Data as of 31 December 2017



- Incorporated in Indonesia
- Incorporated in Singapore
- Incorporated in Vietnam
- Incorporated in China
- Incorporated in Myanmar
- Incorporated in Bangladesh
- Incorporated in India
- Incorporated in Hongkong
- Incorporated in Malaysia

### Footnote

- (Formerly known as Japfa India Investments Pte. Ltd.) Incorporated in Singapore.
- Incorporated in Vietnam (Merged with Japfa Comfeed Long An Limited Company and Japfa Comfeed Binh Thuan Limited Company in Jan 2017)

# RISK MANAGEMENT

Our risk management commitment is part of our good governance practice. Part of the AC's responsibilities includes reviewing our key financial risk areas, including the Group's hedging practices in respect of our exposure to fluctuations in foreign exchange and raw material costs; reviewing the risk management structure and supervision of the risk management process and activities to mitigate and manage risk at acceptable levels determined by our Board of Directors.

When conducting our business, the Company faces the following risks: Epidemics, Raw Materials Availability and Price Fluctuation, Fluctuation Risks of Exchange Rate and Inflation, Competition Risk and the Government Regulation. To address the Precautionary principle or approach, we conducted literature review on the life cycle assessment of poultry and livestock products proximity to our activities.

[GRI 102-11]

In the future we would conduct Life Cycle Assessment for our other products to identify potential impact of our activities. We will continuously monitor, manage and mitigate environmental risks that may adversely affect us while taking calculated risks to ride the growth opportunities.

# AWARDS AND RECOGNITIONS

[GRI 102-12]

The Group received numerous prizes and awards in 2017. Below is a list of the most important awards received during the year

Business Unit	Award
PT Japfa Comfeed Indonesia Tbk	<ul style="list-style-type: none"> <li>• PROPER Blue (Compliance with Regulation) award for 13 business units</li> <li>• PROPER Green (Beyond Compliance) award for four of its business units.</li> </ul>
	JAPFA4Kids – winner of the Asia Responsible Entrepreneurship Awards ("AREA")
	Zero Accident Award from The Ministry of Manpower and Transmigration and Local Government
	SNI Award from National Standardisation Agency of Indonesia for our Poultry Feed business unit at Makassar
	Top CSR Award through JAPFA4Kids Programme in Asia Responsible Entrepreneur Awards ("AREA") for Health Promotion Category
	Top CSR Award 2017 in Agribusiness sector and Top Leader on CSR Commitment for our Executive Deputy Chairman, Mr. Handojo Santoso as President Director of PT Japfa Comfeed Indonesia Tbk
	100 Best Listed Companies by Investor Magazine

Business Unit	Award
PT Japfa Comfeed Indonesia Tbk	The principles of OSH Management System ("OSHMS") Animal Feed Unit in Makassar received a Governor Award No: 566/0705/Disnakertrans dated on 14 February 2017 for its effort and commitment in the principles of OSHMS implementation within the corporate's management.
	Financial Times Stock Exchange ("FTSE") Value Stocks ASEAN Index on 17 March 2017. This index is issued by the FTSE Group based in England and is often used by the international investors as a portfolio benchmark.
	Top 50 of the Biggest Market Capitalisation Public Listed Companies Award on 27 November 2017, PT Japfa Comfeed Indonesia Tbk was recognised as one of the Top 50 of the Biggest Market Capitalisation Public Listed Companies on the 9th IICD Corporate Governance Conference and Award, in Jakarta. IICD, Indonesian Institute Corporate Directorship, is a foundation formed by 10 (ten) leading universities and other organisations.
Japfa Comfeed Vietnam	Great Contribution of Tax in The Year from Vinh Phuc People Committee Governor
	Award from Foreign Invested Association for Greatly and Actively Contribution for the Development of the Association
	Ranked 264 among the Top 500 Largest Enterprises in Vietnam by VNR
	Outstanding Enterprises Award from Vinh Phuc People Committee Governor
	Individual Award for Mr. Junairi Sungkono for his, achievement in leading the Company to achieve its success

# MEMBERSHIP OF ASSOCIATIONS

[GRI 102-13]

To spread positive impact towards mutual prosperity, JAPFA's Senior Management sits on various industry bodies and civil society organisations. Moving forward, JAPFA will continue to partner the industry and form collaborations to support sustainable development goals.

PT JAPFA COMFEED INDONESIA TBK.	
The Employers' Association of Indonesia ("APINDO") DKI Jakarta Province	Indonesian Fishery Product Processing & Marketing Association ("AP5I")
Indonesian Feedmills Association ("GPMT")	Shrimp Club Indonesia ("SCI")
Indonesian Poultry Breeding Companies Association ("GPPU")	Indonesia Veterinary Medicines Association ("ASOHI")
Indonesia Poultry Slaughterhouse Association ("ARPHUIN")	Indonesia Association of Veterinary Public Health ("ASKESMAVETI")
Indonesia Poultry Community Association ("PINSAR")	
GREEN FIELDS INDONESIA	
Indonesian Food and Beverage Association ("GAPMMI")	
JAPFA COMFEED VIETNAM	
Association of Foreign Invested Enterprises	
PT SO GOOD FOOD MANUFACTURING	
Indonesian Food and Beverage Association ("GAPMMI")	National Meat Processors Association ("NAMPA")
Association of Chef Professionals ("ACP")	Modern Market Suppliers Association ("AP3MI")
JAPFA FOUNDATION	
Asian Venture Philanthropy Network ("AVPN")	Cluster for Food and Nutrition Security in Philanthropy Indonesia ("FI")
Indonesia CSR Society	

# Our Certifications

[GRI 102-12]

## 1. QUALITY MANAGEMENT SYSTEM ISO 9001 : 2008 and ISO 9001 : 2015

ISO 9001 is certification in Quality Management System. This certification is obtained through audit process by certification agency/ institution, TUV Rheinland and SAI Global. Our business units which obtained this certification are poultry, aquaculture, and beef cattle divisions, as well as vaccines, edible oil, and woven plastic bag units in Indonesia.

## 2. ENVIRONMENT MANAGEMENT SYSTEM ISO 14001:2015

Our Poultry feed unit in Sragen Indonesia has obtained the ISO 14011:2015 certification.

## 3. FSSC (FOOD SAFETY SYSTEM CERTIFICATION) 22000

FSSC 22000 is a standard certification scheme of global food safety management system, based on ISO 22000, combined with one particular technical specification for PRPS (such as PAS 220/ISO 22002-1 or PAS 223) and additional requirements from the Global Food Safety Initiative ("GFSI"). The Company's business units that have obtained this certification are our chicken slaughterhouse, balungbendo (Sidoarjo), poultry feed and beef cattle processing units in Serang, as well as swine feed and cattle feed units in Vietnam.

## 4. HALAL MUI

Halal certificate is a written fatwa issued by the Indonesian Council of Ulama ("ICU/MUI") through fatwa commission meeting which stated the halalness of a product based on audit process done by the Assessment Institute for Foods, Drugs And Cosmetics, the Indonesian Council of Ulama (AIDC ICU/LP POM MUI) before giving assurance that a product is Halal.

This Halal Certificate is required in order to obtain HALAL labeling license on the products packaging from authorised government agencies. Besides that, for the Chicken Slaughterhouse, Halal Certified MUI is required in order to obtain a Veterinary Control Number (NKV) issued by the Local Animal Husbandry Department.

The Company's operation units that have obtained the HALAL certification are our chicken slaughterhouses in our Beef Cattle Division, and processing units in our Aquaculture Division in Indonesia.

## 5. VETERINARY CONTROL NUMBER ("NKV")

NKV is a certificate of written validation on fulfilling the hygienic-sanitation requirements as a basic requirement of animal origin food safety guarantee in the animal origin food business unit (Permentan No. 381/Kpts/OT.140/10/2005). Animal origin foods, Slaughterhouses and Poultry Slaughterhouses business units must have Veterinary Control Number.

The Company's operation units that have obtained the NKV certification are our chicken slaughterhouses in our Poultry Division and processing units in our Beef Cattle Division in Indonesia

## 6. CERTIFICATE OF GOOD MANUFACTURING PRACTICE ("GMP")

The Certificate of Good Manufacturing Practice ("GMP") represents veterinary medicines manufacturing guidelines for the veterinary medicines industry in Indonesia with the aim of ensuring that the manufactured and processed medicines are consistently meeting the standards.

This certificate is issued by the Agriculture Ministry of Indonesia. The Company's subsidiaries which have obtained the GMP are our animal vaccine and farm supplies manufacturing units in Indonesia.

## 7. CERTIFICATE OF GOOD FISH HATCHERY ("CPIB")

CPIB is the quality standard for hatchery system applied to parent management, spawning, egg hatching, larval/ seed rearing in a controlled environment through the application of technology that meets the Indonesian National Standard ("SNI") requirements or other technical requirements. This system pays attention to the elements of biosecurity, traceability and food safety. This certificate is issued by the Ministry of Marine Affairs and Fisheries and the Directorate General of Aquaculture. Our shrimp and tilapia hatcheries in Indonesia have obtained this certification.

## 8. CERTIFICATE OF GOOD FISH FARMING METHODS ("CBIB")

CBIB certification is awarded based on the Company's compliance in maintaining, raising, and harvesting in a controlled environment so as to provide assurance on the food produced at a farm. It pays particular attention to sanitation, feed, medicines and chemicals as well as biological materials. Through our Aquaculture Division in Indonesia, the Company has obtained CBIB for fishponds, BAL ponds and net cages in some of our business units.

## 9. CERTIFICATE OF GOOD FISH QUARANTINE ("SCKIB")

SCKIB is a certificate issued by Indonesian Fish Quarantine and Inspection Agency ("FQIA") certifying that the fish hatchery, breeding and reservoirs have applied good quarantine principles. Through our Aquaculture Division in Indonesia, the Company has obtained SCKIB for our shrimp and tilapia hatcheries.

## 10. BEST AQUACULTURE PRACTICES ("BAP")

To apply responsible aquaculture practices, Global Aquaculture Alliance ("GAA") coordinates with the Best Aquaculture Practices ("BAP") to issue certification standard for feedmills, hatcheries, breeding and processing plants.

The Best Aquaculture Practice Standards cover environmental responsibility, social responsibility, animal welfare, food safety and traceability. The BAP certification provides quantitative guidelines needed to evaluate an organisation's compliance on with besten Aquaculture practices.

Through our Aquaculture Division, the Company succeeded in obtaining the BAP certificate for our :

- Tilapia Fish Farming unit in Simalungun.
- Sea Food Processing (Cold Storage) unit in Cirebon.
- Aquafeed Unit in Medan.
- Tilapia hatchery Unit in Tanah Jawa .

## 11. AQUACULTURE STEWARDSHIP COUNCIL ("ASC")

Established in 2010 by WWF and IDH (Dutch Sustainable Trade Initiative), ASC is an independent non-profit organisation. As a member of International Social and Environmental Accreditation and Labelling ("ISEAL"), ASC is a certification standard for responsible aquaculture practices towards human and environment.

The assessment of this certificate is conducted by an independent party called Conformity Assessment Body ("CAB"). Since 2014, through our Aquaculture Division, our Tilapia Fish Farming and Tilapia Cold Storage units in Simalungun, North Sumatra, have met all required standards and are therefore eligible for ASC certification.

## 12. CHAIN OF CUSTODY (“COC”)

COC Certification guarantees that the Aquaculture Stewardship Council (“ASC”) certified sea products distributed to the supply chain are products of seawater. ASC product certification, buyers are guaranteed of the sustainability of the sea products for their customers. Our Aquaculture Division has obtained ASC-CoC certification for our Tilapia processing plant located in Simalungun, North Sumatra.

## 13. BRITISH RETAIL CONSORTIUM (“BRC”)

BRC is a prominent trade association in the UK. BRC Global Standard is a standard that originated from the concept and understanding related to the suitability of food safety standard between Hazard Analysis Critical Control Point (“HACCP”) and the Quality Management System. BRC concept is closely related to good manufacturing practices and encourages the consistency of food safety audit processes. It is a quality certification programme used worldwide by the certified supplier through more than 90 Accreditation Boards.

Through our Aquaculture Division in Indonesia, the Company has obtained BRC certification for our Tilapia processing plant located in Simalungun, North Sumatra and Sea Food Processing (Cold Storage) Unit in Cirebon.

## 14. AVIAN INFLUENZA (“AI”) DISEASE-FREE COMPARTMENT CERTIFICATE

Compartmentalisation is focused on the Avian Influenza (“AI”) disease-free status based on Permentan No. 28/2008 on Guidelines for Poultry Compartment and Business Zone Arrangements. This policy provides a way for poultry businesses to obtain certification on AI Disease Free Compartment despite being in a Country zone or territory which has not been free of the disease. This certificate is issued by the Ministry of Agriculture with a validity period of one year and can be renewed. Farms/units that are already certified will be supervised by the authorities once every 3 months by the concerned Regency Office, once every 6 months by the related Department in the Province and once a year by the related Department in the Ministry of Agriculture.

Through our Poultry Division in Indonesia, the Company has received the Avian Influenza Disease-Free Compartment certification for our Poultry Breeding units and commercial farm units.

## 15. HAZARD ANALYSIS AND CRITICAL CONTROL POINT (“HACCP”)

HACCP is an internationally known structured operational method that can assist organisations in the food and beverage industry to identify food safety and convey legal compliance.

The Company’s operational units within our Aquaculture Division that have obtained the HACCP certification are:

- Cirebon cold storage unit (shrimp processed products), Simalungun cold storage unit (tilapia product) and Banyuwangi cold storage (eel products).

# SDG COMPASS

As part of our commitment in contributing to Sustainable Development, we align our activities with the United Nations’ Sustainable Development Goals.

### Providing Affordable and Nutritious Protein



### Nurturing Our Community



### Developing Our Farmer Partners



### Responsible for Our Environment



### Empowering Our Employees



### Growing Together with Our Stakeholders



# GRI Content Index

GRI Standard	Disclosure	Page Number(s) and/or URL(s)
GRI 102: General Disclosures	102-1 Name of the organization	8
	102-2 Activities, brands, products, and services	8-15
	102-3 Location of headquarters	10, 20
	102-4 Location of operations	10
	102-5 Ownership and legal form	10
	102-6 Markets served	10, 12-15
	102-7 Scale of the organization	10
	102-8 Information on employees and other workers	10-11
	102-9 Supply chain	30-31
	102-10 Significant changes to the organization and its supply chain	This is our first report. There are no significant changes to the organization and its supply chain from previous year.
	102-11 Precautionary principle or approach	82
	102-12 External initiatives	34, 82-86
	102-13 Membership of associations	83
	102-14 Statement from senior decision-maker	4-5
	102-16 Values, principles, standards, and norms of behavior	16
	102-18 Governance structure	82
	102-40 List of stakeholder groups	16, 24-25
	102-41 Collective bargaining agreements	50
	102-42 Identifying and selecting stakeholders	16, 20, 26
	102-43 Approach to stakeholder engagement	24-25
	102-44 Key topics and concerns raised	16, 24-25
	102-45 Entities included in the consolidated financial statements	23, 83
	102-46 Defining report content and topic Boundaries	23-24
	102-47 List of material topics	28-29
	102-48 Restatements of information	20
	102-49 Changes in reporting	20
	102-50 Reporting period	20
	102-51 Date of most recent report	20
	102-52 Reporting cycle	20
	102-53 Contact point for questions regarding the report	20
102-54 Claims of reporting in accordance with the GRI Standards	20	
102-55 GRI content index	90-96	
102-56 External assurance	External assurance has not been conducted this year.	

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GRI Standard	Disclosure	Page Number(s) and/or URL(s)
<b>ECONOMIC</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	78
	103-2 The management approach and its components	78
	103-3 Evaluation of the management approach	78
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	79
Indirect Economic Impacts		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	62-67
	103-2 The management approach and its components	62-67
	103-3 Evaluation of the management approach	62-67
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	65, 66, 79
	203-2 Significant indirect economic impacts	65, 66, 79
Procurement Practices		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	30-31
	103-2 The management approach and its components	30-31
	103-3 Evaluation of the management approach	30-31
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	30-31
Anti-Corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	80-81
	103-2 The management approach and its components	80-81
	103-3 Evaluation of the management approach	80-81
GRI 205: Anti-Corruption	205-2 Communication and training about anti-corruption policies and procedures	80-81
Anti-Competitive Behaviour		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	80-81
	103-2 The management approach and its components	80-81
	103-3 Evaluation of the management approach	80-81

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GRI STANDARD	DISCLOSURES	PAGE NUMBER(S) AND/OR URL(S)
GRI 206: Anti-Competitive Behaviour	206-1 Anti competitive behavior	80-81

GRI STANDARD	DISCLOSURES	PAGE NUMBER(S) AND/OR URL(S)
<b>ENVIRONMENT</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	73
	103-2 The management approach and its components	73
	103-3 Evaluation of the management approach	73
GRI 301: Materials	301-3 Reclaimed products and their packaging material	73
<b>Energy</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	70
	103-2 The management approach and its components	70
	103-3 Evaluation of the management approach	70
GRI 302: Energy	302-1 Energy consumption within the organization	74
	302-4 Reduction of energy consumption	74
<b>Water</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	71-72
	103-2 The management approach and its components	71-72
	103-3 Evaluation of the management approach	71-72
GRI 303: Water	303-1 Water withdrawal by source	74
<b>Biodiversity</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	73
	103-2 The management approach and its components	73
	103-3 Evaluation of the management approach	73
GRI 304: Biodiversity	304-3 Habitats protected or restored	73
<b>Emissions</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	70-71
	103-2 The management approach and its components	70-71
	103-3 Evaluation of the management approach	70-71

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GRI STANDARD	DISCLOSURES	PAGE NUMBER(S) AND/OR URL(S)
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	75
	305-2 Energy indirect (Scope 2) GHG emissions	75
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	75
<b>Effluents and Waste</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	71-73
	103-2 The management approach and its components	71-73
	103-3 Evaluation of the management approach	71-73
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	75
	306-2 Waste by type and disposal method	75
	306-4 Transport of hazardous waste	75
<b>Environmental Compliance</b>		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	69
	103-2 The management approach and its components	69
	103-3 Evaluation of the management approach	69
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	This disclosure is omitted. Reason : Specific legal prohibition. Explanation: Case is still under investigation and cannot be disclosed due to legal prohibition.

GRI STANDARD	DISCLOSURES	PAGE NUMBER(S) AND/OR URL(S)
<b>SOCIAL</b>		
<b>Employment</b>		
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	103-2 The management approach and its components	47, 52-53
	103-3 Evaluation of the management approach	47, 52-53
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	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	53
<b>Occupational Health and Safety</b>		



# GRI Content Index

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	103-2 The management approach and its components	57-58
	103-3 Evaluation of the management approach	57-58
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	58
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	58-59
Training and Education		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	54-55
	103-2 The management approach and its components	54-55
	103-3 Evaluation of the management approach	54-55
GRI 404: Training and Education	404-1 Average hours of training per year per employee	55
	404-2 Programs for upgrading employee skills and transition assistance programs	55
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	103-2 The management approach and its components	48-50
	103-3 Evaluation of the management approach	48-50
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	405-2 Ratio of basic salary and remuneration of women to men	47
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	103-2 The management approach and its components	47
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	103-3 Evaluation of the management approach	55
GRI 410: Security Practices	410-1 Security personnel trained in human rights policies or procedures	55
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	103-2 The management approach and its components	41-45, 62-67
	103-3 Evaluation of the management approach	41-45, 62-67
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	41-45, 62-67
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GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	34-39
	103-2 The management approach and its components	34-39
	103-3 Evaluation of the management approach	34-39
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	34, 39
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	103-2 The management approach and its components	34-39
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