

EXECUTIVE SUMMARY

About this Report

In March 2020, PT Dharma Satya Nusantara Tbk (hereinafter referred to as DSN Group or DSNG) published its No Deforestation, Peat, and Exploitation (NDPE) policy relating to its palm oil operations (http://www.dsn.co.id/uploads/NDPE_Statement_DSNG.pdf). DSN's overarching policy target is to achieve 100% compliant and traceable FFB sourcing by 2025. The policy is being rolled out in a stepwise manner over the 2021-2025 period.

In March 2021, DSNG defined a roadmap for achieving NDPE goals (*NDPE Compliance Roadmap for sustainable 3rd party supplier FFB sourcing*), including criteria, indicators and interim targets to measure progress.

This is DSNG's second NDPE Progress Report. The report aims to communicate DSNG's NDPE implementation performance for the 12-month period up to December 31st, 2021, and their plans going forward. The report also provides guidance for DSNG to evaluate, identify challenges and adapt their approach for continuous improvement on policy implementation.

We emphasize that this report predominantly informs progress relating to DSNG's NDPE Implementation pilot project in the Wahau, Bengalon, and Karang landslapes in East Kalimantan. The report does not cover the West, Central, and North Kalimantan operational landslapes except for data related to production, certification, human resources, and hotspots.

Summary of DSNG's NDPE Policy

DSNG has made the following commitments:

Certification of Plantations and Mills

DSNG has committed to certifying the outstanding plantations and mills with the RSPO by 2022.

Environment and Social Performance, with the focus on:

- a. Legal Compliance and Code of Conduct
- b. Positive Environmental Performance (including HCV/HCS and peatland conservation)
- c. Promoting Human Rights and Health and Safety at the Workplace
- d. Community Development, Smallholder Inclusion and Social Impact

New Planting, New Acquisitions or Developments

A commitment to respect land tenure rights and the rights of indigenous people and local communities by the implementation of FPIC principles in all-new planting, new acquisitions, or developments.

Traceability and Transparency in Supply Chains

DSNG has committed to building a traceable, transparent, and sustainable palm oil production and supply chain, as well as to ensure pro-active communication and engagement with its key stakeholders.

Traceability specific to FFB supply is defined as traceable production to the level of the supplier's plantation. DSNG has committed to ensuring that all volumes of palm oil and palm oil fractions for 15 concession in four provinces will be 100% traceable by the end of 2025.

Transparency

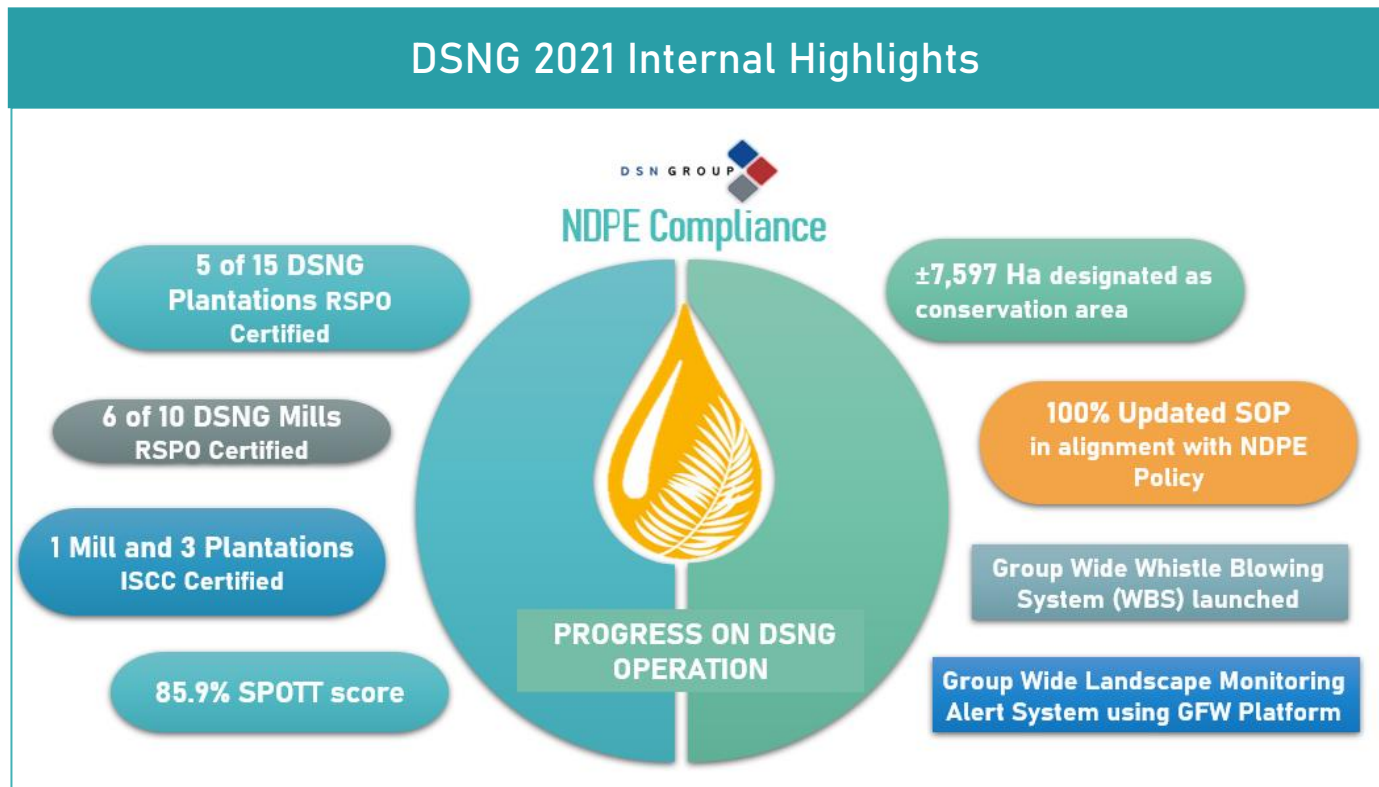
DSNG has committed to providing a sustainability roadmap that is publicly available, and which indicates the targets and progress of NDPE implementation. DSNG has also implemented a grievance mechanism to enable stakeholders to communicate grievances with DSNG in a safe and effective manner.

Stakeholder Engagement

- a. Consulting, collaborating and building stronger partnerships with governments, communities, industry partners, and other stakeholders.
- b. Welcoming and considering feedback from stakeholders and opportunities to advance these policies; and
- c. Resolving all grievances and conflicts related to this policy through a transparent and amicable grievance resolution mechanism that is agreed upon with stakeholders.

NDPE Progress at a Glance 2021

From January to December 2021, significant progress in implementing the policy was made. DSNG's groupwide internal implementation highlights in 2021 are as follows:



DSNG's progress and implementation highlights with regard to engaging 3rd party external suppliers are as follows:



DSNG's progress on achieving NDPE policy targets in 2021 are as follows:

Table 1 NDPE Implementation Priorities

No	Priority Activity	Current goal	Current C&Is	Status*
1	3 rd party supplier socialization and registration, and commitment to Code of Ethics.	Complete 3 rd party supplier socialization and registration, and commitment to Code of Ethics throughout all DSNG landscapes.	<ul style="list-style-type: none"> Completed NDPE Socialization, registration, and commitment to code of ethics at Company/Group Level. Completed NDPE Socialization, registration, and commitment to code of ethics at member/ISH level. Group member list and data requirement complete and up to date. 	<p>Partially achieved, continuous target</p> <p>DSNG has completed NDPE policy socialization to 26 3rd party supplier groups, including 16 IPCs, 3 Agents, and 7 Cooperatives in Wahau. The socialization program is continuing.</p> <p>13 of DSNG's 3rd party suppliers have committed to DSNG's NDPE policy, including 3 IPCs, 3 Agents, and 7 Cooperatives in Wahau landscape.</p>
2	3 rd party Supplier Roadmap Development for selected Co-operatives in Wahau landscape	Supplier roadmap program implemented as pilot project in Wahau landscape.	<ul style="list-style-type: none"> Co-operative training and capacity-building activity implemented. Self-assessment and gap analysis implemented. Group level Supplier Roadmap Developed and agreed (where required). 	<p>Not Yet Started</p> <p>Recruitment and training of NDPE implementation ad-hoc team to be responsible for monitoring and capacity building is underway.</p> <p>The pilot project is expected to commence in Wahau landscape by Q2 2022.</p>
3	Landscape Monitoring	SOP Landscape Monitoring is implemented.	<ul style="list-style-type: none"> Deforestation alert generation system operational. Field verification teams in place. Reporting system in place. 	<p>Partially achieved</p> <p>DSNG has developed a deforestation alert system for landscape monitoring using the GFW platform. DSNG has prepared a manual SOP to comply with current system establishment. As of December 2021, the landscape monitoring SOP has been implemented.</p> <p>Preparation of a reporting system, and team capacity building are underway.</p>
4	Labor and Human Rights	Ethical recruitment practices under fair conditions. Identification and respect of the rights of indigenous peoples and local communities.	<ul style="list-style-type: none"> Completed socialization of DSNG human rights policy to 3rd party suppliers (during NDPE socialization process). Assessment of 3rd party supplier policies regarding recruitment and human rights carried out as part of roadmap development. 	<p>In progress</p> <p>Socialization program is continuing.</p> <p>Assessment of 3rd party supplier policies will be implemented in 3rd party supplier roadmap pilot expected to commence in Wahau landscape by Q2 2022.</p>
5	Traceability Systems for 3 rd party FFB suppliers.	FFBs traceable to registered party compliant with DSNG SOP: AGR-079-R00 (Reception of Fresh Fruit Bunches)	<ul style="list-style-type: none"> Traceability system developed. Traceability teams in place. 	<p>Delayed</p> <p>A mobile app to capture 3rd party FFB supplier data at source is under development. A beta version is under trial.</p> <p>In 2021, DSNG established a 4-person traceability team in Wahau landscape. Training is underway.</p> <p>In 2022, DSNG plans to restructure its NDPE implementation team – moving from an ad-hoc team approach to a full-time specialist team called Sustainability Operation Department that 100% responsible on implementing NDPE policy.</p>
6	Grievance Management	Communications and complaints procedures are in place.	<ul style="list-style-type: none"> Grievance Management (SOP-AGR-096-R00) agreed. Platform to submit grievance is available for all stakeholders. Group Wide Whistle Blowing System (WBS) 	<p>Achieved</p>
7	Monitoring and Verification	MRV audit a field check system trialed and fine-tuned.	MRV audit a field check system operational.	<p>On progress</p> <p>Preparation and capacity building for MRV field check system trialed and fine-tuned.</p>
8	DSNG Mill and Plantation certification.	DSNG-owned mills/plantations compliant with NDPE policy	Fresh fruit bunches (FFBs) originate from NDPE-compliant sources.	<p>Not yet Achieved/ Measured</p> <p>RSP0 certificate for PKS 7 and PT KPS obtained in 2021, continuing progress to be fully certified in 2022</p>

*As at Dec 2021, unless otherwise stated