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Ramboll
100 Amoy Street
Singapore 069920

T +65 6958 2300
<https://ramboll.com>

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GLOSSARY OF TERMS/ ACRONYMS

Acronym	Abbreviation
BAS	Bisa Agri Sawit
BMP	Biodiversity Management Plan
BPN	Bisa Palma Nugraha
CPP	Community Participation Program
CHSS	Community Health, Safety and Security
CHSP	Community Health and Safety Plan
CLO	Community Liaison Officer
CPO	Crude Palm Oil
CRA	Climate Risk Assessment
CRT	Conflict Resolution Team
CSR	Corporate Social Responsibility
DAN	PT Dharma Agrotama Nusantara
DIN	PT Dharma Intisawit Nugraha
DWT	PT Dewata Sawit Nusantara
E&S	Environmental and Social
EFB	Empty Fruit Bunch
EHS	Environmental, Health and Safety
EMS	Environmental Management System
ER	Environmental Return
ESAB	Environmental and Social Advisory Board
ESAP	Environmental and Social Action Plan
ESG	Environment, Social, and Governance
ESMS	Environmental and Social Management System
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
FPIC	Free, Prior and Informed Consent
FFB	Fresh Fruit Bunch
FOL	Fuel, Oil and Lubricant
GM	Grievance Mechanism
GIIP	Good International Industry Practice
HTI	Industrial Forest Plantation (<i>Hutan Tanaman Industri</i>)
HSE	Health, Safety and Environment
HCV	High Conservation Value
Ha	Hectare
ICP	Informed Consultation and Participation
IFC	International Finance Corporation
ILO	International Labour Organization
IP	Indigenous Peoples
IPDP	Indigenous People Development Plan
IPP	Indigenous People Plan
KIIs	Key Informant Interviews
KPAS	Karya Prima Agro Sejahtera
KPI	Key Performance Indicator
LPP	&Green Landscape Protection Plan
LUCA	Land Use Change Analysis
MoM	Minutes of Meeting
MOU	Memorandum of Understanding
NDPE	No Deforestation, No Peat, and No Exploitation
PKS	Palm Oil Factory (<i>Pabrik Kelapa Sawit</i>)

PCR	Polymerase Chain Reaction
PIR-Trans	Plasma Transmigration Program (<i>Perkebunan Inti Rakyat</i>)
POM	Palm Oil Mill
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PS	Performance Standard
PT	Limited Liability Company (<i>Perseroan Terbatas</i>)
RKL/RPL	Environmental Management and Monitoring Report (<i>Rencana Pengelolaan Lingkungan dan Rencana Pemantauan Lingkungan</i>)
RKS/RPS	Social Management and Monitoring Report (<i>Rencana Kelola Sosial dan Rencana Pantau Sosial</i>)
PWP	PT Pilar Wanapersada
SBTi	Science Based Targets initiative
SBU	Strategic Business Unit
SHE	Safety, Health, and Environment
SIA	Social Impact Assessment
SEP	Stakeholder Engagement Plan
SOP	Standard Operation Procedure
SWA	Swakarsa Sinarsentosa
TOR	Terms of Reference
WWTP	Wastewater Treatment Plant

EXECUTIVE SUMMARY

Ramboll Pte Ltd (Ramboll) was commissioned by PT Dharma Satya Nusantara Tbk (hereinafter referred to as “DSNG” or “the Company”) to undertake an independent annual Environment and Social (E&S) Audit of its operations at the corporate level and at seven of its concessions located in East Kalimantan, Kutai Timur Regency, Kalimantan Timur province of Indonesia. SAIL Ventures, the investment advisor to the &Green Fund (&Green), was consulted and consented to the appointment of Ramboll.

The E&S Audit comprises of the following components: (1) desk-based review of documents; (2) virtual interviews with key leaders from DSNG’s operations team; and (3) a physical Site Visit to four sites: PT DWT, PT SWA, PT KPAS, PT BAS. The audit covers the period from **January to December 2022** and was conducted during the period January to March 2023.

The primary objective of the audit is to assess DSNG’s compliance against the environmental and social covenants, and to provide recommendations for adjustments and improvements as required. This audit report describes ongoing implementation, compliance, monitoring and reporting of the procedures, practices and programs set out in compliance with the Applicable Standards as follows:

- International Finance Corporation’s Performance Standards (IFC PS) on Environmental and Social Sustainability;
- World Bank Group Environmental Health and Safety (EHS) Guidelines;
- Requirements of the &Green Landscape Protection Plan (LPP);
- DSNG’s No Deforestation, No Peat, and No Exploitation (NDPE) Policy;
- DSNG’s Sustainability Policy; and
- DSNG’s ESMS.

DSNG is committed to being a responsible choice for people, planet, and prosperity; its mission focuses on sustainable growth in the natural resources-based industry, guided by its Sustainability Vision. Significant progress has been made towards compliance with the applicable environment and social standards. However, comprehensive ESG strategy implementation and IFC PS compliance is an ongoing journey that requires continuous efforts to meet and sustain the requirements, and manage evolving E&S risks. It is recognised that full implementation of the commitments requires innovation, support and time.

Overarching recommendations to help achieve full implementation are as follows:

- Strengthen ownership and prioritisation of ESG within the Company through the establishment of a realistic roadmap to full IFC PS compliance, as agreed with the Lenders;
- Increase organisational capacity (people with the right skillsets) to ensure the resources are available for implementation of ESG requirements throughout the organisation with accountability for implementation of the requirements anchored on actions and outcomes; and
- Establish a toolkit of key ESG documentation to reduce complexity and improve ease of implementation of all policies, programmes, plans and procedures, noting the interconnections and dependencies between them.

This report presents the findings of the annual E&S review for 2022 progress.

Summary of Findings & Recommendations

Overarching Findings

The Company has made progress in 2022, particularly with the implementation and associated monitoring of the Remediation and Compensation Plan. However, following the development of an ESMS in 2021, the Company has not yet implemented the requirements of the ESMS throughout the Company.

Despite progress during 2022, particularly in areas such as the hiring of additional community liaison personnel to the CSR team, the GHG emission baselining and advancement of the decarbonisation strategy, these issues lead to risks related to compliance with ESAP, LPP KPI, IFC PS and NDPE requirements. Some of the recommendations from the 2021 Audit to help address these key E&S risks still stand, and it is recommended to establish an action plan for close out of this and other internal and external audit findings. Key E&S risks and recommendations to help address the risks are as follows:

Table ES 1: Summary of Key R&S Risk and Recommendations

Key E&S Risk	Recommendations
The Company does not have a comprehensive, consolidated E&S Management Plan (ESMP) or roadmap to implement the ESMS and ensure full compliance with all the requirements of the Applicable Standards. Lack of such an ESMP (or roadmap) outlining time-bound and actionable steps towards achieving full compliance with the Applicable Standards represents a key risk for full compliance.	<ul style="list-style-type: none"> Consolidate all policies, plans, programs, SOPs and necessary action items (including ESAP, LPP KPI, IFC PS, NDPE and local regulatory compliance); break down action items into tasks and sub-tasks (if required), and assign prioritisation. Ensure the descriptions are comprehensive and clear (what task, who is responsible, how to achieve target, timeline, indicator of completion etc). Develop item-specific progress tracker to track the status of each action item by the responsible personnel. Strengthen the ESAP action tracker with specific actions taken, dates, and checks.
The Company is lacking in capacity for full E&S compliance across the organisation and its supply chain.	<ul style="list-style-type: none"> Appoint an E&S Manager experienced in IFC PS and other international standards to be responsible for the implementation of the ESMS. As required by the ESMS, conduct an annual review of the ESMS and an internal company-wide E&S audit, and ensure resources are available to implement any necessary corrective actions. Implement a program of E&S capacity building (comprising elements such as training, internal audits, corrective action, resource planning) in key topics such as Pollution Control, Health and Safety, Cultural Heritage, Worker Accommodation. Conduct E&S Audits for all suppliers to ensure compliance with company requirements (including the Sustainability Policy, NDPE Policy, IFC PS). Provide E&S briefing to suppliers related to the requirements (including the Sustainability Policy, NDPE Policy, IFC PS).
There are gaps in implementation of Grievance Mechanism for groups such as workers and local communities, civil society organisations, media houses and vulnerable communities.	<ul style="list-style-type: none"> Strengthen the implementation of the Grievance Mechanism related to the closure of grievances, maintenance of records and provision of grievance mechanism training to the project team, with particular focus on groups such as workers and local communities.

Compliance to ESAP

There are 4 items (ESAP 2.7, 2.9B, 2.15A and 3.4A – highlighted in grey) considered Partially Compliant in 2020 Audit which have now been complied to. According to the deadlines that were due in 2021, DSNG has successfully addressed 19 out of 25 items; whilst 6 items are considered Partially Compliant (ESAP 2.8B, 2.16 B, 2.18, 4.2, and 6.3B). The Partially Compliant ESAP are summarised as follows (these items are either under review and would be confirmed/approved in 2022 or comprise part of actions that are partly fulfilled):

- DSNG has developed an Evaluation Report Template of effectiveness procedure to review implementation management and monitoring of social impact which is presently under review and expected to be submitted by June 30, 2022.

- A report on adoption of these alternative access roads by the community is yet to be developed. The report is expected to be developed by June 2022.
- Implementation plan for the livelihood restoration program is yet to be developed and envisages it to be complete by December 2022.
- A progress tracker to keep track of the project activities including responsible party and timeline, to ensure DSNG is in compliance with the Remedial Action Plan (for LUCA) is yet to be developed.

The ESAP compliance is summarised in the table below.

Table ES 2: Summary of ESAP Compliance

ESAP. No	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	Compliance Status
2.1	Provide an Integrated Environmental and Social Management System (ESMS) overview document for the entire group (incl. all subsidiaries).	31 March 2021	Compliant
2.4.A	Board approved SOP applicable to group level that covers how DSNG measures and monitors the effectiveness of its SIA implementation plan.	31 March 2021	Compliant
2.4.B	Templates for keeping record monitoring activities and results.	31 March 2021	Compliant
2.6.A	Board approved SOP for ensuring children day-care compliance	31 March 2021	Compliant
2.7	Board approved SOP for NDPE implementation.	30 September 2020	Compliant
2.8.A	Documentation of SOP socialisation process to internal and external stakeholders (i.e., schedule of meeting, attendance list).	30 September 2021	Compliant
2.8.B	Report on review of the effectiveness of the SOP.	30 September 2021	Partially Compliant (under review)
2.9.B	Evidence of training and socialisation (via documentation photographs and attendance lists) with the community.	02 February 2022	Compliant
2.10	Evidence of having implemented SOP in the TPA.	30 September 2021	Compliant
2.12	Document summarising the E&S management program for each subsidiary.	31 March 2021	Compliant
2.13.A	Updated organisation chart that describes all the people responsible for the ESMS and which clarifies the person in charge at group level	31 March 2021	Compliant
2.13.B	Evidence of ESMS-related training received by the appointed person	31 March 2021	Compliant
2.14.A	The SEPs for each subsidiary or an overview document of all SEPs at group level.	31 March 2021	Compliant
2.15.A	Draft reporting template to be approved by &Green	31 December 2020	Compliant
2.15.B	Progress report submitted annually	31 March 2021	Compliant
2.16.A	Communication tools (updated website, sustainability report, etc.)	31 March 2021	Compliant
2.16.B	Annual release of public information on progress	31 March 2021	Compliant

ESAP. No	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	Compliance Status
2.18	Monitoring report of SIA measures (RKS/RPS) of PT BPN and PT BAS.	31 March 2021	Partially Compliant (under review)
3.1	Supporting evidence / documentation (e.g., photos) after construction of permanent fertilizer warehouse for PT BPN.	31 March 2021	Compliant with recommendation
3.4.A	Action plan for efficiency, monitoring plan and mechanisms	30 September 2020	Compliant
4.2	Evidence of socialisation of the alternative roads towards communities. Report on road usage by the public.	01. February 2022	Compliant with recommendation
5.1.A	Assessment report including the remediation plan based on the assessment.	31 March 2021	Compliant
6.3.B	Evidence of the implementation of the remedial action plan (for LUCA)	30 September 2021	Partially Compliant
7.1.A	Indigenous People Plan (IPP) of PT BPN and PT BAS including the program implementation plan.	30 June 2021	Compliant with recommendation
7.1.B	Evidence of IP participation and agreement during the development of Indigenous People Plan (MoM, attendee list, and photo)	31 June 2021	Compliant
7.2.A	Indigenous People Plan (IPP) of Muara Wahau Block including the program implementation plan	18 December 2022	Compliant with recommendation
7.2.B	Evidence of the community involvement during the development of Indigenous People Plan (MoM, attendee list, and photo)	30 September 2021	Compliant
8.1.A	Cultural Heritage Assessment and Preservation Plan Report (PT BAS and PT BPN)	19 December 2022	Compliant
8.1.B	Cultural Heritage Program Implementation Report for Muara Wahau Block, PT BPN and PT BAS	01 February 2023	Compliant

Compliance to LPP KPI

Currently, DSNG has several separate documents to document the LPP KPI data and activities, but not a consolidated action plan. To better track the implementation progress of the LPP KPI, DSNG is recommended to develop a detailed action plan with specific actions required and timeline as well as responsible party (or subsidiary).

LPP KPI is established based on the targets of environmental returns and social impacts for on-concession and off-concession. DSNG should embed NDPE policy as part of the LPP commitment to track conserved forest and restored forest at supplier level, as well as opportunities for smallholders to ensure the supplies also comply to the NDPE and LPP commitments.

The LPP KPI baseline identified by DSNG is summarised in the table below.

Table ES 3: Summary of LPP KPI

LPP	Reference Standard	2022 E&S Finding	Compliance Status
ER1	Protection of the forest Target by 2030	Conservation Management Plans for PT BAS and PT BPN, together with Monthly Work Program and	In progress

LPP	Reference Standard	2022 E&S Finding	Compliance Status
	<p>On concession = 4,054 ha Off concession = 3,543 ha</p> <p>-----</p> <p>On concession + 7,597 ha Off concession =</p>	<p>Realisation tracker spreadsheets for 2022, were provided for review.</p> <p>However, the Company is lacking an overarching action plan to detail the specific actions required and timeline as well as responsible party (or subsidiary) for compliance with the 2030 target (Note: This is also a finding in 2020 and 2021 E&S Audit Report).</p>	
ER2	<p>Sustainable intensification of productive land <u>Target by 2030</u></p> <p>On concession = 77,208 ha Off concession (SAPRODI's farmers land) = 3,074 ha</p>	<p>DSNG was unable to meet the following ER2 targets due to the challenges, such as lack of capacity of cooperatives to manage SAPRODI smallholders and climate change impact on FFB production.</p> <ul style="list-style-type: none"> Plasma Plantations: Minister of Agriculture requires plantation companies to facilitate the development of Plasma plantations at least 20% of the total plantation area that has been planted and operated by the company. The following subsidiaries did not fulfil the requirement: PT BPN (13.3%) and PT BAS (18%). Relay cropping program – the Company decided to replant with low stand per hectare (SPH <110). Improving road access to increase the efficiency of FFB transport routes for PT BPN and PT BAS: PT BPN completed the road access improvement work up to 98%, whilst PT BAS completed only 13%, compared with Target 2021. Apply EFB in nucleus plantations to increase the yield and to reduce the palm oil waste for all 7 subsidiaries: DSNG completed the EFB application in its nucleus plantations up to 9,006 ha, which is equivalent to 73% compared with Target 2021. Increase use of POME in nucleus plantations for all 7 subsidiaries: DSNG increased the use of POME in its nucleus plantations up to 7,761 ha, which is equivalent to 91% compared with Target 2021. 	In progress
ER3	<p>Restoration of forest <u>Target by 2030</u></p> <p>PT DAN 48.38 ha Through Community led Forest Conservation Project</p> <p>PT DWT 28.26 ha Through Community led Forest Conservation Project</p> <p>PT DIN 37 ha 0.5 ha restored; 36.5 ha regrown</p> <p>-----</p> <p>Total 113 ha</p>	<p>A total of 1.75 ha of deforestation was detected in the forest village protection zone between the period of January 2021 to January 2022.</p> <p>An action plan and progress updates for 2022 were provided for review.</p> <p>However, the Company is lacking an overarching action plan to detail the specific actions required and timeline as well as responsible party (or subsidiary) for compliance with the 2030 target</p>	In progress

LPP	Reference Standard	2022 E&S Finding	Compliance Status
SI	<p>Small Holders and households benefiting from DSNGs intervention</p> <p><u>Target by 2030</u></p> <p>> 8,153 smallholders</p> <p>Programs:</p> <ol style="list-style-type: none"> 1. Smallholders in Plasma Plantation and SAPRODI Program: Target for the program is to ensure 8,153 smallholders (7051 smallholders and 1,102 SAPRODI farmers) 2. Providing Local Employment and business opportunities: Provision of 9,743 job opportunities and service level agreements. 	<p>Continual progress to benefit 8,025 smallholders by 2030 is underway. As of December 2021, DSNG serves 1,102 SAPRODI farmers via eighteen cooperatives in PT SWA, PT DAN, PT DIN and PT DWT with this program. Although the baseline incorporates 1,232 SAPRODI farmers, it includes the 130 SAPRODI farmers of PT BAS. These 130 SAPRODI farmers comprise of the Warga Rimba farmers group. In 2020, the 130 SAPRODI farmers of Warga Rimba farmers group have converted themselves into a PT (company). Therefore, DSNG has not included these 130 farmers into the baseline of 1,102 SAPRODI farmers.</p> <p>DSNG plans to set the baseline of planted area for nucleus and Plasma, number of Plasma farmers & SAPRODI farmers. However, it is recommended to retain the same baseline agreed upon.</p>	In progress

Compliance to IFC PS Requirements

An ESMS for DSNG operations has been developed; the ESMS also incorporates the E&S management program for each subsidiary (refer to ESAP 2.12). The scope of the ESMS covers DSNG operations of palm oil plantations, forestry and wood panel industries and renewable energy industry, and covers DSN Group, its subsidiaries and third parties including Fresh Fruit Bunch (FFB) suppliers. DSNG has also ensured the establishment of an ESMS Task Force for implementing and updating the ESMS document at the corporate level and the subsidiary level. Socialisation and capacity building for the ESMS task force is to be undertaken, particularly at concession level, for implementation should be a priority in 2022, including refreshers training to foster effective implementation. The Company is yet to develop specific action plans to support ESMS implementation, as required by the ESMS.

A Site Visit was conducted as part of this Audit for four sites: PT DWT, PT SWA, PT KPAS, and PT BAS. Although the duration of auditing time spent at each concession area was limited due to the travel time necessary to reach the sites and travel between the sites, the Site Visit provided good opportunities for Ramboll to observe the actual conditions of the sites and verify compliance with the implementation activities as well as interview with site employees and local community. It is highly recommended that site visits to the concession areas are undertaken in the next audit, with sufficient duration given at each site to ensure a robust audit on the ground takes place. The ideal site visit duration is proposed to be 16 hours per site.

Social

Indigenous People Development Plans and Cultural Heritage Preservation Plans for Muara Wahau Block, PT BAS and PT BPN have been developed. Integration of IP into its operations are ensured through periodic meetings with indigenous community leaders, engagement of them in job opportunities. Training and consultation were conducted with employees and community members through a hybrid format (online and physical) meeting. It is recommended that the Grievance Mechanism be strengthened, especially related to the closure of grievances, maintenance of records and provision of grievance mechanism training to the project team.

Employee working conditions were observed to be broadly adequate with facilities within the concession areas comprising of child day care facilities, worker accommodation and medical clinic facilities. Aspects related to community health and safety require attention from DSNG which includes appropriate signages and development of SOPs for medical liquid waste management.

Consultations with community members suggests that the perception of DSNG amongst them is positive with substantial improvement in their way of life, income. Participatory planning was ensured by DSNG while developing and implementing its CSR activities, however evidence (photo log and MoM) of implementation for the CSR activities was not provided for review. Support in the form of training and access to raw materials are also provided to SAPRODI farmers.

Environment

In 2021, DSNG engaged South Pole and ERM to conduct GHG Emission Scoping and climate risk assessment for Year 2019, respectively with the aim to reduce GHG emissions and adapt to climate resilient future in line with the Company's Sustainability Policy. The assessment reports results served as a baseline prior to the implementation of GHG reduction and climate risk strategies.

The Company has appointed two new staff to lead the development of the Company Climate Action as well as for SBUs based on the GHG emission baseline established for 2019. The staff will also lead the project and operational activities and plan for SBU Agro (such as the development of Bio-CNG Plant 2 and the completed test of the use of Bio-CNG for trucks and heavy machineries) and for SBU Wood Product (such as the operation of Electric Forklift and the installation and operation of solar panels). According to the Company, a third-party consultant will be engaged by April 2023 to conduct a GHG inventory update and verify the GHG emission reduction from the implemented technology and measures in the strategic business units (SBUs), and the updated GHG Assessment report (2020-2022) will be completed by June 2023.

The Company plans to submit its GHG Data to the Science Based Targets initiative (SBTi) as part of its corporate's commitment to sustainability.

DSNG also conducted a Climate Risk Assessment (CRA, Doc ref. #0610983, dated March 2022) of its three (3) SBUs, one of which is DSN SBU Agro that includes all of DSNG's 15 oil palm plantation estates that are grouped into eight landscapes consisting of 112,450 hectares and 10 palm oil mills that process FFBS into CPO, with a total capacity of 570 tons/hour. Both physical and transition climate related risks were assessed in this study. Highlights of the assessment results are summarised below:

- *Physical risk:* Most of DSNG's assets will be exposed to high risks of hazards from riverine flood and extreme heat and to medium risks of hazards of landslides; and
- *Transition risk:* Overall, DSN SBU Agro has the biggest exposure to transition risks, coming mainly from policy and legal changes, as well as external reputation. It is also noted that changes in regulatory framework and reputational risks are risks to both SBU Agro and SBU Wood Product. However, with the ongoing market and technology development, DSN SBU Agro can be positively influenced if DSNG has the right business strategy.

The Company has socialised the CRA results to all SBUs to get wider awareness from employees. The Company has also implemented a pilot study on calculating the cost of climate risk mitigation activities and the way of reporting this cost as well as the budget saving opportunity into its financial report disclosure. The Company has also made notable efforts in conserving the environment in 2022, these include:

- Use of SMART Patrol application to support the biodiversity and landscape monitoring;
- Monthly patrols within HCV area to prevent illegal activities;
- Conservation of riparian area through vegetation enrichment program and prohibition of using chemicals at the certain distance to the riparian area;

- Participation in a Community led Forest Conservation Project in Laman Satong Villages Forest through a funding commitment for a period of 10 years (2021 – 2031) to support conservation and livelihood improvement;
- Implementation of methane capture and Bio-CNG processing systems (Bio-CNG Plant 1) at its palm oil mill effluent (POME) wastewater treatment plant in PKS4, PT SWA to reduce GHG emissions and consumption of fossil fuels, with the second methane capture and Bio-CNG Plant 2 underway at another subsidiary, PT DIN (PKS 11). The 2nd Bio-CNG Plant has doubled processing and production capacity;
- Initiated the implementation of water consumption management plan across subsidiaries;
- Conducted an Orangutan Conservation Implementation Strategy Plan at PT BPN, supported by local ecologist consultancy PT Ecositrop & Pustaka Tropis;
- Monitored the types of animals present in its concessions using camera traps;
- Implemented biological pest control measures such as promoting the breeding of owls (*Tyto alba*) in combating rat infestation and planting of White Alder (*Turnera subulata*) plant to suppress infestation of leaf-eating insect to reduce usage of pesticides; and
- Landscape monitoring via use of Global Forest Watch Pro screening tool and services.

The IFC PS 2021 findings are summarised in the table below.

Table ES 4: Summary of Compliance to IFC PS

Aspect	Compliance Status
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	Partially Compliant
PS 2: Labour and Working Conditions	Partially Compliant
PS 3: Resource Efficiency and Pollution Prevention	Partially Compliant
PS 4: Community Health and Safety	Partially Compliant
PS 5 Land Acquisition and Involuntary Resettlement	Partially Compliant
PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	Partially Compliant
PS 7 Indigenous Peoples	Partially Compliant
PS 8 Cultural Heritage	Partially Compliant

Compliance to NDPE

DSNG is working to ensure full compliance with the principles of the NDPE Policy, which was introduced to its all subsidiaries in 2020. To date, DSNG has implemented many programs to ensure compliance, these include stakeholder engagement, management and monitoring measures of HCV areas, and fire reporting system. At the supplier level, the socialisation of NDPE policy for the independent smallholders (including SAPRODI farmers and independent smallholders) commenced in 2022. The compliance status for DSNG’s suppliers is recommended to be reviewed during the next audit (2023).

Based on the review of DSNG’s implementation in 2022, there are some non-compliance issues noted:

- Environmental non-compliance issues associated with waste and chemical management (refer to PS3) according to the local regulations;
- The development of the GHG emission reduction plan for 2022 onwards is not yet complete;
- The results of deforestation claims by third parties should be investigated, and the results published online to demonstrate the transparency of its grievance mechanism;
- Tools relating to human and labour rights including risk mapping and risk prioritization of its suppliers have not yet been developed; and
- The NDPE Implementation Progress Report has been prepared but, with the exception of the Executive Summary, it has yet to be publicly disclosed.

1. INTRODUCTION

1.1 Background

Ramboll Pte Ltd (Ramboll) was commissioned by PT. Dharma Satya Nusantara, Tbk (hereinafter referred to as DSNG or the 'Company') to undertake an independent annual Environment and Social (E&S) Audit of its operations at the corporate level and at seven of its concessions located in East Kalimantan, Kutai Timur Regency, Kalimantan Timur province of Indonesia. SAIL Ventures, the investment advisor to the &Green Fund (&Green), was consulted and consented to the appointment of Ramboll.

The E&S Audit comprises of the following components: (1) desk-based review of documents; (2) virtual interviews with key leaders from DSNG's operations team; and (4) physical Site Visit to four selected sites. This audit report describes ongoing implementation, compliance, monitoring and reporting of the procedures, practices and programs set out in compliance with the Environment and Social Action Plan (ESAP), Environment and Social Management System (ESMS), requirements of the &Green LPP, and IFC PS on Environmental and Social Sustainability.

This report presents the findings of the E&S audit for 2022.

1.2 Objectives and Scope of Work

This annual audit is an independent assessment of the ongoing implementation, compliance, monitoring and reporting of the procedures, practices and programs set out in the LPP, the Environmental Return (ER) KPIs, the ESAP developed based on a gap analysis against IFC PS, and the NDPE that are legally binding upon DSNG through the &Green loan agreement.

The primary objective of the audit is to assess DSNG's compliance against the environmental and social covenants, and to provide recommendations for adjustments and improvements as required. The audit covers the period from **January to December 2022**. Specifically, the objectives of the audit are to:

- Deliver an independent verification on DSNG's performance against DSNG and &Green's E&S standards (IFC PS and &Green Lending Policy) and targets as delineated in the LPP, ESAP and ER KPI files among others;
- Deliver an independent verification of DSNG's performance against recommendations made in the 2021 E&S Audit Report of DSNG (refer to Ramboll's 2021 E&S Audit Report);
- Clarify if there have been any material changes in the operations of DSNG since the date of &Green's transaction in the FY 2022, which would present non-compliance to the IFC PS – this includes, new acquisitions, new or changes in business units/activities, new facilities, and etc;
- Provide written evaluation and recommendations for improvements where compliance is lagging or can be accelerated; and
- Provide recommendations for adjustments of the ESAP, LPP and KPIs to ensure compliance towards the applicable standards.

Specifically, the scope of work entailed:

- The area of study includes East Kalimantan Concessions: PT SWA, PT DAN, PT DIN, PT KPAS, PT DWT, PT BPN and PT BAS;

- Assessment of DSNG’s performance based on ESAP and LPP with reference to IFC PS, RSPO and &green Lending Guidelines, ER, NDPE policy and implementation strategy for third party suppliers as well as on its supply chain;
- Review documents and policies to assess progress;
- Conduct site visit/ inspection (where necessary);
- Conduct interview with implementation staff and if required, the key stakeholders such as Vendors, Suppliers and Cooperatives, SAIL Ventures, etc;
- Verification of documentary or physical evidence;
- Information technology or other technology service providers where necessary or relevant;
- Consultation or feedback with DSNG, SAIL Ventures and any party related to the aforementioned;
- Produce Agreed Scope and Audit Plan;
- Produce E&S Audit Report; and
- Finalise the E&S Audit Reports based on the feedback of DSNG and &Green.

1.3 Company Overview

The Company is an upstream palm oil plantation company, established since 1980, in Kalimantan, Indonesia. The Company manages 15 oil palm plantation estates that are grouped into 8 landscapes: Bulungan in North Kalimantan, Wahau, Bengalon, Karangan and Mahakam in East Kalimantan, Lamandau in Central Kalimantan and Ketungau and Sintang in West Kalimantan, with a total planted area of 112,450 hectares (ha). DSNG also manages 10 palm oil mills (POMs) that process Fresh Fruit Bunches (FFB) into crude palm oil (CPO), under a total capacity of 570 tons per hour. Three East Kalimantan Landscapes (Wahau, Bengalon and Karangan) account for approximately 75% of the planted area, FFB and CPO production for the Group.

The Company is also engaged in the wood products industry. In the wood product segment, DSNG has two wood processing plants in Central Java that produce panel products and engineered flooring. The wood product segment is out of scope for this audit.

In 2020, the Company signed a USD 30.0 million 10-year loan facility from &Green, a globally focused impact investment fund financing sustainable commodity production to protect tropical forests. The &Green investment catalyses the implementation of DSNG’s ambition towards meeting international sustainability standards such as compliance to IFC PS, RSPO, commitments and implementation of an NDPE (including on its FFB supply chain) and implementation of a Landscape Protection Plan (LPP) across its main production areas (East-Kalimantan). DSNG is also committed to maintaining a high level of transparency on its performance against these standards through &Green’s and its own communication channels as well as through direct stakeholder engagement strategies. The LPP, including the Environmental Return (ER) KPIs and the Environmental and Social Action Plan (ESAP), including the NDPE are legally binding upon DSNG through the &Green loan agreement, which require an annual third-party audit. The objective of the third-party audit is to assess DSNG’s compliance against these environmental and social covenants and to provide recommendations for adjustments and improvements as required.

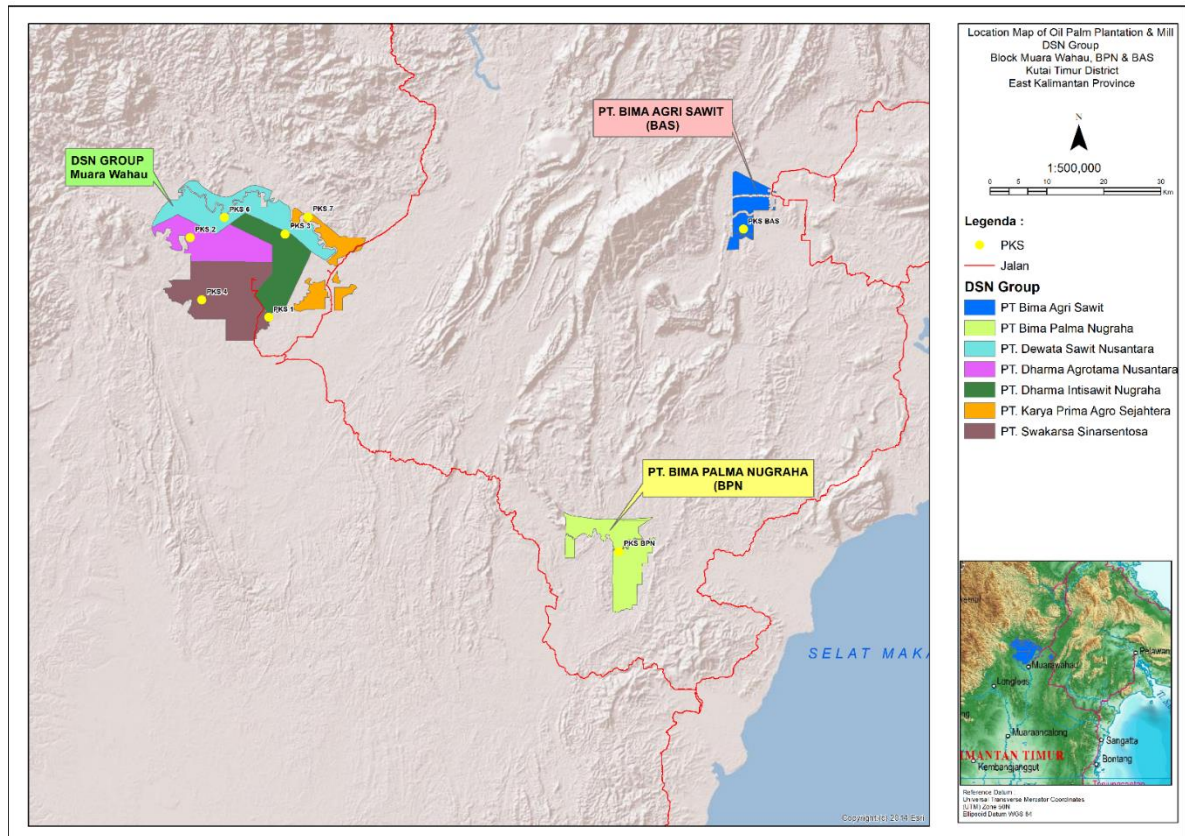
1.4 Company Operations

The plantation concessions are divided into three key regions (or blocks), namely Muara Wahau, Bengalon and Karangan. The concessions are managed by seven (7) subsidiaries, as follows: PT Dharma Agrotama Nusantara (**PT DAN**), PT Dharma Intisawit Nugraha (**PT DIN**), PT Dewata Sawit Nusantara (**PT DWT**), PT Swakarsa Sinarsentosa (**PT SWA**), PT Karya Prima Agro Sejahtera (**PT KPAS**), PT Bima Palma Nugraha (**PT BPN**), and PT Bima Agri Sawit (**PT BAS**). The five concessions (PT DAN, PT DIN, PT DWT, PT SWA and PT KPAS) are located within the Muara Wahau Sub-District,

whilst PT BPN concession is located in the Bengalon Sub-District and PT BAS is located in Karangan Sub-District.

The Muara Wahau Block has the largest concession area of 55,742 ha, whilst the Bengalon Block has a total concession area of 11,662 ha and the Karangan block, being the smallest block has a total concession area of 5,222 ha. The concession locations are illustrated in Figure 1 below.

Figure 1: Locations of Concession Areas



In addition to the main plantation concessions, DSNG establishes partnership with smallholders around its operational areas through Plasma scheme. The Plasma farmers are registered with the Plasma Transmigration Program (Perkebunan Inti Rakyat, also known as PIR-Trans), set up by the Indonesian government in 1987. The PIR-Trans program is aimed to encourage plantation owners in Indonesia to provide economic and social assistance to the surrounding villagers by helping them to increase their income and welfare. Under the program, villagers are given two (2) ha of land to farm. They are partnered with private company which provides employments and technical supports, while the Plasma smallholders agree to sell the produce to the company at a price set by the government.

In 2021, there were total of 7,341 Plasma farmers operating on 16,387 ha of oil palm plantations (Plasma plantations). Due to the removal of SAPRODI plantations from the baseline data (2020), the total area of Plasma plantations has therefore been reduced in 2021. Data for 2022 is pending from the Company.

The total land area of planted land and Plasma plantation in 2021 is summarised in the Table 1-1 below. Data for 2022 is pending from the Company.

Table 1-1: Land Area of Planted Land and Plasma Plantation in 2021

Key Region (or Block)	Muara Wahau					Bengalon	Karangan
	PT DAN	PT DIN	PT SWA	PT DWT	PT KPAS	PT BPN	PT BAS
Subsidiary							
Concession Area (ha)	9,955	9,797	16,850	13,630	5,510	11,662	5,222
Planted Land Area (ha)	9,000	8,749	15,282	10,199	2,764	10,249	4,578
Plasma Plantation (ha)	1,743	1,683	3,675	1,665	5,431	1,364	826
SAPRODI Plantation (ha)	483	654	816	1,077	0	0	0
% Plasma Plantation Area (including Plasma and SAPRODI)	24.7%	26.7%	29.4%	26.9%	165.5%	13.3%	18%

(Source: 2022 Data Provided by DSNG)

DSNG currently operates eight palm oil mills (POMs) in East Kalimantan. These mills are known as Pabrik Kelapa Sawit (PKS) and their fresh fruit bunch (FFB) production capacity are listed in the Table 1-2 below. Data for 2022 is pending from the Company.

Table 1-2: FFB Production Capacity in 2021

Subsidiary (Concession Area)	Mill	FFB Production Capacity	Internal FFB (from nucleus and Plasma)		External FFB (from other sources)	
			ton	%	ton	%
PT SWA	PKS 1	80 ton FFB/hour	106,599.45	63.7	60,742.87	36.3
PT SWA	PKS 4	60 ton FFB/hour	313,213.44	98.96	3,285.80	1.04
PT DAN	PKS 2	60 ton FFB/hour	250,869.89	100	-	0
PT DIN	PKS 3	60 ton FFB/hour	234,523.63	100	-	0
PT DWT	PKS 6	60 ton FFB/hour	266,050.38	100	-	0
PT KPAS	PKS 7	60 ton FFB/hour	161,719.03	54.98	132,402.10	45.02
PT BPN	PKS 9	60 ton FFB/hour	164,987.27	73.21	60,374.28	26.79
PT BAS	PKS 10	30 ton FFB/hour	73,777.73	60.54	48,094.92	39.46
TOTAL		470 ton FFB/hour	1,571,740.82	83.75	304,899.97	16.25

(Source: 2022 Data Provided by DSNG)

Most of the POMs were established to manage the FFB from their nucleus and Plasma plantations. PKS 1, PKS 4, PKS 7, PKS 9 and PKS 10 mills also receive FFB from suppliers outside their nucleus and Plasma plantations. In addition to the FFB mills, DSNG also has a palm kernel plant at PKS 4 that converts palm kernel into Palm Kernel Oil (PKO) with a capacity of 500 ton/day.

In order to fulfil the existing mill capacity, DSNG draws FFB from five (5) different sources:

- From its own nucleus plantations;
- From the Plasma plantations that the Company manages directly, but for which, part of the revenue is distributed to smallholder landowners;
- From SAPRODI farmers, who sell their FFB exclusively to DSNG in exchange for financing provided for agricultural inputs;
- From other independent palm oil plantations; and
- From fully independent smallholders that sell FFB via cooperatives.

Out of the seven subsidiaries, four currently rely on external suppliers (PT SWA, PT KPAS, PT BPN, PT BAS), while the rest obtain their supply exclusively from their own nucleus and Plasma production areas.

The independent smallholders are organised into cooperatives and cultivate their land independently. DSNG provides the smallholders with knowledge and agricultural inputs on credit basis. The program is called "Limited Agricultural Production Facility Loan" (Sarana Produksi Pertanian also known as SAPRODI Program). SAPRODI credits will be charged to the cooperatives responsible for facilitating the transactions between DSNG and the smallholders. DSNG has buying

exclusivity for at a minimum one planting cycle (up to the age of 25 years). As of December 2022, DSNG serves approximately 1,113 SAPRODI farmers via eleven (11) cooperatives in PT SWA, PT DAN, PT DIN and PT DWT with this program.

In 2022, PT Dharma Sumber Energi (DSE), a joint venture between DSNG and eREX Singapore Pte Ltd, initiated the first export shipment of 10,500 tons of Palm Kernel Shell from Indonesia to Japan. The export shipment was a follow-up to the cooperation agreement between DSE and eREX Singapore Pte Ltd to supply palm oil shell to Japan, which was signed last September 2020 in Jakarta. The palm oil shells will be used as raw material for biomass power plants in Japan.

2. METHODOLOGY

2.1 Project Team

The Ramboll audit team members are listed in the Table 2-1 below.

Table 2-1: Ramboll Audit Team Member

Name	Role	Company
Cara Quinn	Project Director	Ramboll
Barbara Lama	Social Specialist	Ramboll
Abhiti Kant	Social Specialist	Ramboll
Samantha Soon	Environmental Specialist	Ramboll
Aldi Muhammad Alizar	Sustainability / Social Specialist	Anwar Muhammad Foundation
Ratih Mahayani	Environmental Consultant	Anwar Muhammad Foundation
Roni Wijayanto	Social Consultant	Anwar Muhammad Foundation

2.2 Document Review

Documentation and records of evidence were provided by DSNG to Ramboll for review. The main policies reviewed are listed as follows:

- Sustainability Policy (No. 001/DSN/CSO/VII/2021), dated 2021;
- No Deforestation, No Peatland Development, and No Exploitation (NDPE) Policy, undated;
- EHS & Social Policy.

The main frameworks, plans and procedures reviewed are listed in Table 2-2.

Table 2-2: Key DSNG Frameworks, Plans and Procedures

No.	Document	Description & Implementation
1	DSN-Environmental and Social Management System (ESMS)	Environmental and Social Management System (ESMS) for DSNG , dated December 31, 2020. <ul style="list-style-type: none"> • Workplan and Roles (Rencana Kerja ESMS-DSNG)
2	Landscape Protection Plan	Landscape Protection Plan that includes protection of the forest (ER 1), sustainable intensification of productive land (ER 2), restoration of forest (ER 3) and social inclusion (SI). A separate document that states Baseline Data, Yearly KPIs, 2030 Target for LPP was also reviewed. Both are dated 27 March, 2020.
3	Environmental and Social Action Plan (ESAP)	ESAP for DSNG, dated 3 March, 2020. <ul style="list-style-type: none"> • Stakeholder Engagement Plan prepared in response to ESAP by ERM, dated 8 December, 2021. • Social Impact Assessments undertaken for ESAP • ESAP action tracking matrix for 2022 • Cultural Heritage Program Implementation Report prepared for ESAP 8.1C and 8.2B, dated 8 November, 2022.
4	Work Accommodation & Housing Construction Plan 2023	Describes plans for new accommodation for workers. A Worker Accommodation Plan meeting IFC guideline requirements is lacking.
5	Community Health and Safety Program (2022)	Community Health, Safety, and Security Program Plan that includes operations, transport and infrastructure, health, safety, land clearing and waste management. Monitoring documents include:

No.	Document	Description & Implementation
		<ul style="list-style-type: none"> • Documentation monitoring of tools, PPE, water quality. • Documentation of road repairs and improvements • Documentation of medical programs and pest control • Records of safety and security training • High Conservation Value Assessments • Evidence of waste management infrastructure
6	Wildlife Conservation Area (WCA) Biodiversity Management Plan (2022)	Conservation Plans for PAS, BPN, Muara Wahau. Monitoring documents include: <ul style="list-style-type: none"> • Wildlife Conservation Area Maps for PTs BAS, BPN, DAN, DIN, DWT, KPAS, SWA
7	DSNG Energy Efficiency & Renewable Energy Plan	Energy Plan for increasing energy efficiency and renewable energy use. Monitoring documents include: <ul style="list-style-type: none"> • DSNG-Fuel Consumption and Renewable Energy Usage Monitoring 2022
8	Water Efficiency Program	Water efficiency program <ul style="list-style-type: none"> • Monitoring (audits, evaluations)
9	Indigenous People Development Plans (IPDP) 2021 for PTs BAS, BPN, and Wahau (21 October 2021)	Indigenous People Development Plans for PTs BAS, BPN, Wahau. Addition documents on implementation include: <ul style="list-style-type: none"> • Cultural Heritage Program Implementation Report • Evidence of Engagements with Indigenous Peoples
10	Remediation and Compensation Plan (RaCP)	Annual Report 2021 for Laman Satong Village was reviewed that summarised the aims and project results of the RaCP of PTs DAN, DIL, and DWT in Manjau Village Forest, dated 28 February 2022. The updated RaCP report will be prepared in Q2 2023. A Remediation and Compensation Concept Note was also made for review.
11	IK-AGR-LAB-43-R01 Water Quality Analysis (2015)	Water quality analysis procedure and calculation guide for raw water treatment plant at DSNG sites.
12	IK-AGR-SHE-11-R00 Solid Medical Waste Management Procedure	Procedure on how to manage, store, dispose solid medical waste on-site as per local regulatory requirements.
13	SOP-AGR-097-R00 Standard Operating Procedure for Landscape Monitoring	A landscape monitoring guideline to enable appointed staff to operate the landscape monitoring system to ensure compliance with the NDPE Policy.
14	SOP-AGR-072-R01 Standard Operating Procedure for Employee Personal Protection Equipment (PPE)	Guideline on the usage of PPEs by DSNG employees on-site inclusive of PPE inspections, safety patrols to ensure all employees are donning PPEs correctly.

Key implementation reports reviewed for the 2022 year are listed as follows:

- Cultural Heritage Program Implementation Report (January to December 2022);
- RKS-RPS for PTs BAS and BPN (2022);
- RKL-RPL for PTs BAS, BPN, DAN, DIN, DWT, KPAS and SWA
- Social Impact Assessment (SIA) for PT BPN and Wahau Block;
- Realisasi CSR (records of CSR, infrastructure and economic activities) for PTs BAS and BPN (January to December 2022); and
- Annual Report on Partnership and Community Development (Comdev) for PTs SWA, DAN, DIN, DWT, and KPAS (2022);

[FM-OA-12-R01] DSNG Site Internal Audit on Non-Conformity and Observation Reports:

- BA1 (16 - 19 April 2022)
- MB1 (18 - 19 May 2022)
- PKS 10 (30 - 31 March 2022)
- BA1 (12 - 13 September 2022)
- MB1 (12 - 13 September 2022)
- PKS 9 (28 - 29 March 2022)
- LK1 (12 - 14 July 2022)
- LK3 (4 - 6 July 2022)
- PKS 6 (1 - 2 March 2022)
- ME1 (28 - 30 March 2022)
- ME2 (21 - 23 March 2022)
- ME3 (10 - 13 March 2022)

- DP1 (24 – 25 January 2022)
- SM1 (18 – 19 February 2022)
- SM2 (18 - 19 February 2022)
- TL1 (25 – 27 January 2022)
- DP1 (26 - 28 October 2022)
- SM1 (26 - 27 October 2022)
- SM2 (29 – 31 October 2022)
- TL1 (10 – 11 August 2022)
- PKS 2 (10 – 12 January 2022)
- PU1 (10 – 12 January 2022)
- PU2 (3 – 5 January 2022)
- PU3 (26 – 28 January 2022)
- PU1 (4 – 6 July 2022)
- PU2 (7 – 8 July 2022)
- PU3 (11 – 13 July 2022)
- PKS 3 (27 – 28 January 2022)
- PKS 11 (29 – 30 June 2022)
- LK1 (13 – 15 January 2022)
- LK2 (3 – 5 January 2022)
- LK3 (10 – 12 January 2022)
- LK2 (7 – 11 July 2022)
- ME4 (8 – 10 March 2022)
- ME1 (5 - 6 September 2022)
- ME4 (7 - 8 September 2022)
- ME2 (7 – 8 September 2022)
- ME3 (5 - 6 September 2022)
- PKS 7 (24 – 26 February 2022)
- SWE7 (9 February 2022)
- LTE (17 – 19 February 2022)
- SWE (11 – 13 August 2022)
- LTE (11 – 13 August 2022)
- PKS 1 (8 - 9 February 2022)
- PKS 4 (3 – 5 January 2022)
- JB1 (12 – 13 May 2022)
- LJ2 (9 – 11 May 2022)
- JB2 (9 – 11 May 2022)
- LJ1 (11 – 14 May 2022)
- JB2 (14 – 16 November 2022)
- LJ1 (17 – 19 November 2022)
- JB1 (14 – 15 November 2022)
- LJ2 (17 – 19 November 2022)
- FM-STD-09-R01 Audit Form (PKS6), 28 February 2022

Third-Party Certification Audit Reports:

- ISCC Summary Audit Report (PKS 4) 3 October 2022
- [ISPO-13005-ASA-03] Indonesian on Sustainable Palm Oil Audit Report (PKS 1) 24 – 28 October 2022
- [ISPO-13006-ASA2-2022] Indonesian on Sustainable Palm Oil Audit Report (PKS 2) 7 – 10 June 2022
- [ISPO-13012-ASA-02] Indonesian on Sustainable Palm Oil Audit Report (PKS 3) 7 – 10 June 2022
- [ISPO-19058-ASA2-2022] Indonesian on Sustainable Palm Oil Audit Report (DAN) 7 – 10 June 2022
- [ISPO-19059-ASA 02] Indonesian on Sustainable Palm Oil Audit Report (DIN) 7 – 10 June 2022
- [ISPO-19060-ASA-02] Indonesian on Sustainable Palm Oil Audit Report (DWT) 7 – 10 June 2022
- [RSPO P&C-17068-RA] Roundtable on Sustainable Palm Oil Public Summary Report (PKS1) 24 – 28 October 2022
- [RSPO-4006b/4.0/28042020] Roundtable on Sustainable Palm Oil Certification Assessment Report (PKS 2) 17 – 22 January 2022
- [RSPO-4006b/4.0/28042020] Roundtable on Sustainable Palm Oil Certification Assessment Report (PKS 3) 17 – 22 January 2022
- [RSPO- 4006b/4.0/28042020] Roundtable on Sustainable Palm Oil Certification Assessment Report (PKS 4) 18 – 21, 23 May 2022
- [RSPO P&C-19113-ASA-02] Roundtable on Sustainable Palm Oil Public Summary Report (PKS 6) 2 – 4 November 2021
- [RSPO-4006b/4.0/28042020] Roundtable on Sustainable Palm Oil Certification Assessment Report (PKS 7) 21 – 23 June 2022

2.3 Stakeholder Interviews

Ramboll conducted Key Informant Interviews (KIIs) with key leaders from DSNG’s operations team using video teleconferencing facilities in January 2023. Interviews were structured around the

DSNG’s progress against the ESAP and other relevant Applicable Standards up to December 2022. The key outputs of these interviews have been incorporated into the findings in this report.

Table 2-3: List of Interviewees

Informant	Role / Title
DSNG	
Teguh Triono	Sustainability Engagement Head
Agustinus Triwibowo	Compliance & Management System Division Head
Watik TK	Management System Department Head
Dadam Saefulbahri	Safety, Health & Environment Department Head
Iman Giyanto	Legal Department Head
Agus Subianto	Management System Staff
Bodie Wibowo	CSR Planning & Performance Sr. Staff
Nova Syurahati	Communication Engagement Staff
Evangelista Tovri	HC Operation Department Head
Adhi Setyanto	HC Development & System Department Head
Johanes Aldyno Siwi	Industrial & Employee Relation Staff HC Services
SAIL Ventures	
Marthe Tollenaar	ESG Director
Sanjiv Louis	Investments Director, South East Asia

2.4 On-Site Assessment

As part of the 2022 E&S Audit, a Site Visit was conducted to four (4) DSNG subsidiary areas: PT SWA, PT DWT, PT KPAS and PT BAS. The Site Visit was conducted during the period January 12 - January 17, 2023. The auditors, Ratih Mahayani and Roni Wijayanto, were accompanied by DSNG personnel. Although the audit duration at each concession area is constrained by the travel time, the Site Visit provided good opportunities for Ramboll to observe the actual conditions of the sites and verify compliance with the implementation activities as well as interview with site employees and local community.

The Table 2-3 below presents the information of facilities visited during the Site Visit. The site photos were presented in **Appendix 1**.

Table 2-4: List of Facilities Visited during the Site Visit

Facility	PT DWT	PT SWA	PT KPAS	PT BAS
Access Road	✓	✓	✓	✓
Child day care facility	✓	✓	✓	✓
Workers’ accommodation	✓	✓	✓	✓
Clinic	✓	✓		✓
School	✓	✓		

Facility	PT DWT	PT SWA	PT KPAS	PT BAS
River within Concession Area	✓	✓		✓
Clinic	✓	✓		✓
Chemical warehouse	✓	✓		✓
Fertilizer Warehouse	✓	✓		✓
B3 Temporary Storage	✓	✓		✓
Domestic Landfill	✓	✓		✓
Wastewater treatment plant	✓	✓		✓
Mill factory	✓	✓		✓
Composting Facility	✓	✓		✓
Water Treatment Plant	✓	✓		✓
Bio CNG Plant		✓		

Stakeholder consultations were also undertaken during the Site Visit. The table below presents the list of stakeholders consulted during the Site Visit.

Table 2-5: List of Informants Consulted during the Site Visit

No	Category	Name	Title
1	DSNG Representatives	Saepul Bahri	Sustainability Operation Kutim 1 DSNG Wahau
		FX. Ari Setiawan	Partnership Officer DSNG Wahau
		Sarifudin Ramli	Engagement Officer DSNG
		Dedo Heri Lubis	Estate Head PT.DWT
		Sigit Bandoro	Estate Head PT.SWA
		Agung Wibowo	PT.SWA
		Freddy A Purba	Estate Head PT. KPAS
2	Village Government	Edi Zulkarnaen	Representatives of The Village - Nehas Liah Bing
		Barandawai	Representatives of The Village – Miau Baru
		Jimmy Daud	Representatives of The Village – Miau Baru
		Yohanes Luy	Head of The Village – Dabek
		Jabir	Head of The Village – Karangan Ilir
3	Indigenous People	Leiqierta	Traditional leader of the Dayak Wehea
		Fadli	Traditional leader of the Dayak Basap
4	Cooperative Management Representative	Arbi Mateus	Secretary of the Cooperative Min Sun Lekut
		Yeremias Jumba	Cooperative Members - 'Kel'an Blom Kejah'
		Yonathan	Cooperative Members – Karya Sejahtera
5	Representatives of Village Owned Enterprises	Yon Ingay	Director of Village Owned Enterprises - Wuyang Lahai, Miau Baru Village
		Ibu Ana	Treasurer of Village Owned Enterprises - Wuyang Lahai, Miau Baru Village
6	Workers	Ugi Rahayu	Chemist
		Tri Sumarni	Chemist
		Nurlian Widyanti	WB operator
		Dwi Noviantono	Oil Classification
		Siti	HR Admin
7	Representatives of Child Care Workers	Fransiska	Caregiver at Child Day Care PT.BAS
8	Representatives of School Administrator	Widiarti	Principal of Elementary School at PT. DWT
		Julianus Gultom	Principal of Elementary School at PT. SWA

2.5 Review of Applicable Standards

DSNG is committed to working towards full compliance with the following Applicable Standards:

- Relevant National laws and regulations in Indonesia;
- International Finance Corporation Performance Standards (IFC PS) and associated ESAP (issued on March 3, 2020);
- World Bank Group Environmental Health and Safety (EHS) Guidelines;
- &Green Landscape Protection Plan (LPP); and
- DSNG’s No Deforestation, No Peat, and No Exploitation (NDPE) Policy.

The IFC PS’ provide the overarching framework for the development of DSNG’s ESMS. As such, ESAP actions and targets, and this Report, are structured consistent with the IFC PS’ and associated EHS sector specific guidelines.

Table 2-6: Topics of IFC PS and &Green LPP

IFC PS (2012)	&Green LPP
<ul style="list-style-type: none"> • PS1: Assessment and Management of Environmental and Social Risks and Impacts • PS 2: Labour and Working Conditions • PS 3: Resource Efficiency and Pollution Prevention • PS 4: Community Health, Safety, and Security • PS 5: Land Acquisition and Involuntary Resettlement • PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources • PS 7: Indigenous Peoples • PS 8: Cultural Heritage 	<ul style="list-style-type: none"> • ER 1: Protection of the forest • ER 2: Sustainable intensification of productive land • ER 3: Restoration of forest • SI: Smallholders and households benefiting from DSNG’s intervention or social inclusion

2.5.1 IFC Performance Standards

The IFC PS on Environmental and Social Sustainability, which were published in January 2012, are recognised as being the most appropriate standards available to international finance institutions working within the private sector, as an accepted international approach to the management of social and environmental issues.

The eight IFC PS implemented in the DSNG’s operations are:

PS 1: Assessment and Management of Social and Environmental Risks and Impacts underscores the importance of managing environmental and social performance throughout the life of a project. PS 1 requires the client to conduct a process of environmental and social assessment and to establish and maintain an Environmental and Social Management System (ESMS), appropriate to the nature and scale of the project and commensurate with the levels of its environmental and social risks and impacts.

PS 2: Labour and Working Conditions recognises that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers.

PS 3: Resource Efficiency and Pollution Prevention recognises that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume

finite resources in a manner that may threaten people and the environment at the local, regional, and global levels.

PS 4: Community Health, Safety and Security recognises that project activities, equipment, and infrastructure can increase community exposure to risks and impacts.

PS 5: Land Acquisition and Involuntary Resettlement recognises that project related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land.

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources recognises that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development.

PS 7: Indigenous People recognises that indigenous people, as social groups with identifies that are distinct from dominant groups in national societies, are often among the most marginalised and vulnerable segments of the population. It seeks to ensure that business activities minimise negative impacts, foster respect for human rights, dignity and culture of indigenous populations, and promote development benefits in culturally appropriate ways.

PS 8: Cultural Heritage recognises the importance of cultural heritage for current and future generations.

PS 1 establishes the importance of (i) integrated assessment to identify the impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project related information and consultation with local communities on matters that directly affect them; and (iii) the client's management of environmental and social performance throughout the life of the project.

PS 2, 3, 4, 5, 6, 7 and 8 present requirements to avoid, reduce, mitigate or compensate for impacts on people and the environment, and to improve conditions where appropriate. Where impacts are anticipated, DSNG is required to manage them through its ESMP.

2.5.2 World Bank Group Environmental Health and Safety (EHS) Guidelines

World Bank Group's EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP)¹.

The EHS Guidelines contain performance levels and measures that are normally acceptable to WBG and are generally considered to be achievable in new facilities at reasonable costs by existing technology.

2.5.3 &Green LPP

With &Green's financing, &Green requires DSNG to work towards meeting international sustainability standards (including IFC PS, RSPO, and full supply chain NDPE) as well as its commitments in terms of the &Green LPP. This includes incorporating third party suppliers in a traceable no-deforestation supply chain.

The table below summarises the Environmental Return (ER) and Social Inclusion (SI) expected from the project for Forest Conserved, Land Sustainably Intensified, Forest Restored and Smallholders

¹ Defined by the IFC as the exercise of professional skill, diligence, prudence and foresight that would be reasonably expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally.

Benefiting as a condition of &Green investment through the LPP. DSNG is committed to achieve the ER and SI targets by 2030.

Table 2-7: &Green LPP Targets

(ER 1)	(ER 2)	(ER 3)	(SI)
Forest Conserved	Land Sustainably Intensified	Forest Restored	Smallholders Benefiting
> 7,799 ha	> 85,750 ha	113 ha	> 8,025

2.5.4 NDPE Policy

DSNG has implemented its NDPE Policy since March 31, 2020, for all its own operations, subsidiaries, joint ventures, Plasma plantations managed and smallholder farmers as well as throughout its supply chain, including Fresh Fruit Bunch (FFB) suppliers, other suppliers and contractors associated with DSNG’s palm oil activities. Specific commitments in accordance with DSNG’s environment and social performance are as follows:

a. Legal Compliance and Code of Conduct

- Identify and comply with the legal requirements for plantation operations;
- Review existing permit validity and permit extension with the relevant authority; and
- Conduct business in a fair and ethical manner that refers to the DSNG’s ethical conduct policy.

b. Positive Environmental Performance

- Identify and protect High Conservation Value (HCV) areas and High Carbon Stock (HCS) forest across our concessions;
- Identify and conserve any peatland regardless of depth;
- Perform best management practices for peatlands within any existing planted areas until replanted for conservation;
- Minimise the carbon footprint with a plan to reduce GHG emissions throughout all DSNG operations;
- Continue to implement the no-burning policy throughout all DSNG operational activities; and
- Enforce the prohibition and phasing out on the use of paraquat, and pesticides that are categorised as World Health Organization (WHO) Class 1A or 1B (existing or new).

c. Promoting Human Rights and Health and Safety at the Workplace

- Respect and secure the rights of all workers, in accordance with international initiatives and standards such as the Universal Declaration of Human Rights, the International Labour Organization’s (ILO) core conventions, United Nations Guiding Principles on Business and Human Rights, IFC Performance Standards on labour and working conditions (PS 2), and the principles of Free and Fair Labour in Palm Oil Production;
- Practice ethical recruitment in fair conditions;
- Respect workers' freedom of association and the right to collective bargaining;
- Respect workers’ freedom of association, promote workforce diversity and prohibit any form of harassment, child labour and forced labour; and
- Promote safe and healthy working conditions across all DSNG operational activities.

d. Community Development, Smallholder Inclusion and Social Impact

- Drive positive social impact and community livelihoods pro-actively and in a participative way;

- Engage effectively and transparently with communities through a Stakeholder Engagement Plan (SEP), which includes consultation and a grievance mechanism to resolve any complaints from stakeholders;
- Support the inclusion of smallholders in the palm oil supply chain and help them to comply with DSNG’s policies; and
- Conduct regular and credible assessment of the effectiveness of such interventions, and where required adopt the necessary adjustments to minimise negative impacts.

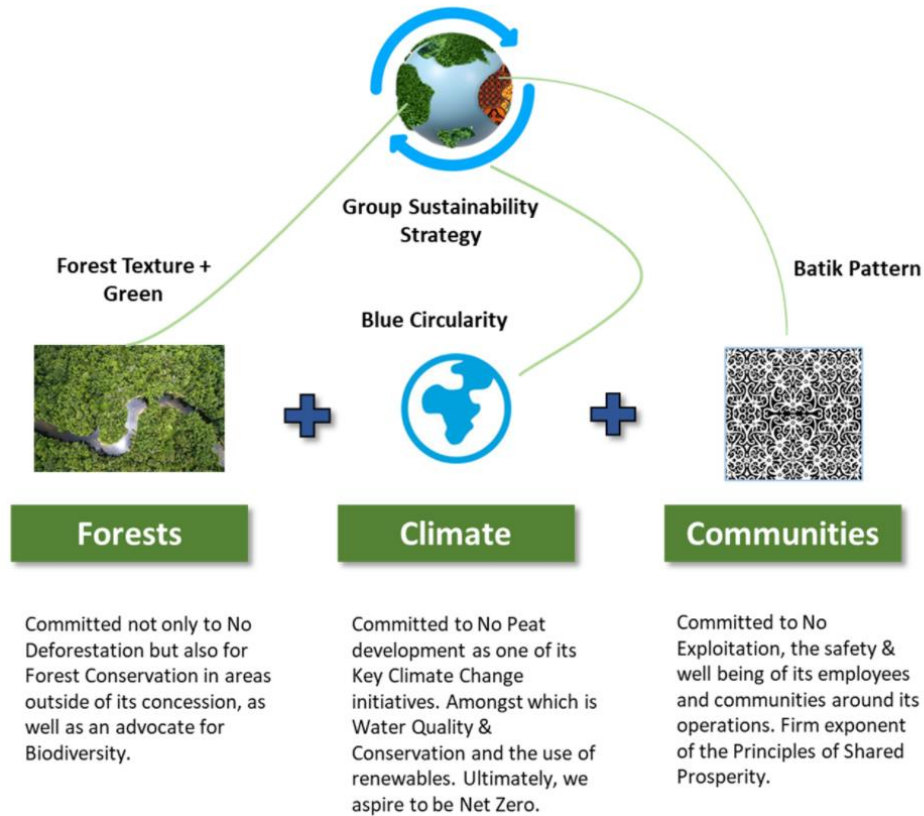
In addition to the above commitments, the NDPE policy has set out the following commitments applicable to any new planting, acquisition, and/or development by DSNG and its third-party suppliers:

- Ensure no deforestation of HCS forests and HCV areas;
- Ensure no new planting on peatland regardless of depth, and protection of peatlands through water management and fire prevention; in case of acquisition of existing plantations on peat, DSNG commits to implement appropriate management using Best Management Practices, as defined in the RSPO P&C and the RSPO manual on Best Management Practices for existing oil palm cultivation on peat;
- Implement RSPO compliant New Planting Procedures (NPP) before commencing any new planting;
- Ensure no burning for new planting, re-planting and other developments; and
- Respect land tenure rights and the rights of indigenous people and local communities by following the Free, Prior and Informed Consultation (FPIC) process. If any grievances, disputes or conflicts arise among indigenous groups or local communities, DSNG will strive to achieve a responsible and amicable resolution of grievances and conflicts with all parties.

2.5.5 DSNG’s Sustainability Policy

The DSNG’s Sustainability Policy was approved on July 8, 2021. The policy is published in dual-language, English and Bahasa Indonesia, on DSNG’s website.

DSNG’s sustainability vision is “to become the responsible choice for people, planet and prosperity”. DSNG has three (3) priority areas (Forests, Climate, Communities) which it has committed to focus on to mitigate its environmental and social impacts.



2.5.6 ESMS

As part of its commitment to implementing a sustainability policy, DSNG commissioned PT. ERM Indonesia (ERM Indonesia) to develop an Environmental and Social Management System (ESMS) to integrate the rules and objectives into core business operations through a set of clearly defined, repeatable processes, and to meet DSNG’s funding requirement from &Green to fully implement the action plan from the ESAP.

The ESMS, available in both English and the local language, Bahasa Indonesia, was adopted on December 31, 2021. It is a key document to demonstrate compliance with applicable standards including local regulations and international standards (IFC PS, RSPO), as well as DSNG’s E&S commitments and its Sustainability Policy. It comprises design-based risk assessment and management program that should be implemented throughout all of the DSNG’s subsidiaries. The ESMS approach is based on the nine interrelate elements as presented in the figure below.

DSNG established an ESMS Task Force in 2021 comprising 31 representatives from each subsidiary such as plantation head, EHS assistant and CSR unit head, and an ESMS Leader (the Chief Sustainability Officer), for implementing and updating the ESMS document at both the corporate level and the subsidiaries level.

At the time of the 2022 E&S Audit, the in-force version of the ESMS was dated December 31, 2022.

3. FINDINGS AND RECOMMENDATIONS

3.1 Overview

A summary of key findings and recommendations related to the Company's activities during 2022 are summarised below, based on Ramboll's document review, key informant interviews and a Site Visit to selected subsidiaries.

3.2 PWP Land Issue

PT Pilar Wanapersada (PWP), a subsidiary of the Company, was the subject of a complaint raised by farmers regarding a land issue. PWP is not included in the scope of this E&S Audit, however, commentary on the 2020 land issue related to PWP is provided below at the request of SAIL Ventures.

On November 20, 2020, the Company issued a statement on its website². The statement reads as follows:

"We have taken note of articles published by several regional media outlets regarding a complaint raised by the Bukit Raya Forest Farmers Group (Farmer Group) regarding the overlap of part of PT Pilar Wanapersada (PWP) plantation's area, in Lamandau District, Central Kalimantan. The said reports regarding the overlapping land issue raised by the Farmer Group around the PWP concession is a matter we are looking into seriously. We understand and recognize that this issue is a matter of great concern for the Farmer Group and communities around the area and we shall ensure that this matter will be addressed appropriately.

We are committed to an amicable settlement through an ongoing mediation process between the parties, that is being facilitated by the Lamandau Regency Office and Central Kalimantan Provincial Forestry Service, within the prevailing laws and regulations in Indonesia as well as the customary rights of communities concerned. We welcome feedback to improve our operations and partnerships with the various stakeholders in the landscapes in which we operate. And as such, we continuously strive to ensure any complaints raised by our stakeholders are addressed expediently.

We have commenced a thorough review of all the information and records related to the concession, licensing process, certifications, correspondences and any other data related to the aforementioned to prepare a thorough response in due course. In the meantime, we continue to engage constructively as well as work with community leaders and local government officials to vigorously pursue in good faith the ongoing mediation."

The Company has not issued another statement on its website to provide an update on the outcome of the review of information and records, or the mediation process.

According to the Company, as a result of mediation processes and in line with legal compliance, on September 19, 2022, DSNG officially requested &Green (and Sail Ventures) to waive part of PWP HGU according to the new HGU re-enactment from the Government; &Green (and Sail Ventures) officially accepted the request and waived part of PWP HGU on December 13, 2022.

Records related to the investigation of the PWP land issue and request to relinquish the HCV-HCS areas the land reclamation/readjustment were requested as part of the 2022 E&S Audit, and are summarised as follows.

² <https://dsn.co.id/press-release/statement-on-pwp-land-issue/>

Table 3-1 Summary of PWP Land Issue

Explanation	Record / Document
There is overlap between forest areas, HGU areas and HCV areas with the following explanation:	<ul style="list-style-type: none"> • SK HGU Lama
When DSN took over PT PWP in 2004, the status of the area was HGU (15,153 ha), but in 2012 the Ministry of Forestry issued Minister of Forestry Decree No. SK.529/Menhut-II/2012, concerning Amendments to the Decree of the Minister of Agriculture no. 759/KPTS/UM/10/1982 concerning Designation of Forest Areas in the Province of Central Kalimantan, covering an area of ± 15,300,000 Ha as Forest Areas.	<ul style="list-style-type: none"> • SK Menteri Kehutanan No. SK.529/Menhut-II/2012
<p>This has the effect that part of PT PWP's HGU area has been changed to a forest area (3,572.81 ha), of which there is an HCV area of 2,028 ha.</p> <p>The forest area mentioned above was eventually released from PT PWP's HGU</p> <p>Some of the HCV areas released were land use as roads, community occupations, and shrubs (718 ha) and HTR (1,310 ha).</p>	<ul style="list-style-type: none"> • Peta Overlay HGU lama, HGU Baru, HCV dan HTR
PT PWP assigned SATUNAMA Consultant to prepare the Community Capacity Building Program Planning Document in the "PT Pilar Wana Persada HGU Released Area" so that the community will be able to protect the remaining forest.	<ul style="list-style-type: none"> • Laporan Kajian SATUNAMA

3.3 Compliance Review

In the following sections, the Compliance Status is reported as follows:

Compliant : No significant areas of non-compliance for current stage of project development.

Compliant (with additional recommendation) : No significant areas of non-compliance; however, additional recommendation is for further performance improvement.

Partially Compliant : Mainly compliant but significant non-compliance in some aspects.

Not Compliant : Numerous significant compliance gaps.

A ranking system has been used to indicate the relative priority of an issue identified during the monitoring. Where issues are identified that carry associated high risks, addressing these issues should be prioritised by DSNG. As well as highlighting the most important areas requiring attention, it can also be used to aid the tracking and rectification of specific items requiring improvement. Priority is identified as high, medium and low using associated colour as follows:

High:	Action(s) to close the finding should be completed within 1 to 3 months.
Medium:	Action(s) to close the finding should be completed within 3 to 6 months.
Low:	Action(s) to close the finding should be completed within 12 months.
N.A.:	The action is completed.

3.4 Status of Applicable Regulatory Permits

No.	Name of Permit	Issuing Authority	Validity	Remarks
1	Compulsory Manpower Report	Ministry of Manpower and Transmigration Agency	09 January 2022	The Compulsory Manpower Reports for all seven subsidiaries are pending review.
2	International Sustainability and Carbon Certification (ISCC)	Renewable Energy Directive	12 November 2023	The ISCC certificate for PKS4 was renewed on 13 November 2022 and is valid until 12 November 2023. The ISCC certificates for the other mills are not held by the Company.
3	Environmental Permit for Environmental Impact Analysis and Environmental Management and Monitoring Program (<i>Peretujuan ANDAL, RKL dan RPL Pembangunan Perkebunan Kelapa Sawit dan Pabrik Minyak Sawit</i>)	Regency of Kutai Timur (<i>Bupati Kutai Timur</i>)	No validity	All permits are valid.
4	Location Permit (<i>Izin Lokasi</i>)	Regency of Kutai Timur (<i>Bupati Kutai Timur</i>)	No validity, unless change of ownership or business activities.	All permits are valid. <ul style="list-style-type: none"> • PT DAN ±10,000 ha • PT DIN ±18,000 ha • PT SWA ±30,000 ha • PT DWT ±15,000 ha • PT KPAS ±2,947 ha (2013); 2,563 ha (2014) • PT BPN ±15,000 ha • PT BAS ±6,476 ha
5	Permit for Plantation (<i>Izin Usaha Perkebunan</i>)	Regency of Kutai Timur (<i>Bupati Kutai Timur</i>)	No validity	All permits are valid. <ul style="list-style-type: none"> • PT DAN 10,000 ha; no specified FFB production capacity • PT DIN 10,000 ha; no specified FFB production capacity • PT SWA 16,850 ha; 90 ton FFB/hour • PT DWT 15,000 ha; no specified FFB production capacity • PT KPAS 5,000 ha and 5,000 ha; no specified FFB production capacity • PT BPN 11,662 ha; 60 ton FFB/hour • PT BAS 5,222 ha; 40 ton FFB/hour
6	Land Use Right (<i>Hak Guna Usaha</i>)	Head of National Land Authority (<i>Kepala Badan Pertanahan Nasional Republik Indonesia</i>)	30 or 35years	All permits are valid. <ul style="list-style-type: none"> • PT DAN 9,955.255 ha; 30 years from December 31, 2008 • PT DIN 9,811.849 ha; 30 years from December 19, 2007; Note that 640 ha area is prohibited for land clearing as the area is reserved for forest plantations. • PT SWA 17,729 ha; ; 35 years from October 28, 1997 • PT DWT 13,629.50 ha; 35 years from December 31, 2008 • PT KPAS 504.50 ha; 35 years from October 18, 2019 • PT BPN 11,611.69 ha; 35 years from September 18, 2007 • PT BAS 5,222 ha; 35 years from May 5, 2008
7	Permit for Temporary Storage of Hazardous Waste (or known as B3 Waste) (<i>Izin Penyimpanan Sementara Limbah Bahan Berbahaya dan Beracun</i>)	Regency of Kutai Timur (<i>Bupati Kutai Timur</i>); Investment and One-Stop Service Office (<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu Kabupaten Kutai Timur</i>)	5 years (varied with PKS / PT)	All permits are valid.
8	Wastewater Discharge Permit (<i>Izin Pembuangan Air Limbah</i>)	Regency of Kutai Timur (<i>Bupati Kutai Timur</i>); Investment and One-Stop Service Office (<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu Kabupaten Kutai Timur</i>)	5 years (varied with PKS / PT)	All permits are valid.
9	Water Extraction Permit (river water)	Minister of Public Works and Housing	5 years (varied with PKS / PT)	All permits are valid.

3.5 Compliance to ESAP

The table below lists the ESAP items with the completion date in 2022; whilst the full list of ESAP items is listed in **Appendix 2**.

ESAP No (Completion date in 2021)	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
2.1	Provide an Integrated Environmental and Social Management System (ESMS) overview document for the entire group (incl. all subsidiaries).	31 March 2021	An ESMS (document reference: ESMS-DSN-R01 dated 31 December 2021) for DSNG operations was developed in 2021. The scope of the ESMS covers DSNG operations of Palm Oil plantations, forestry and wood panel industries and renewable energy industry and covers DSN Group, its subsidiaries and third party including Fresh Fruit Bunch suppliers.	Compliant with recommendation	Provide additional resources towards implementation of the requirements of the ESMS in 2023	Medium
2.4.A	Board approved SOP applicable to group level that covers how DSNG measures and monitors the effectiveness of its SIA implementation plan.	31 March 2021	Board approved SOP applicable to group level that covers how DSNG measures and monitors the effectiveness of its SIA implementation plan has been prepared, refer to the 'Report on Review Effectiveness of SOP Social Impact Management & Monitoring'.	Compliant	No recommendations	N.A.
2.4.B	Templates for keeping record monitoring activities and results.	31 March 2021	Templates for keeping record monitoring activities and results have been developed.	Compliant	No recommendations	N.A.
2.6.A	Board approved SOP for ensuring children day-care compliance	31 March 2021	SOP for day-care compliance has been developed and has been approved by the Board.	Compliant	No recommendations	N.A.
2.7	Board approved SOP for NDPE implementation.	30 September 2020	SOP for NDPE implementation was finalised and approved by the Board.	Compliant	No recommendations	N.A.
2.8.A	Documentation of SOP socialisation process to internal and external stakeholders (i.e. schedule of meeting, attendance list).	30 September 2021	Participant list for training conducted on 3 December 2021 was made available for review during the 2021 E&S Audit.	Compliant	No recommendations	N.A.
2.8.B	Report on review of the effectiveness of the SOP.	31 December 2022	A Report on the review of the effectiveness of the SOP of Social Management and Monitoring was published and internally reviewed by DSNG on 31 December 2022.	Compliant	No recommendations	N.A.
2.9.B	Evidence of training and socialisation via documentation photographs and attendance lists).	31 December 2020	Training on the NDPE Policy was conducted on 23 March 2021 to DSNG employees. DSNG has developed training material for DSNG's Sustainability Engagement staff i.e., 'Implementation of NDPE Policy to Third Parties'.	Compliant	No recommendations	N.A.
2.10	Evidence of having implemented SOP in the TPA.	30 September 2021	An SOP for Child Day Care Compliance has been developed. As reported in the 2021 E&S Audit Report, training was conducted in the Women's Committee meetings in all concession areas in 2021.	Compliant	No recommendations	N.A.
2.12	Document summarising the E&S management program for each subsidiary.	31 March 2021	As reported in the 2021 E&S Audit Report, documents summarising the E&S management program for each subsidiary have been merged with ESMS.	Compliant	No recommendations	N.A.
2.13.A	Updated organisation chart that describes all the people responsible for the ESMS and which clarifies the person in charge at group level	31 March 2021	The Chief Sustainability Officer (CSO) is responsible for the implementation of ESMS. He is supported by the Sustainability Team and personnel from the Compliance and Management System Dept. The Company's organisational structure is under revision and restructuring of E&S related responsibilities related to CSR, ESMS compliance, and Sustainability, and appointment of an E&S Manager, is planned for 2023.	Compliant with recommendation	Clearly define the organisational structure, roles and responsibilities related to E&S requirements	Medium
2.13.B	Evidence of ESMS-related training received by the appointed person	31 March 2021	An Introductory Workshop ESMS (Environmental System) Training was conducted on 08 April 2021 by a third-party consultant, and the attendee list was made available for review during the 2021 E&S Audit. It was observed that DSNG personnel from the corporate head office had attended the training in 2021. Roll-out of ESMS training across the Company was lacking 2022.	Compliant with recommendation	Ensure training on ESMS requirements takes place for all relevant personnel	Low
2.14.A	The SEPs for each subsidiary or an overview document of all SEPs at group level.	31 March 2021	An overview document Stakeholder Engagement Plan (SEP) for PT DSN Subsidiaries (Muara Wahau Block, PT BPN and PT BAS) dated 08 December 2021 has been developed. Identification and analysis of stakeholders' basis their interest and influence on DSNG's operations have been undertaken. Stakeholder Engagement personnel have been appointed within the Corporate Social Responsibility (CSR) team who are responsible for implementation of SEP who will be supported by the DSNG ESMS team.	Compliant with recommendation	Ensure the Stakeholder Engagement personnel are trained in the SEP and ESMS	Medium
2.15.A	Draft reporting template to be approved by &Green	31 December 2020	Reporting template for NDPE Implementation Progress Report 2020 has been developed and approved by &Green and SV for approval.	Compliant	No recommendations	N.A.
2.15.B	Progress report submitted annually	31 March 2021	NDPE Implementation Progress Report 2020-2021 was made available for review and was observed to be submitted to &Green and Sail Venture for approval. The 2022 NDPE Implementation Progress Report was under preparation at the time of this audit report.	Compliant	No recommendations	N.A.
2.16.A	Communication tools (updated website, sustainability report, etc.)	31 March 2021	DSNG has a functional website https://dsn.co.id/ portal that is accessible to all stakeholders. NDPE Policy, Sustainability Policy SPOTT Ranking, and the Company's Sustainability Reports for 2020 and 2021 has been uploaded on the portal for public disclosure.	Compliant	No recommendations	N.A.

ESAP. No (Completion date in 2021)	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
2.16.B	Annual release of public information on progress	31 March 2021	The Company's annual Sustainability Reports for 2020 and 2021 are available on the Company's website for public information. The Executive Summaries of the Progress Implementation NDPE Policy Reports for 2020 and 2021 are available on the Company's website. The Sustainability Report for 2022 and the Executive Summary to the NDPE Progress Implementation Report for 2022 are currently under preparation and are expected to be uploaded to the website in Q1 2023.	Compliant with recommendation	Disclose the full NDPE Progress Implementation Reports for 2020, 2021 and 2022 to the company website for full public disclosure on progress.	Low
2.18	Monitoring report of SIA measures (RKS/RPS) of PT BPN and PT BAS.	31 March 2021	Monitoring of the implementation of the SIA requirements was carried out, with monitoring reports for PT BPN and PT BAS provided as evidence. In addition, a report entitled Report on Review of Effectiveness of SOP Review on Implementation of Social Management and Monitoring, dated 31 December 2022, was provided as evidence.	Compliant with recommendation	Monitor the implementation of aspects highlighted in the monitoring reports, such as training to assist the development of necessary community skills, socialization and training of firefighters especially in areas prone to fires and hotspots, and dissemination of GM SOP to stakeholders including the public. Per the review of the implementation of SOP-AGR-105-R00, the recommended actions should be implemented: make improvements to the SOP-AGR-105-R00 and ensure all steps of the SOP, starting from the planning of the RKS-RPS, implementation of management and monitoring, evaluation and review are carried out systematically.	Medium
3.1	Supporting evidence / documentation (e.g., photos) after construction of permanent fertilizer warehouse for PT BPN.	31 March 2021	A completion letter indicating the construction of the permanent fertilizer warehouse was completed on July 13, 2020. Site photos showing oil trap and bund wall are also enclosed with the letter. The warehouse was observed during the 2021 Site Visit. It was observed that the fertilizer storage area did not have a chemical resistant coating on the concrete and that fertilizer mixing was undertaken on an unpaved area. It was recommended to apply a chemical resistant coating to flooring (i.e., epoxy lining) for the areas where chemicals are stored or handled to minimise the risk of soil and groundwater contamination. Based on site observations, the warehouse has not been improved during 2022.	Compliant with recommendation	While there is no regulatory requirement in Indonesia for the technical specification of fertilizer storage flooring, it is a good industrial practice to have chemical resistance coated flooring (i.e., epoxy lining) installed at areas where chemicals are stored and handled to minimise the risk of soil and groundwater contamination.	N.A.
3.4.A	Action plan for efficiency, monitoring plan and mechanisms	30 September 2020	DSNG has developed an action plan detailing the annual targets, implementation plan and monitoring plan. In 2022, DSNG prepared a Progress Report providing an update on the Energy Efficiency and Renewable Energy Utilization Plan	Compliant	No recommendations	N.A.
4.2	Evidence of socialisation of the alternative roads towards communities, and report on adoption alternative access roads by the community.	31 March 2021	During 2022, training on safety riding and driving for community safety was provided by the Company for Muara Wahau on 04 July, 2022. The training material included information on the signage placed in the road for the community awareness and usage. However, the list of participants and photo log was not provided for review. The same training was also carried out for the staff from PT SWA, PT DWT and PT KPAS throughout October 2022. The road condition of the access road at PT BAS was good, as road has been hardened and no potholes were observed. This road, within the subsidiaries is also used by the local community, as an alternative road to the public road which is damaged. The Company also reported that employees are reminded periodically of the importance of alternative roads during morning assemblies. The security officers at security posts also remind employees or the public who are going to enter to use alternative roads for their security and safety. For further socialization on the use of alternative roads, the Company prefers to use brochures (example brochure provided as evidence to the auditors) distributed to motorbike riders, to avoid interaction between officers distributing flyers and motorcycle rider passing by. The Company provided a report on the use access roads by the public as evidence.	Compliant	No recommendations	N.A.
5.1.A	Assessment report including the remediation plan based on the assessment.	31 March 2021	A Livelihood Assessment Report was developed by a third-party consultant in 2021. The assessment was undertaken through desktop review of DSNG's documentation and primary data collection (remote questionnaire survey and interview). A survey was conducted on 39 households who are beneficiaries of DSNG Plasma Schemes program, community development and CSR initiatives. The number of beneficiaries of the Company's livelihood restoration programs is now tracked. However, details such as specific timebound actions over the coming years for implementation of the proposed programs across all group, e.g. including vulnerable sections of the community.	Compliant with recommendation	Develop an action plan for implementation of the Livelihood Restoration Plan which is timebound and descriptive of the programs to be undertaken, including for vulnerable groups.	Medium
6.3.B	Evidence of the implementation of the remedial action plan (for LUCA)	30 September 2021	The Remediation and Compensation Plan was approved by RSPO with "Satisfactory" on November 7, 2019. The Company provided a total of IDR 1,345,404,122 (~ USD 93,835) to Community Forest Ecosystem Services (CFES) in 2020 for implementing the project activities including forest conservation and livelihood improvement. An Annual Report on the Remediation and Compensation Plan (RaCP) for PT Dan, PT DIL and PT DWT in Manjau Village Forest, Laman Satong Village, Mantan Hilir Utara District, Ketapang Regency, West Kalimantan for the period February	Compliant with recommendation	Develop a progress tracker to keep track of the project activities including responsible parties and timeline, to ensure DSNG is in compliance with the Plan.	Low

ESAP No (Completion date in 2021)	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
			2021 to January 2022 was prepared by Lembaga Desa Pengurus Hutan Desa (LDPHD) Manjau, and Community Forest Ecosystem Services (CFES), in collaboration with Fauna & Flora International (FFI). According to the report, in the first year, the project has been delivering the objective by implementing activities such as conducting forest patrols and monitoring, land rehabilitation, disseminating knowledge and information and facilitating the community to develop business plans for non-timber forest products (NTFP) and ecotourism. A second annual report is currently under preparation. According to the Company, the report will be submitted to DSNG in Q2 2023.			
7.1.A	Indigenous People Plan (IPP) of PT BPN and PT BAS including the program implementation plan.	18 December 2022	The Indigenous People Development Plan for the Muara Wahau Block covering PT DAN, PT DIN, PT DWT, PT SWA and PT KPA dated July 2021; Indigenous People Development Plan for PT BPN dated June 2021; and Indigenous People Development Plan for PT BAS dated June 2021 were made available for review during the 2021 E&S Audit. An indigenous people expert was engaged for the development of these plans. As stated in the 2021 E&S Audit Report, the Company intended to update the Indigenous People Development Plans in 2022 through a process of annual internal reviews and in consultation with community members. However, no evidence was provided during the 2022 E&S Audit in relation to updates to the plans.	Compliant with recommendation	Conduct regular reviews of the Indigenous People Development Plans for Muara Wahau Block, PT BAS and PT BPN in consultation with local communities and update the plans where necessary, in order to enhance the assessment and understanding of the indigenous tribes and the cultural heritage sites that are important to them	Low
7.1.B	Evidence of IP participation and agreement during the development of Indigenous People Plan (MoM, attendee list, and photo)	31 June 2021	Attendee lists indicating participation of IP community members development of the plans, photo documentation of focus group discussions conducted have been appended to the Indigenous People Development Plans.	Compliant	No recommendations	N.A.
7.2.A	Indigenous People Plan (IPP) of Muara Wahau Blocks including the program implementation plan	30 September 2021	An Indigenous People Development Plan (IPDP) for the Muara Wahau Block has been developed. The Plan includes a three-year roadmap for its implementation. DSNG has also developed a preliminary implementation workplan for year 2022. However, no evidence of the execution of the implementation workplan was available for review..	Compliant with recommendation	Ensure the roadmap developed in the IPDP and the preliminary implementation plan are consistent.	Low
7.2.B	Evidence of the community involvement during the development of Indigenous People Plan (MoM, attendee list, and photo)	30 September 2021	Attendee lists indicating participation of IP community members development of the plans, photo documentation of focus group discussions conducted have been appended to the Indigenous People Development Plans.	Compliant	No recommendations	N.A.
8.1.A	Cultural Heritage Assessment Report	02 February 2023	Cultural Heritage Preservation Plans for Muara Wahau Block, PT BAS and PT BPN have been developed. The plans describes the activities, time schedule, logical framework, and work plan for 2022 along with program implementation preparation phase, cultural heritage training for internal, socialization of cultural heritage program. The plan also indicates that the local community was involved in all the cultural heritage activities. The Plan includes the cultural heritage assessment for Muara Wahau Block, PT BAS and PT BPN. On review of the plans: the following observations were made: Cultural Heritage Preservation Plan for Muara Wahau: It is observed that the assessment includes assessment of cultural heritage sites (Sangkulirang- Mangkalihat Karst Area) beyond 10-kilometre radii of the Muara Wahau Block. However, explanation as to why these caves situated at 34/66 kilometres are of significant importance to the Muara Wahau Block. Cultural Heritage Preservation Plan - PT BAS (Karangan Block) It is observed that the location of the Beehive Cave is outside the Karangan Block concession area. Discussions with representatives of Dayak Basap traditional leaders also found that there was no routine communication and coordination forum involving the Dayak Basap tribe. Although cultural heritage has been identified in the plan, it is unclear from the plans as to how the Company's operations will most likely affect these cultural heritage sites and if Indigenous People's cultural heritage could be affected.	Compliant	No recommendations	N.A.
8.1.B	Cultural heritage preservation program plan that has been developed with the community	30 September 2021	The Cultural Heritage Assessment Report developed for Muara Wahau Block, PT BAS and PT BPN, highlights the cultural heritage sites in the operational areas of DSNG. Strategic objectives of the preservation program with outlined activities are provided in the Report. Cultural Heritage Preservation Program has been developed, in consultation with the community members. In addition, the Cultural Heritage Program Implementation Report describing the progress made on implementing the program has been reviewed.	Compliant	No recommendations	N.A.

3.6 Compliance to &Green LPP

The summary of &Green LPP 2022 status vs target is presented in the table below.

Table 3-2 Summary of &Green LPP 2022 Status vs Target

LPP KPI	2020 Baseline	2021 Status	2022 Status	Target by 2030
ER1: Protection of Forest*				
On Concession	4,054 ha	4,054 ha (As no land clearing was reported in 2021, DSNG has assumed that the forest protection land area remains unchanged. Evidence such as satellite images to verify this data were not available for review.)	4,054 ha	4,054 ha
Off Concession	3,543 ha	3,543 ha (As no land clearing was reported in 2021, DSNG has assumed that the forest protection land area remains unchanged. Evidence such as satellite images to verify this data were not available for review.)	3,543 ha	3,543 ha
ER 2: Sustainable intensification of productive land				
On Concession – Nucleus plantation	63,335 ha	60,821 ha	63,335 ha	63,335 ha
On Concession – Plasma plantation	17,613 ha	16,387 ha	17,997 ha	18,675 ha
ER3: Restoration of forest*				
PT DAN (Through Community led Forest Conservation Project)	No data available	Total of 1.75 ha of deforestation was detected in the forest village protection zone between the period of January 2021 to January 2022.	48 ha	48.38 ha
PT DWT (Through Community led Forest Conservation Project)	No data available		28 ha	28.26 ha
PT DIN (0.5 ha restored; 36.5 ha regrown)	No data available		10 ha	37 ha
SI: Small Holders and households benefiting from DSNGs intervention				
Smallholders (Plasma and SAPRODI)	1,102 farmers (SAPRODI only)	1,102 SAPRODI farmers and 7341 Plasma farmers	7,291 farmers (1,080 SAPRODI farmers and 6,211 Plasma farmers)	8,025 farmers (SAPRODI and independent smallholders)
Local employment opportunities	6,630 jobs	7,858 jobs	0 jobs	11,840 jobs

Notes: As no land clearing was reported in 2022, DSNG has assumed that the forest protection land area remains unchanged. The detailed assessment for each LPP KPI is presented in the table below.

Table 3-3 Summary of &Green LPP 2022 Findings

LPP	Reference Standard	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
ER1	Protection of the forest <u>Target by 2030</u> On concession = 4,054 ha Off concession = 3,543 ha ----- On concession + Off concession = 7,597 ha	<u>Landscape Monitoring</u> The Company engaged Global Forest Watch (GFW) in 2022 to monitor the landscape protection of the forest in all subsidiaries via satellite imagery. GFW provides updates on a quarterly basis. There were alerts for high density of deforestation in June, July, August, September, and November 2022, however, according to company personnel, density shows the area of land that has experienced a change in land cover vegetation which is not necessarily deforestation. A procedure for landscape monitoring (SOP-AGR-097-R00 Monitoring Landscapes) has been established which includes guidelines on how to use the GFW Pro system to download and analyse the deforestation alerts. The SOP details the duties and responsibilities of the following teams: - Survey and verification team - GIS HO (R&A Department) - Operations management - Plantation Head - Human Capital Development & System <u>Biodiversity Monitoring</u> The Company launched the application of Spatial Monitoring and Reporting Tool (SMART) to support the biodiversity monitoring in Muara Wahau in 2021. The SMART application is a platform for data collection, analysis, and reporting. The patrol team will use the SMART application on their mobile device to register the coordinates of flora and fauna species during the routine biodiversity monitoring (frequency: monthly for fauna monitoring and yearly for flora monitoring). It was observed that DSNG conducted and consolidated the monthly monitoring of the fauna in the Muara Wahau region in 2022, using the SMART application.	In progress	<ul style="list-style-type: none"> Develop a comprehensive, actionable roadmap or Action Plan for full compliance with the ER1 requirements, with specific resources necessary, responsibilities and timeline for full compliance. Embed the DSNG NDPE Policy as part of the LPP commitment to track conserved forest and restored forest at supplier level, as well as opportunities for smallholders to ensure the supplies also comply to the NDPE and LPP commitments. Implement the landscape monitoring SOP that has been established to verify and assess the extent and cause of deforestation as stated in the GFW satellite imagery monitoring reports. This includes processing the deforestation alerts for map preparation and field verification, and implementing deforestation mitigation efforts. Include quarterly conservation area boundary monitoring for PT. KPAS 	High

LPP	Reference Standard	2022 E&S Finding	Compliance Status	Recommendation	Action Priority															
		<p>The Company engaged Balai Konservasi Sumber Daya Alam (BKSDA), a local Natural Resources Conservation Centre to produce an annual conservation area management report for each of the 5 subsidiaries within the Muara Wahau region. The reports include the measures taken by the Muara Wahau Site Conservation team to manage the HCV areas and protect the biodiversity in the area, such as the physical condition of the HCV areas and inventories of flora and fauna which were supplemented with pictures of biodiversity and management efforts.</p> <p><u>HCV Monitoring</u> Patrolling within the HCV areas in the Muara Wahau region is conducted bimonthly to prevent illegal activities such as hunting, encroachment, and fire. As part of the monitoring, HCV boundary demarcation and conservation signage are checked 3-4 times per year to ensure they are in good conditions. However, no records of quarterly conservation area boundary monitoring for PT. KPAS were provided for review.</p> <p><u>Riverbank Conservation</u> Conservation of riparian area through vegetation enrichment program includes planting of landslide-resistant vegetation, prohibition of using chemicals (i.e. pesticides / herbicides) at the certain distance to the riparian area and installation of warning signs. The vegetation growing progress is monitored bi-annually.</p> <p>The Company's bi-annual internal audit recommended to install or maintain signposts that indicate the river border areas and chemist prohibition signs. The internal audit team also proposed to conduct socialisation every morning to employees regarding river protection.</p> <p><u>Off-concession</u> The off-concession areas to be protected by DSNG are located at two locations: Tebian Langsung (Bengaloon) and Karangany Dalam (Karangan). DSNG is looking for a local forest management institute to manage the off-concession area, and it is expected to be onboard in 2022. There was no data provided in 2021 to verify the forest protection area within off-concession.</p> <p>DSNG and USAID Sustainable Environmental Governance Across Regions (SEGAR) have agreed on Karangany Village Forest Management Agency (LPHD) as the forest manager for the OCCA program in Karangany.</p>		<ul style="list-style-type: none"> Ensure follow up on recommendations made from internal audits, e.g. maintenance and installation of sign posts for river protection, socialisation for employees, etc. 																
ER2	<p>Sustainable intensification of productive land <u>Target by 2030</u> On concession = 82,010 ha Off concession (SAPRODI's farmers land) = 3,042 ha</p>	<p><u>2022 Plan</u> DSNG plans to conduct workshop involving Operational Management, HO Supporting and CSR with the following objectives:</p> <ul style="list-style-type: none"> Set the baseline of planted area for nucleus and Plasma, number of Plasma farmers & SAPRODI farmers; Set up work plan to reach ER2 targets; and Adjust monthly report template according to workshop result and disseminate the template again to each PIC. <p><u>Production Efficiency</u> To promote production efficiency and sustainable practices in order to maintain or increase the productivity of the nucleus and Plasma plantations, DSNG has undertaken the following strategies:</p> <ul style="list-style-type: none"> Mechanical fertilisation; Reuse of treated POME for irrigation; and Use of EFB to cover the soil surface to reduce evaporation and improve soil structure. <p><u>Plasma Plantations</u> The total Plasma plantations were reduced from 17,613 ha (2020) to 16,387 ha (2021) due to the release of Warga Rimba plantation from PT BAS.</p> <p>Minister of Agriculture requires plantation companies to facilitate the development of Plasma plantations at least 20% of the total plantation area that has been planted and operated by the company. According to the 2021 data provided by DSNG (refer to Table 1-1), the following subsidiaries did not fulfil the requirement:</p> <ul style="list-style-type: none"> PT BPN (13.3%) PT BAS (18%) <p>DSNG has committed to increasing the Plasma plantations for PT BPN and PT BAS by 2024. The total areas for Plasma plantations for PT BPN and PT BAS (2020 vs 2021) are listed in the table below.</p> <p>The 2021 status indicates that PT BPN and PT BAS lack progress on increasing the Plasma plantations due to the lengthy processing time for Plasma plantation approval. According to DSNG, the RSPO New Planting Procedure was signed on 25 Jun 2021 for PT BAS and 16 July 2021 for PT BPN. After that, verification by certification bodies is required prior to any new oil palm development. The decrease of Plasma plantations of PT BAS between 2020 and 2021 was due to the termination of partnership by Warga Rimba in 2021.</p> <table border="1"> <thead> <tr> <th>Subsidiaries</th> <th>2020 (ha)</th> <th>2021 (ha)</th> <th>2022 (ha)</th> <th>Target 2024 (LPP) (ha)</th> </tr> </thead> <tbody> <tr> <td>PT BPN</td> <td>1,364</td> <td>1,364</td> <td>1,364</td> <td>2,208</td> </tr> <tr> <td>PT BAS</td> <td>1,524</td> <td>826</td> <td>826</td> <td>1,742</td> </tr> </tbody> </table> <p><u>Plasma Plantations</u> The Plasma Partnership Program is a partnership program with cooperatives operated by the company. In this program, the profit sharing is 70% to cover operational costs and 30% is given to farmer cooperatives. Every 70% deduction is always accompanied by clear details of costs and communicated to the management of the cooperative, after an understanding is reached, minutes are drawn up and signed by each party.</p>	Subsidiaries	2020 (ha)	2021 (ha)	2022 (ha)	Target 2024 (LPP) (ha)	PT BPN	1,364	1,364	1,364	2,208	PT BAS	1,524	826	826	1,742	In progress	<ul style="list-style-type: none"> Develop a comprehensive Action Plan to detail the specific actions to be implemented in order to how to achieve ER2 targets (Plasma plantations, relay cropping, road improvement, EFB and POME applications) Develop a progress tracker to keep track of the project activities including responsible party and timeline. 	High
Subsidiaries	2020 (ha)	2021 (ha)	2022 (ha)	Target 2024 (LPP) (ha)																
PT BPN	1,364	1,364	1,364	2,208																
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		<p>In 2022, the Plasma Partnership Program benefitted a total of 7,341 beneficiaries covering an area of 16,387 hectares. The number of beneficiaries and hectares in the program in 2022 were as follows:</p> <table border="1"> <thead> <tr> <th>Subsidiary</th> <th>No. of Beneficiaries</th> <th>Hectares (ha)</th> <th>Target 2024 (LPP) (ha)</th> </tr> </thead> <tbody> <tr> <td>PT SWA</td> <td>1,116</td> <td>3,675</td> <td></td> </tr> <tr> <td>PT DAN</td> <td>655</td> <td>1,734</td> <td></td> </tr> <tr> <td>PT DIN</td> <td>662</td> <td>1,683</td> <td></td> </tr> <tr> <td>PT DWT</td> <td>996</td> <td>1,665</td> <td></td> </tr> <tr> <td>PT KPAS</td> <td>2,782</td> <td>5,341</td> <td></td> </tr> <tr> <td>PT BPN</td> <td>617</td> <td>1,364</td> <td>2,208</td> </tr> <tr> <td>PT BAS</td> <td>513</td> <td>826</td> <td>1,742</td> </tr> <tr> <td>Total</td> <td>7,341</td> <td>16,387</td> <td></td> </tr> </tbody> </table> <p>There was no change in the area covered by plasma plantations of PT BPN and PT BAS from 2021 to 2022.</p> <p><u>SAPRODI Program</u></p> <p>The SAPRODI program is fully operated by farmers, i.e. rights to the land are reserved to the farmers. The number of beneficiaries and hectares in the program in 2022 were observed to be as follows:</p> <table border="1"> <thead> <tr> <th>Subsidiary</th> <th>No. of Farmers</th> <th>Hectares (ha)</th> </tr> </thead> <tbody> <tr> <td>PT SWA</td> <td>72</td> <td>816</td> </tr> <tr> <td>PT DAN</td> <td>277</td> <td>483</td> </tr> <tr> <td>PT DIN</td> <td>128</td> <td>654</td> </tr> <tr> <td>PT DWT</td> <td>636</td> <td>1,077</td> </tr> <tr> <td>Total</td> <td>1,113</td> <td>3,030</td> </tr> </tbody> </table> <p><u>Relay cropping program for PT BPN and PT BAS</u></p> <p>PT BPN and PT BAS did not achieve the 2021 target. According to Company representatives, the subsidiaries were not ready for relay cropping, and they focused the improvement on other aspects such as repairing road and improving conditions of the blocks; there was no plan for relay crop in 2022, with target implementation in 2023 and 2024.</p> <table border="1"> <thead> <tr> <th>Subsidiary</th> <th></th> <th>2021</th> <th>2022</th> <th>Target 2021 (LPP) (ha)</th> </tr> </thead> <tbody> <tr> <td rowspan="2">PT BPN</td> <td>Nucleus Plantations</td> <td>4,127 trees (8%)</td> <td>-</td> <td>49,015 trees</td> </tr> <tr> <td>Plasma Plantations</td> <td>1,000 trees (3%)</td> <td>-</td> <td>31,894 trees</td> </tr> <tr> <td rowspan="2">PT BAS</td> <td>Nucleus Plantations</td> <td>0 tree (0%)</td> <td>-</td> <td>19,400 trees</td> </tr> <tr> <td>Plasma Plantations</td> <td>0 tree (0%)</td> <td>-</td> <td>717 trees</td> </tr> </tbody> </table> <p><u>Apply FFB in nucleus plantations to increase the yield and to reduce the palm oil waste</u></p> <p>DSNG did not achieve the target 2022 due to the low production of FFB.</p> <table border="1"> <thead> <tr> <th>Subsidiary</th> <th>2022</th> <th>Target 2022 (LPP) (ha)</th> </tr> </thead> <tbody> <tr> <td>All 7 subsidiaries</td> <td>6,519 ha (67%)</td> <td>9,684</td> </tr> </tbody> </table> <p><u>Increasing the use of POME in nucleus plantations</u></p> <p>DSNG achieved the target 2021 with increased use of POME.</p> <table border="1"> <thead> <tr> <th>Subsidiary</th> <th>2022</th> <th>Target 2022 (LPP) (ha)</th> </tr> </thead> <tbody> <tr> <td>All 7 subsidiaries</td> <td>5,613 ha (197%)</td> <td>2,847 ha</td> </tr> </tbody> </table>	Subsidiary	No. of Beneficiaries	Hectares (ha)	Target 2024 (LPP) (ha)	PT SWA	1,116	3,675		PT DAN	655	1,734		PT DIN	662	1,683		PT DWT	996	1,665		PT KPAS	2,782	5,341		PT BPN	617	1,364	2,208	PT BAS	513	826	1,742	Total	7,341	16,387		Subsidiary	No. of Farmers	Hectares (ha)	PT SWA	72	816	PT DAN	277	483	PT DIN	128	654	PT DWT	636	1,077	Total	1,113	3,030	Subsidiary		2021	2022	Target 2021 (LPP) (ha)	PT BPN	Nucleus Plantations	4,127 trees (8%)	-	49,015 trees	Plasma Plantations	1,000 trees (3%)	-	31,894 trees	PT BAS	Nucleus Plantations	0 tree (0%)	-	19,400 trees	Plasma Plantations	0 tree (0%)	-	717 trees	Subsidiary	2022	Target 2022 (LPP) (ha)	All 7 subsidiaries	6,519 ha (67%)	9,684	Subsidiary	2022	Target 2022 (LPP) (ha)	All 7 subsidiaries	5,613 ha (197%)	2,847 ha			
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ER3	<p>Restoration of forest <u>Target by 2030</u></p> <p>PT DAN = 48.38 ha Through Community led Forest Conservation Project</p> <p>PT DWT = 28.26 ha Through Community led Forest Conservation Project</p> <p>PT DIN = 37 ha 0.5 ha restored; 36.5 ha regrown</p> <p>-----</p> <p>Total = 113 ha</p>	<p>An action plan has been developed to detail the specific actions required and timeline as well as responsible party (or subsidiary), with progress updates included during the year.</p> <p>Progress was made on the forest restoration and rehabilitation for PT DIN with provision of monitoring records and photos for planning in the DIN Conservation Area Block II to the E&S Auditor.</p> <p><u>PT DAN & PT DWT</u></p> <p>DSNG participated in a community led Forest Conservation Project in Laman Satong Villages Forest, Mantan Hilir Utara Sub District, Ketapang, West Kalimantan through a funding commitment for a period of 10 years, January 2021 to January 2031. The Project is initiated through the RSPO Remediation and Compensation Plan (RaCP) to develop social forestry as an effective and sustainable scheme in conservation and livelihood improvement. The total net conservation liability for three management units (PT DAN, PT DWT, and PT DIL) is 156.24 ha or equal to USD 390,600. [Note that PT Dharma Intisawit Lestari (PT DIL) is a subsidiary outside of the scope of this audit]. This conservation liability will be compensated collectively across management units through off-site compensation activities using a hectare to dollar basis. The funding will be utilised to facilitate the community in catalysing sustainable livelihoods while ensuring forest protection.</p> <p>DSNG has funded a total of IDR 1,345,404,122 (~ USD 93,835) on November 16, 2020 for implementing the project activities including forest conservation and livelihood improvement (refer to ESAP 6.3B). As part of the project activities, annual forest cover assessment and forest patrol and monitoring have been conducted in 2021. The annual report was submitted to DSNG on February 28, 2022.</p> <p>In February 2022, DSNG conducted preparations for plant seed restoration and enrichment as part of its forest restoration efforts in the Muara Wahau region. DSNG recorded the restoration efforts in terms of number of trees for the Muara Wahau region.</p> <table border="1"> <thead> <tr> <th rowspan="2">Subsidiary</th> <th colspan="2">Seed Preparation</th> <th colspan="2">For Planting</th> <th colspan="2">For Sowing</th> </tr> <tr> <th>Planned</th> <th>Actual</th> <th>Planned</th> <th>Actual</th> <th>Planned</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>PT SWA</td> <td>300</td> <td>150</td> <td>100</td> <td>50</td> <td>200</td> <td>100</td> </tr> <tr> <td>PT DIN</td> <td>250</td> <td>250</td> <td>175</td> <td>150</td> <td>100</td> <td>100</td> </tr> <tr> <td>PT DAN</td> <td>300</td> <td>150</td> <td>200</td> <td>100</td> <td>100</td> <td>50</td> </tr> <tr> <td>PT DWT</td> <td>300</td> <td>200</td> <td>100</td> <td>100</td> <td>150</td> <td>100</td> </tr> <tr> <td>PT KPAS</td> <td>70</td> <td>70</td> <td>20</td> <td>20</td> <td>50</td> <td>50</td> </tr> </tbody> </table> <p>DSNG has implemented an Off Concession Conservation Area (OCCA) Schedule for forest management which details specific activities and the assigned department in charge of each activity from June 2022 to September 2023.</p> <p>At the time of the report, DSNG was conducting its baseline assessment on forest cover, biodiversity, socio-economic community and capacity of village forest management organisations, including conflict mapping and Gender Equality and Social Inclusion (GESI).</p>	Subsidiary	Seed Preparation		For Planting		For Sowing		Planned	Actual	Planned	Actual	Planned	Actual	PT SWA	300	150	100	50	200	100	PT DIN	250	250	175	150	100	100	PT DAN	300	150	200	100	100	50	PT DWT	300	200	100	100	150	100	PT KPAS	70	70	20	20	50	50	In progress	<ul style="list-style-type: none"> Maintain plans with specific actions required and timeline as well as responsible party (or subsidiary), to ensure the ER3 targets are achieved. Develop a progress tracker to keep track of the project activities including responsible party and timeline, to ensure DSNG meet the timeline as planned in the Remediation and Compensation Plan (same recommendation for ESAP 6.3B). 	High
Subsidiary	Seed Preparation			For Planting		For Sowing																																															
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SI	<p>Small Holders and households benefiting from DSNGs intervention <u>Target by 2030 as stated in DSNG's Landscape Protection Plan</u></p> <p>> 8,025 smallholders (farmers from Plasma and SAPRODI programs)</p> <p>11,840 Local employment opportunities</p> <p>Activities:</p> <ol style="list-style-type: none"> Plasma program SAPRODI program Providing Local Employment and business opportunities: Provision of 9743 job opportunities and service level agreements. 	<p>The number of beneficiaries of the Plasma and SAPRODI Programs are indicated in section ER2.</p> <p>Providing Local Employment and business opportunities:</p> <ul style="list-style-type: none"> In January 2022, the number of employees benefiting from DSNG operations was 12,298. There has been an increase of 825 employees of DSNG since 2020 with 11,473 employees in 2020. There was a decrease of 2,363 employees from the reported value of 14,661 employees in 2021. <table border="1"> <thead> <tr> <th>Number of Beneficiaries</th> <th>Baseline 2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>SAPRODI Farmers</td> <td>1,102</td> <td>1,102</td> <td>1,080</td> </tr> <tr> <td>Plasma partnership via cooperative</td> <td>6,262</td> <td>7,051</td> <td>6,211</td> </tr> <tr> <td>Smallholders (Plasma and SAPRODI) 2030 Target: 8,025</td> <td>7,364</td> <td>8,153</td> <td>7,291</td> </tr> <tr> <td>Transport contract</td> <td>343</td> <td>788</td> <td>976</td> </tr> <tr> <td>Construction service contract</td> <td>25</td> <td>19</td> <td>-</td> </tr> </tbody> </table>	Number of Beneficiaries	Baseline 2020	2021	2022	SAPRODI Farmers	1,102	1,102	1,080	Plasma partnership via cooperative	6,262	7,051	6,211	Smallholders (Plasma and SAPRODI) 2030 Target: 8,025	7,364	8,153	7,291	Transport contract	343	788	976	Construction service contract	25	19	-	In progress	Set the baseline of planted area and number of nucleus and Plasma. It is recommended to retain the same baseline of 1,232 as agreed upon.	Low																								
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Construction service contract	25	19	-																																																		

3.7 Compliance to IFC PS

Table 3-4 Summary of IFC PS Findings

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
<p>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</p>	<p>The project proponent is required to conduct a process of environmental and social assessment and establish and maintain an Environment and Social Management System (ESMS) appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts.</p> <p>The ESMS to incorporate the following elements:</p> <ul style="list-style-type: none"> (i) policy (ii) identification of risks and impacts (iii) management Programs (iv) organizational capacity and competency (v) emergency preparedness and response (vi) stakeholder engagement (vii) monitoring and review (viii) external communication and grievance mechanism) 	<p><u>ESMS</u></p> <p>The ESMS is intended to be an 'active' document in which its E&S related management programs, procedures and policies are continuously developed and updated in response to the DSNG's activities and the results obtained from ongoing stakeholder engagement. The ESMS is to be reviewed every 12 months to ensure its adequacy and effectiveness. A formal review of the ESMS was scheduled to take place by December 2022 however the review was not conducted as required. The review process is recommended to be incorporated into the compliance program. In accordance with the ESMS, the review must be conducted at least annually to ensure its suitability, adequacy, and effectiveness, and include an examination of opportunities for improvement and the need for adjustments in the system.</p> <p>In 2021, ESMS training was provided by PT ERM to DSNG's employees including employees from sustainability department, head of different departments and the estates. The objective of the training was to promote the integrated ESMS and provide an understanding of the ESMS to internal stakeholders of DSNG. However, continued training on the requirements and implementation of the ESMS was not carried out in 2022.</p> <p>Regular reporting of ESG performance is required by IFC PS, thus the results of this review will include decisions and actions related to sustainable improvement and is to be based on the Environmental and Social Safeguards Performance Report form provided in the ESMS. No internal audits of ESG performance were carried out by the Company in 2023.</p> <p>The Company has not yet developed specific action plans to support ESMS implementation, as required by the ESMS.</p> <p><u>Policy</u></p> <p>DSNG has developed a Sustainability Policy and NDPE Policy. As reported in the 2021 Audit Report, NDPE Policy training was conducted by DSNG in March 2021. Training was not conducted in 2022.</p> <p>Other relevant policies include the EHS and Social Policy, Women Protection Policy, Child Protection Policy, and the Group Sustainability Policy.</p> <p>The Group Sustainability Policy (GSP) defines environmental and social objectives that cover three priority areas: forests, climate, and communities.</p> <p><u>Organizational Capacity and Competency</u></p> <p>The Company has established a ESMS Task Force for implementing and updating the ESMS document. The task force located at corporate office has been provided preliminary training in 2021. The training for personnel at subsidiaries at Muara Wahau area was conducted in November 2022, while training for personnel at subsidiaries at PT BAS is planned to be conducted in early 2023.</p> <p>A Sustainability Advisory Board has been formed to advise the Board of Directors on strategy and resources underpinning DSNG's ESG Policy and their adequacy for delivering on those socio-economic and environmental commitments that will enable DSNG to become an ESG leader in the industry and Progress in implementing and verifying its ESG Policy and supply chain action plans.</p>	<p>Partially Compliant</p>	<p><u>ESMS and Organizational Capacity and Competency</u></p> <p>Ensure that the Company has sufficient capacity and competency to implement the requirements of the ESMS in 2023, through hiring of personnel with relevant skills in managing organisational-level environmental and social aspects to meet the requirements of the applicable standards. In particular,</p> <ul style="list-style-type: none"> • Appoint an E&S Manager experienced in IFC PS and other international standards to be responsible for the implementation of the ESMS. • Implement the requirements of the ESMS such as internal audits, training, annual review of the ESMS etc. <p><u>Emergency Preparedness and Response</u></p> <p>With regards to Emergency Preparedness and Response, the following recommendations are made:</p> <ul style="list-style-type: none"> • Ensure the emergency response measures adequately address how the Company will assist and collaborate with affected communities. • Conduct emergency drills and checks on emergency response equipment across all subsidiaries, and ensure records are maintained, with follow up rectification actions taken as necessary. <p><u>Stakeholder Engagement</u></p> <p>With regards to Stakeholder Engagement, the following recommendations are made:</p> <ul style="list-style-type: none"> • Develop an action plan with time-framed implementable actions for effective stakeholder engagement • Disclose the action plan with the potentially impacted stakeholder to be in compliance with the IFC PS 1 • . Maintain a database of the relevant stakeholders, stakeholder types and relevance to the project, and associated commitments for each stakeholder type. • Include more detailed descriptions of the stakeholder engagement events in the Activity Reports (Laporan Kegiatan) such as the aims, key topics discussed, feedback received, follow up actions, and responsible person for action close out. • Monitor stakeholder engagement/ CSR programs implementation with the appointed Site Support Manager • Monitor the implementation and progress of Corporate Social Responsibility (CSR) programs at site and provides minutes of meeting along with photo log where necessary. <p><u>External Communication and Grievance Mechanism</u></p>	<p>High</p>

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>Additionally, DSNG has established the Sustainability Committee, ESG Committee, CSR Operation, and SHE Department who work collaboratively to ensure good environmental and social performance and manage the environment and social risks related to its operations. The Company's organisational structure for E&S is understood to be undergoing review with a new structure to be implemented in 2023.</p> <p>Aside from the CSR Director, the Company is lacking in key roles with responsibility for implementing the various requirements of the ESMS. Organisational capacity for key activities such as review of the ESMS, ESMS training and internal E&S audits in accordance with the requirements of the IFC PS is lacking.</p> <p><u>Monitoring and Review</u></p> <p>Monitoring of the subsidiaries was conducted through internal audits during 2022. Third party external audits for compliance with ISO 9001:2015, ISPO 3.5, RSPO 7.3.2 and ISCS requirements were also conducted.</p> <p>Performance Review meetings are conducted every quarter with all seven subsidiaries. Minutes of meetings for Quarter 1, 2 and 3 were made available during the review. It was observed that these meetings cover aspects related to safety and environment, production and operations of subsidiaries. Monitoring related to community social activities has not been sufficiently documented. Follow up in the form of action to be undertaken were noted.</p> <p><u>Emergency Preparedness and Response</u></p> <p>A Forest and Land Fire Control Procedure (SOP-AGR-073-R01) and an Emergency Response Procedure (SOP-AGR-103-R00) have been prepared.</p> <p>Policies on handling emergency situations have been passed, such as protocols related to Fire Prevention and Control and Land or Plantation Fire Prevention and Control. However, there is no evidence that simulations for handling emergency conditions have been carried out in 2022.</p> <p>The Company has identified emergency situations / scenarios such as hazardous materials/ wastes spillage, earthquake, flooding, fire explosion. DSNG has developed SOP on hazardous material and hazardous waste emergency program and SOP on emergency responses related to earthquake, flooding, wastewater pollution and oil spills, and building fire incidents.</p> <p>It is noted that DSNG has identified violence as a possible scenario and has a SOP in place for demonstrations and procedures in place for Occupational Health and Safety and Waste Management. DSNG has also conducted several activities concerning fire-preparedness, including equipment checks and fire simulations.</p> <p>DSNG through all subsidiaries has identified areas that have potential accidents or emergency situations through HIRAC based on the type of work/activity.</p> <p>The Company has developed a Community, Health, and Safety program (CHSP) to identify potentially affected communities in emergency situations as shown in a Risk and Impact Mitigation Matrix Table.</p> <p>The Company has established Emergency Response Preparedness Team for each subsidiary which consist of Coordinator, monitoring team, patrol task force, firefighting unit, and support team. The Company has supported surrounding village communities to form a fire care farmer group (KTPA), provides equipment assistance to KTPA, and conducts socialization and alert calls in collaboration with regional leadership meetings.</p>		<p>Ensure that the Company's grievance mechanism meets the requirements of the applicable standards. In particular,</p> <ul style="list-style-type: none"> • Ensure that there is a mechanism for communication on the closure of grievances. Maintain records of grievance responses communicated to the grievant and whether the grievant accepts the resolution as satisfactory. • Update grievance register by adding a column for response and timeline of respond to grievances in a timely manner. Also, check the status of complaints and track progress, measure effectiveness on frequent basis • Provide regular grievance mechanism training to the project team, and maintain records of the training along with photo log and name of participants. • Follow up on the status of the grievance mechanism implementation and whether local Indigenous Peoples and communities are familiar with it across all subsidiaries. Hold engagement sessions if there are any changes to the process and increase efforts or engagement sessions to familiarise communities with the process. 	

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>Meetings on the socialization of the risks related to forest fires, and the formation of KTPA have been held in 2022. Minutes of these meetings for PT SWA, PT DWT, PT KPAS, and PT BAS were provided for review. It was noted, however, that not all subsidiaries conducted fire drills. The site visit also noted that there was insufficient fire extinguishers at PT BAS, and fire drills had not been conducted.</p> <p><u>Stakeholder Engagement</u></p> <p>The Stakeholders Engagement Plan (SEP) was approved on December 8, 2021. The SEP has not yet been translated into a time framed action plan. Previously, the SEP had also been included in the ESMS, but several procedures had not been implemented, for example, no public displays were found to increase the accessibility of information to the public through factsheets/newsletters and staff to answer questions. Community Consultation Committee as stated in the ESMS was also not found.</p> <p>The Company has described the responsibilities and KPIs of various roles within the Sustainability Operation Department. Job descriptions for supplier engagement staff and the Sustainability Operation Site Head were reviewed.</p> <p>The job scope and specific tasks of the roles were clearly defined, however, the job descriptions lack the job qualification requirements and competencies.</p> <p>Training has been provided for the Sustainability Engagement staff regarding the NDPE Implementation Program.</p> <p>Stakeholder engagement conducted during 2022 included engaging various members of the public from Indigenous Groups (Dayak Wehea, Dayak Kayan, and Dayak Punan) of various ages and genders.</p> <p>The Company has also done well in summarising the contents of the engagement and indicating the necessary follow up actions. However, it is noted that not all follow up actions had a deadline. DSNG is recommended to standardise this and report what was done to address the information raised.</p> <p>Though DSNG has done well in engaging stakeholders and in keeping a record of attendees to such engagements, records kept would benefit from being more informative and comprehensive. Some activity reports did not mention the aims, key points, and takeaways of the engagement, or details of who is responsible for the engagement and subsequent actions required.</p> <p>A Stakeholder Engagement Plan (SEP), dated December 8, 2022, has been prepared. However, the plan is not translated into a time-bound action plan and several aspects have not been fully implemented. For example, during the Site Visit, it was noted that there was no strong evidence that outreach activities are carried out to obtain feedback on program implementation.</p> <p><u>External Communication and Grievance Mechanism</u></p> <p>The Handling of External Complaints SOP (SOP-AGR-096-R00) describes the approach to grievance management</p> <p>The Grievance Mechanism allows submission of grievances via forms, WhatsApp messages, in-person reports and phone calls and assigned responsibilities to following up including monitoring and evaluating of effectiveness. It was observed on-site that the community understanding for the grievance mechanism was lacking, as many has stated that they did not know the response of their grievance or handling time duration of their grievance and neither have received the grievance voucher.</p> <p>The mechanism and SOP also does well in requiring communication of response and consultation with complainants</p>			

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>in a circular process until the resolution is accepted by the complainant. The SOP also includes a form for monitoring of external grievances that requires details on the nature of the solution as well as the timeframes. However, these were either not documented or not available for review.</p> <p>Grievances registered for Muara Wahau Block, PT BAS and PT BPN were made available for review. It was observed that the grievances mainly concerned issues in infrastructure and transportation of goods, though there was one instance of dead fish found at Bengalon river. The Client has shared a grievance receipts, where the grievance of the local community has been mentioned along with a response. However, it was noted that the grievance register lacked the resolution and the timeframes for resolving the grievances.</p> <p>Grievances were observed as follows:</p> <p><i>Environmental</i></p> <ul style="list-style-type: none"> • PT BPN: 28 July 2022 Grievance related to dead fish being found in the Bengalon river at dawn and the water having a foul smell. The response team went down to take water and fish samples along the river. On 29 July, conditions were monitored along the river both upstream and downstream. It was determined that dead fish was not found elsewhere in the river. Traces of oil was also not found in the water, both upstream and downstream. On 1 August, water samples were sent to a lab to test for Arsenic, Cyanide and Potassium, and the results obtained on 5 August. <p><i>Infrastructure</i></p> <ul style="list-style-type: none"> • PT BAS: 2 August 2022 Grievance related to poor condition of road. It was reported that backfilling, levelling, and compaction of the road was conducted from 4 August to 8 August 2022. • PT BAS: 20 October 2022 Grievance related to worsening condition of road due to drivers not following the stipulated route. BAS declared the matter closed after issuing a warning. A social visit was made to communicate this to the complainant and the matter declared closed. <p><i>Others</i></p> <ul style="list-style-type: none"> • PT BPN & BAS: Some grievances related to transportation of goods and payments. A few grievances were raised regarding work opportunities at DSNG and ease of conducting business. <p>Documented records of addressing grievances reported quick response times with specified dates and photographic evidence. There are also records on social visits to clarify grievances, with a summary of the dialogue reporting the complainant's acceptance of the matter. However, some records did not include documentation on how the response was communicated to the complainant, nor whether the complainant accepted the resolution as satisfactory. The resolution was also not documented for many of the grievances.</p> <p>During the Audit, the Company provided the status of the following grievances from 2021:</p> <ul style="list-style-type: none"> • Muarawahau Block: 26 Jan 2021: Grievance related to land claim in in location Melenyu - 4 was received from Marta and Jumari. The status states closed with the last action as submitted and received. It is however unclear what the status is as to whether the land claim was genuine and was handed over or suitably compensated. The Company provided an update on 12 May, 2022 that an explanation has been provided and the grievant has submitted the claim to another party. 			

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<ul style="list-style-type: none"> PT BPN: 27 September 2021: Grievance related to Community areas or lands in the NPP some have HCV status in Langsat village received from Langsat village government. The present status states closed with solution outside HCV area companies are welcome to GRTT and LC for fulfilment of partnership plantations. It is however unclear if this is backed by a regulation and has been communicated to the Langsat village government. The grievance register for PT BPN was not available for review. 			
<p>PS 2: Labour and Working Conditions</p>	<p>Performance Standard 2 applies to workers directly engaged by the client (direct workers), workers engaged through third parties to perform work related to core business processes of the project for a substantial duration (contracted workers), as well as workers engaged by the client's primary suppliers (supply chain workers).</p>	<p>As of 31 December 2022, there were 12,298 employees engaged in SBU Agro division of DSNG, with 11,663 permanent employees and 635 contract employees</p> <p>The Compulsory Manpower Report Status for all seven subsidiaries in 2022 are pending review.</p> <p><u>Working Conditions</u></p> <p>The working hours of the staff and workers is 7 hours a day or 40 hours in a week. The work timing starts from 07:00- 12:00 and 14:00-16:00 from Monday to Friday, and on Saturday the timing is 7:00 -12:00, also it is determined by the production targets that is set by the company. Overtime is calculated based on working time with the payment varies depends on the work, the sample form was shared with the site team that INR 29.000/hour or more.</p> <p><u>Employee Benefits</u></p> <p>The Company provides several benefits for employees, including rice allowance, free access to health facilities, free water and electricity, child day-care for employees' children, and primary schools within the area. DSNG also provides school buses for employees' children to travel to schools in nearby towns.</p> <p><u>Covid-19 Response</u></p> <p>Since 2020, the Company has implemented several Covid-19 response measures to address the risks and to protect health and safety of employees and local communities. No Covid-19 related deaths of employees have been reported since the commencement of the pandemic. Measures undertaken in 2022 included:</p> <ul style="list-style-type: none"> Implemented Covid-19 related internal procedures at the Corporate level, Concession Level and for Community Members; Implemented standard Covid-19 health protocols at Corporate and Concession level; and Participated in the Gotong Royong Vaccination program DSNG along with the Health Department for the implementation of vaccinations for employees and their families. <p><u>Child Care Facilities</u></p> <p>The Company provides child day-care facilities to its employees. During the Site Visit, four child-care facilities were visited, each of them in PT DWT, PT SWA, PT KPAS, and PT BAS. These facilities take care of the worker's children aged 2 to 7 years old, from 6 am to 2 pm. Facilities present include feeding corners, bathrooms, beds/mattresses, playing areas, studying corners, cleaning supplies, first aid kits, and light fire extinguishers.</p> <p>Based on SOP-AGR-101-R0 on Managing, Supervising, Monitoring, and Evaluating child day-care, the recommended ratio of the number of children per caregiver is as follows:</p> <ul style="list-style-type: none"> Age 3 months - age < 2 years: 1 caregiver 4-6 children Age 2 years - age < 4 years: 1 caregiver 7-10 children Age 4 years - age < 6 years: 1 caregiver 10-15 children 	<p>Partially Compliant</p>	<p><u>Child Care Facilities</u></p> <ul style="list-style-type: none"> Improve the Child Care SOP to reflect the minimum number of caregivers to care for children of various ages in a group. <p><u>Worker Accommodation</u></p> <ul style="list-style-type: none"> Prepare a Worker Accommodation Management Plan which meets EBRD/IFC guidelines to improve the worker accommodation facilities across the Company, and specifically in PT BAS. Implement a monitoring program to ensure the requirements of the plan are met. Develop a procedure to ensure that families who have more than one child are allocated accommodation with at least 2 rooms, to ensure that workers are staying in accommodation with sufficient space. <p><u>Retrenchment</u></p> <ul style="list-style-type: none"> Prepare a Retrenchment Implementation Plan with processes to ensure that the Company carries out an analysis of alternatives to retrenchment, schedule for dismissals for employees, selection criteria, severance payments, offers of alternative employment, and alternative job placements if possible. The plan should be in line with IFC PS requirements and subject to regular monitoring for compliance. <p><u>Grievance Mechanism</u></p> <ul style="list-style-type: none"> Carry out a grievance analysis to analyse grievance patterns that often appear, and then take any necessary preventive actions. The records of the grievance register should be updated every week with the status of the grievance. Once the grievance is resolved, and the resolution is communicated and agreed with the grievant, the grievance closing date should be recorded in the grievance register. Evaluate the grievance system, including employees' understanding of the existing grievance system, and consider their feedback to improve the existing system. Provide training on socialisation of the mechanism and handling of grievance from the community Should the workers' morning briefings be used as one of the channels for submitting grievance, then each grievance should be recorded end to end (i.e. from grievance statement, resolution process, to closure). <p><u>Occupational Health and Safety</u></p>	<p>Medium</p>

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>During the Site Visit at PT BAS, only one caregiver was observed handling 14 children under the age of 7. It was observed that there were 3 children under the age of 2 years old, 7 children between 2-4 years old, and 4 children between 4-6 years old.</p> <p><u>Worker Accommodation</u></p> <p>According to company personnel, a program of gradual improvement of worker accommodation is currently being implemented. Older accommodation constructed of wooden barracks are being progressively replaced with permanent concrete structures (area of 6 m x 9 m) with a living room, 2 bedrooms, a kitchen and a bathroom. The accommodation is provided unfurnished. The worker housing renewal program is prioritised for harvesters and trees maintenance workers.</p> <p>DSNG has several types of worker accommodations, such as G-4, G-6 and G-10. Conditions for workers' accommodation were generally observed to be reasonable, although there is a special note on the type of accommodation G10. During the site visit, it was observed that some of the G-10accommodation were relatively small with only 1 room, however DSNG's housing construction plan for 2023 includes 19 G10, 54 G-2, 8 G-5, and 2 G-6 Housings across six subsidiaries (PT KPAS was excluded from the plan). All newly constructed accommodations will have 2 rooms per apartment.</p> <p>The water supply to the accommodation is provided by an in-house water supply and a controlled dam (Bendali/Bendungan Terkendali). Some of the housing, especially at PT BAS, is still using wooden barracks, however, DSNG is currently making a gradual improvement of employee accommodation facilities.</p> <p><u>School Facilities</u></p> <p>The Site Visit at PT SWA included visits to the DSNU Foundation (consisting of kindergarten, elementary, junior high school) and SD Negeri Afdeling 10 in Jabdan 2 Estate, SD Negeri Afdeling 1 in Long Jenew 1 Estate.</p> <p>At PT DWT, there is a public elementary school in Melenyu 2 Estate. As for PT KPAS and PT BAS, there are no schools within the concession area. School buses provided by the Company are arranged for children to travel to school inside and outside the concession area. During the Site Visit, the facilities such as classrooms, sports field, reading corner, teacher's room, principal's room, and teacher's housing were observed.</p> <p><u>Training and Awareness Programs</u></p> <p>The Company conducted various training for employees and the surrounding community during 2022. There were 32 training sessions for employees and 59 training sessions for external parties, which was undertaken across all the seven (7) subsidiaries. The selection of participants and types of training was determined by the Company or proposed by each state by preparing a competency gap form and proposing it to the training centre.</p> <p>Training was provided on topics such as pesticide use, childcare basic skills, harvesting, and handling hazardous waste. However, during the Site Visit, it was noted that there was no evidence of training provided on topics such as communication and interaction with local communities, and socialization of the grievance mechanism with the community.</p> <p>Training was provided by Company personnel, with the exception of training on certification programs which was provided by external parties.</p> <p><u>Retrenchment</u></p> <p>The Company's Retrenchment Guideline, dated October 2021, contains general instruction on preparation, planning and dispute resolution. However, the implementation of the</p>		<ul style="list-style-type: none"> Implement signage at relevant areas to remind workers of safety hazards and PPE requirements. Conduct regular H&S inspections and implement corrective actions, as necessary, to meet applicable standards for H&S in the workplace. Conduct regular checks on the completeness of supplies at the clinic, especially at the satellite clinic. <p><u>Supply Chain</u></p> <ul style="list-style-type: none"> Conduct field verification, NDPE socialisation and commitment signing within a month of signing the supplier agreement. 	

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>guidelines has not been executed at the subsidiaries. It was reported at the site that the selection criteria for workers who are retrenched are based on self-willingness, age, length of service, skills and qualifications. However, there is no alternative retrenchment plan, schedule for dismissal, or severance payment have been found. According to company personnel, no retrenchment exercises were conducted in 2022. However, it is recommended that the Retrenchment Guideline includes topics such as how to carry out an analysis of alternatives to retrenchment; schedule for dismissals for employees; retrenchment selection criteria, severance payments, offers of alternative employment, alternative job placements, if possible.</p> <p><u>Workers Organization</u></p> <p>There is no restriction for the worker to join the worker union. Every subsidiary has its own worker union consisting of one or more unions. Every subsidiary has its own worker union consisting of one or more unions. In the year 2022, there are no issues/concerns with the existing workers union. During the site visit, it was noted that at PT SWA, the Workers Union has its own office and is involved in several activities, including vaccination socialization, handling procedures, and prevention of Covid-19. Moreover, on March 18, 2021, PT SWA's bipartite cooperation institution has been registered at the East Kutai Regency Manpower and Transmigration Office.</p> <p>Based on an interview with the female worker at PT DWT, there is also Women's Labor Union and Gender Committee that she joined</p> <p>The organisational structure of the Women's Committee in each PT was available for review. The Women's Committees are led by the Head of Human Capital Operations Department.</p> <p><u>Grievance Mechanism</u></p> <p>There was a grievance record from external, and from internal (employees) and it has been noted that some grievances are recorded through register and some through the receipts.</p> <p>Moreover, with reference to the employees' grievances the complete status was provided along with the action. For example, based on the Site Visit observations, at PT SWA from January to December 2022, there were only 14 grievances received related to public facilities and housing with a completed status. However, the registration date of grievances and closing date of the grievance was the same, despite the complaints made by the workers mostly related to repair work (the majority of the 308 grievances raised by workers are concerned with poor housekeeping or living conditions, including reports of broken locks, doors, water installations, pipes, taps, clotheslines, lights, floors, etc, reports of peeling paint, leaks, full septic tanks, and holes in the wall). Therefore, it can be concluded that the timeline of the grievances has not been maintained.</p> <p>With reference to the internal grievance, it was understood that a SOP was developed by DSNG for handling the employee complaints. During the Site Visit, it was reported that employee grievances are conveyed at the morning assembly, so that every day all workers can convey grievances and inquire about the status of grievance handling. Whilst this approach can help to quickly raise and resolve grievances, it is an oral interaction that is not documented and, as it is not anonymous, could lead to fear of retribution. Should the morning briefing be used as one of the channels for submitting grievance, then each grievance should be recorded end to end (i.e. from grievance statement, resolution process, to closure). Each subsidiary has</p>			

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>also provided grievance boxes for workers’ reporting of grievances.</p> <p><u>Protecting the Workforce</u></p> <p>A Child Protection Campaign Committee was established for all the seven (7) subsidiaries. In 2022, provided training to women and children and carried out sexual education socialization training for teens.</p> <p><u>Occupational Health and Safety</u></p> <p>The total Lost Time Injuries (LTI) has been reduced from 117 cases (2021) to 18 cases (2022).Moreover, serious incidents reduced from 14 to 1, medium incidents from 26 to 21, increase is due to minor accidents. Also, most accidents (1364/1397) occur at the plantation (“Kebun”).</p> <p>Though the number of non-minor accidents have decreased, it was noted that a serious accident occurred in 2022, warranting further investigation. On March 4, 2022, a harvester stood next to an operator of a vehicle transporting fruit and fell when the operator lost control of the vehicle in slippery road conditions. The victim suffered a leg injury and was taken to the estate clinic for treatment. The investigation report determined that the victim failed to ensure his own safety as he was not supposed to have been standing with the operator. Lack of knowledge and inadequate supervision were identified as contributing factors. It was also noted that neither victim nor operator were using PPE.</p> <p>Employees were reminded to comply with work instructions and that they are not allowed to stand on transportation vehicles or occupy trailer attachments, especially on steep roads. To prevent a recurrence, the corrective action proposed was to ensure that all work is to be supervised and a safety briefing on safety riding is to be conducted. It was noted that there were Safety Riding and Driving socialisations conducted later on that year by DSNG.</p> <p>In 2022, the Company implemented H&S initiatives including:</p> <ul style="list-style-type: none"> • Daily safety talks; • Safety induction training provided for all new employees • Task-specific H&S training provided for employees working for different tasks; • Weekly inspections; • Installation of safety signage; • Annually medical check-ups; and • Specific health checks such as audiometry, spirometry. <p>During the Site Visit, it was observed that the plantation workers generally donned appropriate PPE including safety boots, safety hats and lower back support. However, it was noted that there was no signage indicating that PPE was required near machinery.</p> <p>Specific H&S observations included:</p> <ul style="list-style-type: none"> • Machines with moving parts at various workshops were not equipped with machine safeguards; • The platforms at the fibre cyclone tank area and the fuel distribution conveyor at PKS PT BAS lacked toe boards; • An unsafe ladder was in use at the kernel station of PKS PT BAS; • Colour codes of a cylinder containing oxygen was not in accordance with local regulations at the chemical warehouses; • Cylinders containing oxygen were stored without safety chains at Melenyu 2 estate PT DWT and the PT BAS clinic; 			

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<ul style="list-style-type: none"> Cylinders containing oxygen at the workshop of Melenyu 2 Estate (PT DWT) and PKS (PT BAS) lacked appropriate labels. <p><u>Supply Chain</u></p> <p>On July 1, 2021, SOP for registration of Third-Party Suppliers (SOP-AGR-093-R00) was approved by the Board.</p> <p>SOP-AGR-095-R00 MRV Compliance Third Party Suppliers and SOP-AGR-079-R01 External TBS Receipts Procedure has been developed ensure third party supplier compliance with the NDPE Policy. A Supplier Code of Conduct declaration form has been developed to ensure the suppliers' commitment to complying with the NDPE Policy.</p> <p>The Supplier Engagement Plan 2022 for Muara Wahau Block, PT BPN and PT BAS were made available for review. It was observed that registration, field verification, NDPE socialisation and commitment signing for certain suppliers spread over three months, with a gap of approximately 2 months between onboarding and verification. Landscape monitoring was envisioned to take place quarterly and self-verification after seven months of registration and annual reporting in December.</p> <p>During the Site Visit, consultation was undertaken with SAPRODI farmers of Benhes village. SAPRODI farmers reported that the benefits of being associated with DSNG were that there had been a change in income level of community members through partnerships, job opportunities. Vendor opportunities are firstly prioritised for community members living around the concession area.</p> <p>Training on topics such as planting and financial management was conducted by DSNG for SAPRODI farmers. Assistance in techniques for planting and access to raw materials.</p>			
<p>PS 3: Resource Efficiency and Pollution Prevention</p>	<p>During the project life- cycle, the project proponent is required to consider ambient conditions and apply technically and financially feasible resource efficiency and pollution prevention principles and techniques that are best suited to avoid, or where avoidance is not possible, minimise adverse impacts on human health and the environment.</p>	<p><u>Greenhouse Gases (GHG)</u></p> <p>As part of the RSPO requirements, the Company submitted GHG emissions for all POMs, except for PKS 9 and PKS 10. The GHG calculations are based on Palm GHG Calculator, developed by the Greenhouse Gas Working Group 2 (GHG-WG2) of the RSPO, to allow oil palm growers to estimate and monitor their net greenhouse gas emissions.</p> <p>The Company has conducted GHG accounting for its operations for the year 2019 (document ref: Greenhouse gas (GHG) accounting report, prepared by South Pole). The Company has appointed two new staff to lead the development of the Company Climate Action as well as for SBUs based on the GHG emission baseline established for 2019. The staff will also lead the project and operational activities and plan for SBU Agro (such as the development of Bio-CNG Plant 2 and the completed test of the use of Bio-CNG for trucks and heavy machineries) and for SBU Wood Product (such as the operation of Electric Forklift and the installation and operation of solar panels). According to the Company, a third-party consultant will be engaged by April 2023 to conduct a GHG inventory update and verify the GHG emission reduction from the implemented technology and measures in the strategic business units (SBUs), and the updated GHG Assessment report (2020-2022) will be completed by June 2023. The Company plans to submit its GHG data to the Science Based Targets initiative (SBTi).</p> <p>DSNG is noted to have implemented methane capture systems at its palm oil mill effluent (POME) wastewater treatment plant in PKS PT SWA. This system prevents the release of methane i.e., a potent GHG into the atmosphere. The captured methane gas is then compressed into Compressed Natural Gas, known as Bio-CNG. The Bio-CNG is used to substitute part of diesel fuel usage on-site. It was estimated that the use of Bio-CNG is</p>	<p>Partially Compliant</p>	<p><u>Water Consumption</u></p> <ul style="list-style-type: none"> Ensure the water management action plan is implemented at all sites, and complete water efficiency target setting and projections as per planned. Subsequently completing the following task: <ul style="list-style-type: none"> Prioritise projects based on targeted end uses; Project a date for installing efficiency measures; and Project annual water use based on implemented efficiency projects. Improve the action plan by including information such as: <ul style="list-style-type: none"> Interim and long-term targets per subsidiary; Assign teams to be responsible for implementation; and Investigation and actions on closing out audit checklist items. <p><u>Non-hazardous waste management:</u></p> <ul style="list-style-type: none"> Develop a Waste Management Plan (WMP), to include targets on waste reduction. The WMP should describe how use of landfill pits will be minimised, with measures to avoid and reduce waste generation. Record the locations of past and present landfill pits and groundwater monitoring wells in the WMP. Maintain an inventory of all wastes generated, including waste types and quantities generated, stored (including at temporary landfill pits) and sent for final treatment/ 	<p>High</p>

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		<p>capable of replacing the consumption of 2 million litres of diesel a year.</p> <p>The Company has built a second Bio-CNG Plant that will be fully operational in the 2nd quarter of 2023 as part of its environmental commitment in addition to economically reduce the purchase of diesel fuel by switching the consumption from fossil fuel to renewable energy and further reduce GHG emissions. Based on DSNG's Energy Efficiency and Renewable Energy Usage Plan, the first Bio-CNG Plant began operation in 2021, while the second plant is completed and will be commissioned from January to March 2023.</p> <p>The current and projected reduction in diesel fuel and GHG emissions via operation of the existing and future Bio-CNG Plant are presented below.</p> <p>Diesel Usage Reduction</p> <table border="1"> <thead> <tr> <th rowspan="2">Plant</th> <th colspan="3">Reduction of Diesel Fuel (litres/year)</th> </tr> <tr> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Bio-CNG 1</td> <td>2,000,000</td> <td>2,000,000</td> <td>2,000,000</td> </tr> <tr> <td>Bio-CNG 2</td> <td>-</td> <td>1,583,333</td> <td>1,583,333</td> </tr> <tr> <td>Bio-CNG 3</td> <td></td> <td>391,667</td> <td>2,350,000</td> </tr> <tr> <td>Total</td> <td>2,000,000</td> <td>3,975,000</td> <td>8,150,000</td> </tr> <tr> <td>Carbon Emission Reduced (tCO₂e /year)</td> <td>5,335</td> <td>110,604</td> <td>221,741</td> </tr> </tbody> </table> <p>Total Carbon Emission Reduction</p> <table border="1"> <thead> <tr> <th rowspan="2">Carbon Source</th> <th colspan="3">Reduction of GHG Emissions (tCO₂e/year)</th> </tr> <tr> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Reduced diesel usage</td> <td>5,335</td> <td>110,604</td> <td>21,741</td> </tr> <tr> <td>Reduced methane emission</td> <td>50,000</td> <td>100,000</td> <td>200,000</td> </tr> </tbody> </table> <p><i>Note: Numbers for 2022 and 2023 were projections based on the Bio-CNG's design capacity.</i></p> <p><u>Climate Risk Assessment</u></p> <p>The Company has conducted a climate risk assessment addressing physical & transition risks and opportunities (Document ref: #0610983 Climate Risks Assessment Project, prepared by ERM, dated March 2022). The report included an assessment of water availability, floods, extreme heat, landslides, and wind and cyclones.</p> <p>According to company personnel, there were no flood events in 2022 although flooding was experienced by PT SWA in 2021.</p> <p><u>Water Consumption</u></p> <p>The Company has established a specific water use reduction target of 1.2 m³ per ton FFB by 2023. In 2021, DSNG installed water meters at each mill and standardised their locations to ensure the data collected is consistent across all mills. DSNG has developed a Water Management Action Plan in 2022 for the year 2022/2023. This document also consists of records of annual water consumption in each PKS from 2019-2022; monthly water consumption data for year 2022; and internal water management audit checklists for July – December 2022 audits on selected PKS. The action plan indicated that target setting for water efficiency program and arrangements on mitigation programs will be completed by Q2 2023. Projection</p>	Plant	Reduction of Diesel Fuel (litres/year)			2021	2022	2023	Bio-CNG 1	2,000,000	2,000,000	2,000,000	Bio-CNG 2	-	1,583,333	1,583,333	Bio-CNG 3		391,667	2,350,000	Total	2,000,000	3,975,000	8,150,000	Carbon Emission Reduced (tCO₂e /year)	5,335	110,604	221,741	Carbon Source	Reduction of GHG Emissions (tCO ₂ e/year)			2021	2022	2023	Reduced diesel usage	5,335	110,604	21,741	Reduced methane emission	50,000	100,000	200,000		<p>disposal routes, and record the quantities generated and disposed of for each waste type.</p> <ul style="list-style-type: none"> Consider installing engineering controls such as shelter or impermeable liner to prevent water ingress and seepage of leachate to groundwater. As a good practice, groundwater monitoring systems consisting of wells placed upgradient and downgradient of the landfill pits should be installed. The necessary number, spacing, and depth of wells would be determined on a site-specific basis based on the depth to groundwater, aquifer thickness, groundwater flow rate and direction, and the other geologic and hydrogeologic characteristics of the site. Implement daily inspection/ monitoring at the temporary landfill pits to ensure hazardous waste and recyclables are not disposed of to the landfill pits. <p><u>Chemical Management</u></p> <ul style="list-style-type: none"> Conduct inspections on all chemical storage areas, including diesel storage, to ensure that the secondary containment capacity is in compliance with the requirement of 110% of the container(s)'s capacity, and are in good condition (without cracks, drainage outlets with valves closed always (if present), with spill kit available). Ensure the successful roll-out of action plan as per planned timeline. Apply chemical resistant coating (e.g., epoxy) on chemical storage area's floor surfaces. <p><u>Clinical Waste Management</u></p> <ul style="list-style-type: none"> Conduct regular monitoring to ensure all solid clinical waste is handled in accordance with the Hazardous Waste (B3) Handling regulation. Liquid clinical waste must be handled in accordance with the Ministry of Health Regulation No 7 of 2019: <ul style="list-style-type: none"> Install a Liquid Waste Treatment Unit (IPAL) with the right technology and a design for a liquid waste treatment capacity that is in accordance with the volume of liquid waste produced. IPAL must be equipped with supporting facilities in accordance with the provisions. Meet the frequency of taking samples of liquid waste, which is 1 (one) time per month. Meet the quality standard of liquid waste effluent according to the legislation. Obtain a wastewater discharge permit for the discharge of clinical liquid waste to environment according to the Minister of Environment and Forestry Regulation No.P.102/MENLHK/SETJEN/KUM.1/11/2018, article 2. Develop SOPs and work instructions related to management of medical liquid waste. Maintain an inventory for the management of clinical wastes generated, including waste types and 	
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		<p>and evaluation of domestic water usage will be completed by Q4 2023.</p> <p>Based on the audit checklists, it was noted that all audited PKS did not conduct calibration of their flow meters and submit proof of calibration for verification.</p> <p><u>Non-hazardous Wastes</u></p> <p>The Company has put in place recycling programs which consist of composting food waste into organic fertilizers to be used at its plantations, as well as recycling discarded items of value (e.g., glass, cardboard, paper, metal, Styrofoam, cloth, and etc) by selling them to local vendors.</p> <p>Non-hazardous waste which cannot be recycled nor composted i.e., residual waste, is landfilled within the concession area as there is no government approved landfill located in Muara Wahau. These landfill pits are noted to be constructed without any engineering controls such as impermeable liners to prevent subsurface contamination by leachate. Once the landfill pit is filled with waste, it is then covered with soil.</p> <p>The Company reported that the landfill pits are used as there are no local municipal landfills available. DSNG has communicated with the local authority and found out that the municipal landfill facility has similar built-up as the landfill pits used by DSNG i.e., open dumping, instead of a sanitary landfill. Additionally, the transportation cost and operational expenditure fees involved in sending the subsidiaries' waste to the municipal landfill is too high. Hence, DSNG has decided to continue using the landfill pits to dispose of non-hazardous waste. The landfill pits' location coordinates are recorded by DSNG and signboards are erected to mark the location.</p> <p>The Company has developed a waste management training slides for its employees to ensure that non-hazardous and hazardous wastes are segregated, stored and disposed of accordingly. During the site visit, it was observed that no hazardous waste is disposed to this landfill. The Company is committed to further minimising the amount of waste disposed of to landfill pit.</p> <p>The Company has also installed groundwater monitoring wells downgradient of these landfill pits. The groundwater quality of these wells are monitored by the Company every 6 months. The latest monitoring was conducted in December 2022 for parameters of five-day biochemical oxygen demand (BOD₅), Dissolved Oxygen (DO), pH, nitrate, ammonia, dissolved cadmium, lead and zinc, chloride, sulphate. Based on Ramboll's review on the laboratory analysis certificates, it was noted that the monitoring results were not compared against the local regulatory limits.</p> <p><u>Hazardous Wastes (locally known as B3 waste)</u></p> <p>Management of hazardous wastes by DSNG is generally in compliance with the local regulations: the Company holds valid permits, was observed to comply to B3 waste storage requirements, and has provided hazardous waste related training to employees and standard procedures are in place.</p> <p>The Company has developed a Hazardous Material and Waste Symbol and Label Standardization Activity Plan for year 2023. This includes preparation of SOP (January 2023), development of hazardous material and waste inventory (February – April 2023), printing of label and stickers (April 2023), training on symbols and labelling to all employees (April – June 2023) and finally kickstarting the evaluation and inspection process to ensure implementation of proper symbol and labelling practices.</p> <p>During the Site Visit at PT DWT, it was observed that some waste containers were not labelled properly to display</p>		<p>quantities generated, stored and sent for final treatment/ disposal routes, and record the quantities generated and disposed of for each clinical waste type</p> <ul style="list-style-type: none"> • Ensure that liquid waste laboratory test results are reported to government agencies on a quarterly basis. • Maintain an inventory for the management of clinical wastes generated, including waste types and quantities generated, stored and sent for final treatment/ disposal routes, and record the quantities generated and disposed of for each clinical waste type. <p><u>Pesticide Usage</u></p> <ul style="list-style-type: none"> • Ensure SOPs control the risks associated with the use and handling of Racumin. 	

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>information of the waste (i.e., waste characteristic, hazard symbol).</p> <p><u>Biohazardous or Clinical Waste</u></p> <p>The clinical waste in both in solid and liquid forms are generated. A handling procedure for solid clinical waste has been established (Document No.: IK-AGR-SHE-11-R00). Solid clinical waste was observed to be stored in yellow biohazard bags with label and sent to the site’s B3 waste storage area.</p> <p>Working Instruction (WI) Management Liquid Medical Waste prepared for PT SWA. It is noted that the wastewater treatment process of liquid clinical waste is described in this document. The WI document described that the liquid clinical waste is generated from residual organic solvents, residual specimens (e.g., urine, blood, and bodily fluids), water used in washing clinical tools, spent laboratory chemicals, and patient’s blood from medical treatment rooms.</p> <p>During the Site Visit, it was observed that the clinical wastewater is channeled to a designated WWTP located within the clinic area. The WWTP is completely covered with cement or grass. There is a vertical pipe connecting to the WWTP, which is used for dosing of chlorine, as well as a drainpipe from the WWTP leading to an open trench in the forest.</p> <p>Clinical wastewater originating from lavatory activities and not containing infectious material can be classified as domestic waste. However, based on <i>Government Regulation No. 22 Year 2021, Appendix IX</i>, clinical waste that has an infectious character (waste code A337-1) is classified as B3 waste. Therefore, clinic liquid waste containing spilled/ remains of patient's blood and body fluids are classified as B3 waste. Sludge generated from the WWTP is also classified as B3 Waste (B337-2). The Company indicated that they are in the process of submitting the wastewater discharge permit application to the Environmental Agency.</p> <p>Testing of clinical liquid waste quality has been conducted at PT SWA and PT DWT’s clinics. Based on the laboratory results, the quality of this liquid waste from clinic meets the domestic wastewater quality standards.</p> <p><u>Hazardous Materials / Chemical Management</u></p> <p>The following observations were made during the Site Visit:</p> <ul style="list-style-type: none"> • Some chemical containers were not labelled properly to display information of the material (i.e., chemical characteristic, chemical hazard symbol). • The storage area for some chemical and Fuel, Oil, and Lubricant (FOL) containers has concrete paved floor surface. Due to the absence of no chemical resistance coating (e.g., epoxy coating), this poses a risk of subsurface intrusion via the concrete surface’s porous texture from chemical or oil spill and leakages on-site. • PT SWA (PKS 4): Several 200-L diesel storage drums and three (3) diesel above storage tanks (ASTs) with capacities of 14,000-L, 5,000-L and 1,200-L respectively, are located in open spaces without secondary containment, bund wall, and proper labelling. Signs of spillage (i.e., diesel stains on ground surface) was observed at this area during the site visit. • PT DWT (PKS 6): Globally Harmonized System (GHS) compliant labels were observed to be not posted on oil containers found in the FOL warehouse. • PT BAS (PKS): Diesel Above Storage Tank (capacity of 1,500 L) was placed without secondary containment and GHS labelling was not posted It was observed that waste hazard symbol was used at this diesel filling station. 			

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>The Company indicated that it will commit to standardising diesel tank and secondary containment design across its subsidiaries, and will monitor its implementation.</p> <p><u>Wastewater Management</u></p> <p>During the Site Visit, it was observed that the wastewater generated from chemical mixing process and washing of chemical containing containers, is flowed to a the WWTP's collection tank to be treated before reused in the site's process. The laboratory analysis reports from WWTP monitoring show that the parameters are well within its prescribed limits.</p> <p><u>Pesticide Use and Management</u></p> <p>Racumin is categorised as WHO Class Ib, a highly hazardous pesticide. However, Racumin is interpreted as "not hazardous" in the material safety data sheet (MSDS) (Document No.: DK-SHE-125-R00) provided by DSNG, as the active ingredient in Racumin is not classified as a banned pesticide based on Indonesia's Regulation of Agriculture Ministry No. 42 Year 2019, The MSDS is noted to have not been updated in 2022.</p> <p>During the Site Visit, it was observed that the Racumin pesticide is stored in PT BAS estate's agrochemical warehouse. Racumin pesticide was not, however, observed in the warehouses at PT SWA and PT DWT.</p> <p>The Company reported that it is considering substituting a less hazardous pesticide for Racumin. Some concessions adopt biological pest control methods in efforts to reduce usage of pesticides:</p> <ul style="list-style-type: none"> • PT DAN: It was reported in the site's 2022 Semester 1 Environmental Management and Monitoring Report (RKL-RPL) Report, that PT DAN creating breeding/cultivation spaces for owls to control population of rats in the plantation, as well as planting White Alder (<i>Turnera subulata</i>) plant to suppress infestation of leaf-eating insect that affects the oil palm plantation³. • PT DIN: Based on PT DIN's 2022 Semester 1 RKL-RPL report, it was reported that the site is also supporting the breeding of owls (<i>Tyto alba</i>) as part of biological pest control against rats. • PT DWT: It was reported in PT DWT's 2022 Semester 1 and 2 RKL-RPL Report, that PT DWT practiced the same biological pest controls as PT DAN. • PT SWA: It was reported in PT SWA's 2022 Semester 1 RKL-RPL report, that the site plants beneficial plants, promote the use of owls, and conduct manual maintenance in the plantations to reduce the use of agrochemicals. <p>However, no information was available for review to ascertain the efficacy of the above biological controls and reduction in pesticide usage.</p> <p>Ramboll noted that PS3 requires that the Company does not 'purchase, store, use, manufacture, or trade in products that fall in WHO Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous); or Ib (highly hazardous). The client will not purchase, store, use, manufacture, or trade in Class II (moderately hazardous) pesticides, unless the project has appropriate controls on manufacture, procurement, or distribution and/or use of these chemicals. These chemicals should not be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly."</p> <p>According to the Company, Racumin is used as an alternative to pest control i.e., used only when a rat infestation is</p>			

³Asian Agri (2023). The Benefits of *Turnera Subulata*. URL: <https://www.asianagri.com/en/media-publications/articles/the-benefits-of-turnera-subulata/>

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
<p>PS 4: Community Health and Safety</p>	<p>Performance Standard 4 recognises that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. This Performance Standard addresses the Project Proponent's responsibility to avoid or minimise the risks and impacts to community health, safety, and security that may arise from project related activities, with particular attention to vulnerable groups.</p>	<p>uncontrollable using biological methods. Additionally, the active ingredient in Racumin (Coumatetralyl) used has a calculated Lethal Dose 50% (LD₅₀) of 0.0375 block per bait (BB) i.e., a concentration at Class III (WHO) pesticide, and its usage is permitted by the Indonesian government.</p> <p><u>Community Health and Safety Plan</u> A Community Health and Safety Plan (CHSP) has been developed by DSNG. The CHSP has various procedures designed to facilitate processes to mitigate incidents that could be a cause of concern for community health and safety. The CHSP has identified and included external stakeholders from the community. The roles of the community members have been developed.</p> <p>The Community Health, Safety, and Security program was developed to identify the risks and impacts of POM and plantation activities on community health and safety. The program has determined risks and impact mitigation in relation to the POM and plantation activities and has planned to avoid or reduce risks and impacts on community health, safety and security that may arise from POM and plantation activities.</p> <p><u>Occupational Safety Training</u> Training related to occupational safety (K3), employment, socialization of company rules, and planting/maintenance is conducted. The frequency of training varies depending on the needs of the workers. Safety Procedures such as PMK, K3L, and P3K are conducted every month and Operator License Training is conducted once or twice a year.</p> <p>Moreover, the community members identified as frequently crossing the access road have also given the socialization regarding safety driving and safety riding on 4 August, 2022. The activity was attended by 65 community members. Also, the same activity was conducted with staff from PT SWA, PT DWT and PT KPAS throughout October 2022. However, a formal training schedule for the community based on the CHSS program has not been developed.</p> <p><u>Access Roads</u> DSNG have several roads that are used for transporting palm products by workers, and in some sections these roads are also used by the community. The access roads at the four companies were observed to be well-maintained, that is, they had been hardened and had no potholes. According to community representatives from 'Miau Baru' Village who often cross the access road owned by PT KPAS, the community feel safe enough to cross the access road.</p> <p>Certain traffic signs are in the English language, and as most road users are local with an understanding of local Bahasa Indonesia language only, these signs are progressively being translated into Bahasa Indonesia.</p> <p>During the Site Visit, traffic signs were observed to have been installed at some existing access roads at PT. SWA, PT. DWT and PT. KPAS, such as the 'crossroads ahead', and 'sound the horn'. The traffic signs are in the form of pictorial signs, which are commonly found in Indonesia and generally understood by members of the community. However, these traffic signs are not compliant with the requirements of the Ministry of Transportation's Regulation Number 13 of 2014 Concerning Traffic Signs. Examples of non-compliance with the requirements included:</p> <ul style="list-style-type: none"> • Use of wood as a material: as required by Article 1 paragraph 5, signs are to be retro reflective, i.e. a light reflecting system where the incoming light is 	<p>Partially Compliant</p>	<p><u>Community Health and Safety Plan</u></p> <ul style="list-style-type: none"> • Develop a training schedule for the community members identified as part of the CHSP. <p><u>Access Roads</u></p> <ul style="list-style-type: none"> • Provide road traffic signs in accordance with the Ministry of Transportation's Regulation Number 13 of 2014 Concerning Traffic Signs. • Identify all potential road-related risks such as slippery conditions of the access roads during rains/monsoon season and ensure traffic signs are appropriate to these risks. 	<p>Medium</p>

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<p>reflected parallel toward the light, especially at night or in dark weather;</p> <ul style="list-style-type: none"> Lack of speed limit signs: as required by Article 8, speed limit signs are to be installed on roads under certain conditions, and at certain sections where there is a potential for speed limit violations from road users; and Lack of stop signs: as stated in Article 12, stop signs are required to avoid traffic conflicts. <p>Traffic signs were generally lacking at PT BAS, such as at the intersection with the main road where no sign was installed.</p> <p><u>Community Exposure to Disease</u></p> <p>DSNG has one main clinic in PT SWA while each concession area has a satellite clinic. There are 2 health personnel stationed at each satellite clinic and provide first aid, and smaller operations to both employees and community members residing in the villages around the concessions. Community members not employed by DSNG also have access to the clinics.</p> <p>Based on records at the main and satellite clinic, there was no instances of outbreaks of communicable diseases. There were no outbreaks of respiratory infections due to dust, water, or vector-borne diseases.</p> <p>Based on the review of data, it was noted that DSNG had developed a memorandum in which they have provided the procedure for handling Covid-19. In the said memorandum they have detailed health protocols which need to be followed by the Client if they experience any COVID-19 symptoms. Furthermore, they have SOP for COVID-19 handling and prevention, where they have detailed out the entire process for the identification, procedure for the residents living in DSN work area, and procurement of residence cards to handle the situation.</p> <p>Also, the main clinic facilities are capable of providing inpatient services and there are isolation wards for COVID- 19 patients. However, the Government has officially revoked the PPKM Policy (The Enforcement of Public Mobility Restriction) on December 30, 2022. COVID-19 screening between workers and staff on-site is no longer conducted though, all workers and staff have received the third vaccine (Vaccine Booster 1).</p> <p>During the Site Visit, it was noted that there are number of the clinic facilities on the site, for example one main clinic in the Joint Office Area at PT SWA and at PT DWT, PT KPAS and PT BAS. It was noted at the PT BAS satellite clinic that all of the common medications were available, and there were plenty of staff members on duty in addition to doctors, nurses, and midwives. However, anti-venom medicine was not available at the facility.</p>			
<p>PS 5 Land Acquisition and Involuntary Resettlement</p>	<p>Performance Standard 5 recognises that project related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land.</p>	<p>No new land has been procured by DSNG during the year 2022.</p> <p>Grievance related to land claim in location Melenyu - 4 in Muara Wahau Block was received from Marta and Jumari on 26 January 2021. The present status states closed with the last action as submitted and received by the concerned parties.</p> <p>Based on the records reviewed, PT. DWT has resolved matters related to land leases to parties who have rights over the land; compensation has been provided to these parties by involving the village government, while the complainants have completed compensation demands with these parties through facilitation from the village government.</p>	<p>Compliant</p>	<p>No recommendations</p>	<p>N.A.</p>

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
<p>PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources</p>	<p>Performance Standard 6 recognises that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development.</p>	<p><u>Deforestation Issue</u></p> <p>Based on a review of internet sources, there were no new deforestation claims and grievances flagged in 2022 related to DSNG’s operations.</p> <p>However, with reference to the 2021 E&S Audit Report, previous claims were not flagged under the Grievance Mechanism, nor reported to stakeholders (SAIL Ventures, &Green) through an agreed platform (Incident Comms Protocol). This indicated that the grievance mechanism was not adequately implemented during 2021. It has therefore not been possible to determine during the 2022 E&S Audit if the Grievance Mechanism would be adequately implemented should similar claims be made.</p> <p><u>Protection of Forest</u></p> <p>Refer to Compliance to &Green LPP - ER1.</p> <p><u>Restoration of Forest</u></p> <p>Refer to Compliance to &Green LPP - ER3.</p> <p><u>Legally Protected and Internationally Recognised Areas</u></p> <ul style="list-style-type: none"> No Protected Areas or Key Biodiversity Areas (KBAs) are identified within the concession areas through Integrated Biodiversity Assessment Tool (IBAT). The nearest KBA is located No Important Bird Areas (IBAs) were found located within or near DSNG’s concession areas based on Bird Life International’s Database on IBAs in Kutai, Indonesia. No Wetlands of International Importance (Ramsar sites) were found located within or near DSNG’s concession based on Indonesia’s country profile in Ramsar website. No Alliance for Zero Extinction (AZE) sites were identified within the concession areas through the Global AZE Map Database. No Natural World Heritage Sites were identified within and near the concession areas via United Nations Educational, Scientific and Cultural Organization (UNESCO)’s World Heritage List. <p><u>Management of Ecosystem Service</u></p> <p>Socialisation with local communities were conducted for PT SWA, PT DWT and PT KPAS on August 4, 2022, at Muara Wahau district office. This socialisation program was attended community leaders/traditional heads, representatives of several villagers, village government, cooperative management, contractors and the police.</p> <p>The purpose of this socialisation is to increase public awareness and understanding of the importance of protecting plants, animals and their habitats; prevent hunting of animals and encroachment on protected areas within the company’s HGU areas. The activities are recorded in the Conservation Management Report.</p> <p>Additionally, DSNG also hired PT Ecositrop & Pustaka Tropis, as the orangutan and ecological conservation consultant to conduct an Orangutan Conservation Implementation Strategy Action Plan at PT BPN, which identified and monitor the orangutan population in the area, as well as exploring avenues in bridging separated orangutan colonies (separated by river). DSNG has plans to install aerial bridges with monitoring cameras for the orangutans to connect with each other. Besides orangutan studies. Socialization programs for DSNG employees on tree planting, how to manage and rescue orangutans.</p> <p>The Company also monitored the types of nocturnal animals present in PT BPN using camera traps. DSNG indicated that they will conduct a similar study in PT BAS with PT Ecositrop & Pustaka Tropis in future.</p>	<p>Partially Compliant</p>	<p><u>Deforestation Issue</u></p> <ul style="list-style-type: none"> Ensure all claims (eligible and/or not eligible) towards the Group’s operations are dealt with through an open, transparent and consultative process, in conformance with the Grievance Mechanism and its policies (Sustainability Policy, NDPE Policy). These include: <ul style="list-style-type: none"> Investigate the claim and respond to the grievant with evidence based on the facts established, for example through inspections, satellite imagery, etc. Inform stakeholders through grievance resolution mechanism that is agreed upon with stakeholders; and Publish formal responses to the claims and grievance tracker on DSNG’s website. <p><u>Sustainable Management of Living Natural Resources</u></p> <ul style="list-style-type: none"> Follow up closely on RSPO and ISPO certification for all subsidiaries to avoid any non-compliance with the national regulations. <p><u>Landscape Monitoring</u></p> <ul style="list-style-type: none"> Ensure effective implementation of Landscape Monitoring SOP (SOP-AGR-097-R00, dated 1 January 2023), after receiving Global Forest Watch (GFW) Reports: <ul style="list-style-type: none"> Process deforestation alert maps using the GIS; Conduct field verification on deforestation alerts related to DSNG’s concessions to ascertain cause of land change; Preparation of quarterly and annual landscape monitoring reports; Preparation and upload of landscape monitoring data to DSNG’s Sustainability dashboard; and Ensure these monitoring reports can be provided for stakeholder’s reference, when required. 	<p>High</p>

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority																											
		<p><u><i>Sustainable Management of Living Natural Resources</i></u></p> <p>DSNG has been registered as a RSPO member since December 4, 2012. The RSPO has developed a set of environmental and social criteria that companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). When they are properly applied, these criteria can help to minimise the negative impacts of palm oil cultivation on the environment and communities in palm oil-producing regions. The RSPO has set up two certification systems:</p> <ul style="list-style-type: none"> • To ensure that palm oil is produced sustainably; and • To ensure the integrity of the trade in sustainable palm oil, i.e. that palm oil sold as sustainable palm oil has indeed been produced by certified plantations. Both systems involve third-party certification bodies. Such rigorous certification systems considerably reduce the risk for consumers to use palm oil that is not sustainable. <p>ISPO was introduced by the Indonesian Government in 2011 to improve the sustainability and competitiveness of the Indonesian palm oil industry, whilst contributing to the Indonesian government’s commitments to reducing greenhouse gas emissions and improving rural livelihoods. By design, ISPO criteria are strongly aligned with the existing national legal and regulatory requirements, and for this reason the ISPO is sometimes referred to as Indonesia’s “legality standard” for palm oil. ISPO certification is mandatory for all palm oil mills, estates and supplies in Indonesia.</p> <p>The summary of RSPO and ISPO certification for DSNG’s POMs and plantations is summarised in the table below.</p> <table border="1" data-bbox="1113 972 1762 1663"> <thead> <tr> <th>Subsidiary</th> <th>RSPO Certification</th> <th>ISPO Certification</th> </tr> </thead> <tbody> <tr> <td>PT SWA (PKS1)</td> <td>Mass Balance (MB) Certified</td> <td>Certified</td> </tr> <tr> <td>PT SWA (PKS 4)</td> <td>MB Certified</td> <td>Certified</td> </tr> <tr> <td>PT DAN (PKS 2)</td> <td>Identity Preserve (IP) Certified</td> <td>Certified</td> </tr> <tr> <td>PT DIN (PKS 3)</td> <td>IP Certified</td> <td>Certified</td> </tr> <tr> <td>PT DWT (PKS 6)</td> <td>IP Certified</td> <td>Certified</td> </tr> <tr> <td>PT KPAS (PKS 7)</td> <td>MB Certified</td> <td>Completed Stage 1 Audit on 31 January 2023. Stage 2 Audit to be conducted in May 2023.</td> </tr> <tr> <td>PT BPN (PKS 9)</td> <td>In the process of submitting Remediation and Compensation Plan (concept note) to RSPO.</td> <td>Certified</td> </tr> <tr> <td>PT BAS (PKS 10)</td> <td>In the process of submitting Remediation and Compensation Plan (concept note) to RSPO.</td> <td>Certified</td> </tr> </tbody> </table> <p><u><i>Supply Chain</i></u></p> <p>Based on “Implementation of NDPE Policy on Third Party Stakeholders” training slides, DSNG has established an Implementation System that includes the following process:</p> <ol style="list-style-type: none"> Socialization to suppliers; Supplier registration; 	Subsidiary	RSPO Certification	ISPO Certification	PT SWA (PKS1)	Mass Balance (MB) Certified	Certified	PT SWA (PKS 4)	MB Certified	Certified	PT DAN (PKS 2)	Identity Preserve (IP) Certified	Certified	PT DIN (PKS 3)	IP Certified	Certified	PT DWT (PKS 6)	IP Certified	Certified	PT KPAS (PKS 7)	MB Certified	Completed Stage 1 Audit on 31 January 2023. Stage 2 Audit to be conducted in May 2023.	PT BPN (PKS 9)	In the process of submitting Remediation and Compensation Plan (concept note) to RSPO.	Certified	PT BAS (PKS 10)	In the process of submitting Remediation and Compensation Plan (concept note) to RSPO.	Certified			
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Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
		<ul style="list-style-type: none"> iii. Socialization to farmers; iv. Farmer registration; v. Verification of information; vi. Supplier capacity building (Training on Compliance Roadmap for Third Party Supplier, SOP-AGR-094-R00); vii. Supplier monitoring; and viii. Reporting. <p>A total of five (5) Supplier Engagement Staff were employed in 2022 and they are placed under the CSR department. Based on minutes of meeting, attendance list and photographic evidence received, DSNG has conducted socialization programs to their suppliers and farmers with regards to the implementation of its Sustainability and NDPE Policy.</p>			
PS 7 Indigenous Peoples	The client will identify, through an environmental and social risks and impacts assessment process, all communities of Indigenous Peoples within the project area of influence who may be affected by the project, as well as the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage), and environmental impacts on them.	<p>DSNG has developed an Indigenous People Development Plan (IPDP) for Block Muara Wahau Block dated July 2021; IPDP for PT BPN dated June 2021; and IPDP for PT BAS dated June 2021. The three plans have been prepared by Dr Adi Prasetyo, an IP expert, and an external consultant. The plans have been developed based on desktop and field study methods with interviews, focus groups, and observations for primary data collection. The Company plans to annually review the IPDP plan and update it in consultations with the community members.</p> <p>Review and observations of the plans have been elaborated in Section 3.3 Compliance to ESAP, action item 7.1.A</p> <p>The Sustainability Team (CSR and Management System team) will be responsible for implementing the Plan). The corporate team will collaborate with the CSR and Operations teams located at concession levels to maintain and implement IPDP in the Muara Wahau block, PT BPN and PT BAS areas. The IPDP will be implemented by DSNG and would also including a third-party support which would depend upon the content and requirement for expert knowledge for its implementation. CSR and Operational support team are presently in the process of development preliminary IPDP implementation plan.</p> <p>During the Site Visit, it was shared that there are 5 (five) identified IPs in the operational area of the Wahau Muara Block, namely Dayak Wehea, Kenyah, Kayan, Punan and Kutai. Discussions conducted with the Dayak Wehea Customary Leader showed that there were no cultural sites within the concession area and no interference with access to sacred sites, such as traditional cemeteries. Moreover, the Head of Customs also stated that the Company had provided support for the implementation of traditional ceremonies. However, there was it was noted that regular communication and coordination forum did not include representatives of indigenous communities.</p> <p>It was reported during the Site Visit that the Wahau Muara Block and Karangan Block have sufficient assessment to build an IPDP. IPDP has included FPIC protocol, principles, and implementation of EPIC protocol document. Moreover, has detailed out the management plan, which address the community engagement, stakeholder identification, IP engagement strategy, GRM, community development recommendation and monitoring and reporting. However, despite the comprehensive IPDP plan prepared by DSNG, implementation has not yet occurred, and implementation document was not provided for review.</p> <p>The client also provided the records for IP-2022, detailing their social engagement activities and where the IP community express their concerns, which were followed by the visiting officer's recommendations.</p>	Partially Compliant	<ul style="list-style-type: none"> • Develop the IPDP Implementation Plan in consultation with the community members (community leader, heads of customary institutions). • Conduct awareness training for its employees on identification/ criteria to be treated as Indigenous People as well as the dissemination of the IPDP. • Review the IPDP plans annually in consultations with the community members and update the plans, as necessary. • Include representatives of indigenous communities in regular communication and coordination forum. 	Medium
PS 8 Cultural Heritage	The client will identify and protect cultural heritage by	DSNG has developed its Cultural Heritage Preservation Plan (CHPP) for the Muara Wahau Block dated October 2021; Cultural	Partially Compliant	<ul style="list-style-type: none"> • Conduct a review and evaluation of the CHPP in consultation with the community members 	Medium

Aspect	Requirements	2022 E&S Finding	Compliance Status	Recommendation	Action Priority
	<p>ensuring that internationally recognised practices for the protection, field-based study, and documentation of cultural heritage are implemented.</p>	<p>Heritage Assessment and Preservation Plan PTBAS dated October 2021; Cultural heritage Assessment and Preservation Plan dated PT BPN October 2022. The three plans have been prepared by Dr Adi Prasetijo, an external consultant. Annual review of CHPP is planned by DSNG in consultation with the community members.</p> <p>During the Site Visit, it was noted that near the community plasma plantation area there is a site of the Dayak Basap tribe in the form of a grave, in Karang Sebrang Village, which has a mixed cemetery and not only used by the Dayak Basap tribe. However, there is no interference with access to the burial site. This is indicated by the informants in the form of: (1) The condition of the road leading to the cemetery is in good condition and suitable for use. (2) Roads can be accessed by all members of the community without exception.</p> <p>The CHPP documents for the Wahau and Karang Blocks were approved in the 4th quarter of 2021. However, during the site visit it was found that no activities to evaluate whether the cultural heritage management plan had been effective or needed corrective action.</p> <p>The Company has developed a Cultural Heritage Preservation Implementation Plan (CHPIP) in consultation with the community members (e.g., community leaders, heads of customary institutions). The CHPIP recommended activities along with program description and time schedule for activities for Muara Wahau Block, BPN and BAS. It was stated in the plan that the cultural heritage program started in April 2022 as part of preparation phase; the necessity for the initial of the program was to increase capacity of company personnel about cultural heritage management. Implementation was reportedly divided into two phases, as follows:</p> <ul style="list-style-type: none"> Phase A: Preparation phase with activities such as an assessment of cultural heritage, cultural heritage training for internal personnel, internal workshops, socialization of cultural heritage program, grievance mechanism and chance finding procedures. Phase B: Implementation with activities such as supporting lomplai cultural festival (Muara Wahau Block), maintenance of cultural heritage sites inside the concession, maintenance of Dayak Basak cemetery, maintenance of nyuarung cave and monitoring of grievances and chance finding procedures. <p>Evidence such as photographs of the cultural heritage preservation implementation was provided for review for two phases. However, it was noted that evidence for some activities was absent such as monitoring grievance and chance finding procedure.</p> <p>According to the CHPP, monitoring and evaluation of the effectiveness of the CHPP will be conducted in 2023. The Cultural Heritage Program Implementation Report dated 2022 also recommends that, to improve understanding, the chance find procedure socialization be carried out in 2023.</p>		<p>and with reference to the performance indicators and means of verification as stated in the CHPP.</p>	

3.8 Compliance to NDPE Policy

The Company is working towards compliance with the principles of the NDPE Policy, which was introduced to its all subsidiaries in 2020. To date, various programs have been implemented to achieve the commitments of the NDPE, such as stakeholder engagement, management and monitoring measures of HCV areas, and forest fire reporting systems. At the supplier level, the socialisation of NDPE Policy for the independent smallholders (including SAPRODI farmers and independent smallholders) commenced in 2022, and additional personnel have been hired into the CSR Department to progress these efforts.

Based on the review of the NDPE Policy implementation in 2022, non-compliance issues noted as follows:

- Environmental non-compliance issues associated with waste and chemical management (refer to PS3) according to the local regulations;
- The development of the GHG emission reduction plan for 2022 onwards is not yet complete;
- The results of deforestation claims by third parties should be investigated, and the results published online to demonstrate the transparency of its grievance mechanism;
- Tools relating to human and labour rights including risk mapping and risk prioritization of its suppliers have not yet been developed; and
- The NDPE Implementation Progress Report has been prepared but, with the exception of the Executive Summary, it has yet to be publicly disclosed.

Table 3-5 Summary of NDPE Policy Findings

NDPE Policy Key Elements	2022 E&S Findings
This policy will be regularly reviewed and updated to comply with the relevant regulations and international standards, and reviewed as needed based on consultations with key stakeholders.	NDPE progress report is prepared and submitted to stakeholders (SAIL Venture, &Green) on a yearly basis. The first progress report was submitted in December 2021.
This policy is effective as of 31 March 2020 and will be communicated and implemented across all DSNG subsidiaries and its supply chain thereafter.	As of 2021, the Company has developed relevant SOPs and training such as Protection of Children from Sexual Violence and Harassment, HCV conservation, and safety and health to DSNG employees and Plasma farmers. The socialisation of NDPE policy for the independent smallholders (including SAPRODI farmers and independent smallholders) commenced in 2022. The socialisation activities will include audit and training to ensure their activities are in compliance with DSNG’s Sustainability Policy and NDPE Policy. that the Company is recommended to develop a detailed action plan for the activities to be rolled out in the future, including the list of all tasks, responsible party, resources, timeline, and possible challenges.
RSPO certification	The Company is a RSPO member; as of December 2021, six (6) palm oil mills with 5 PTs (PT SWA, PT DAN, PT DIN, PT DWT, and PT KPAS) are RSPO certified. Refer to PS6 for the summary of RSPO and ISPO certification for DSNG’s plantations and mills.
Legal Compliance and Code of Conduct <ul style="list-style-type: none"> • Identify and comply with the legal requirements for plantation operations; • Review existing permit validity and permit extension with the relevant authority; and • Conduct business in a fair and ethical manner that refers to the DSNG’s ethical conduct policy. 	The Company holds valid permits for its operations in accordance with local requirements The ISCC certificate for PKS 4 was renewed on 13 November 2022 and is valid until 12 November 2023.
Positive Environmental Performance <ul style="list-style-type: none"> • Identify and protect High Conservation Value (HCV) areas and High Carbon Stock (HCS) forest across our concessions; • Identify and conserve any peatland regardless of depth; • Perform best management practices for peatlands within any existing planted areas until replanted for conservation; • Minimise the carbon footprint with a plan to reduce GHG emissions throughout all DSNG operations; • Continue to implement the no-burning policy throughout all DSNG operational activities. • Enforce the prohibition and phasing out on the use of paraquat, and pesticides that are categorised as World Health Organization (WHO) Class 1A or 1B (existing or new). 	The Company has implemented a number of management and monitoring measures to manage the HCV areas, these include: patrolling, flora/ fauna monitoring using SMART application, patrolling, and HCV boundary demarcation and conservation signage inspections. The results are recorded in the monthly conservation report for each subsidiary. The Company engaged Global Forest Watch (GFW) in 2022 to monitor the landscape protection of the forest in all DSNG’s subsidiaries. The Greenhouse Gas GHG Accounting Report (for the year 2019) has been prepared. The results and approached taken will enable DSNG to establish a GHG baseline. A strategy toward GHG emission reduction across DSNG’s operations is understood to be under preparation. The implementation of GHG emission reduction strategy should be reviewed in the next audit (2023).
Promoting Human Rights and Health and Safety at the Workplace <ul style="list-style-type: none"> • Respect and secure the rights of all workers, in accordance with international initiatives and standards such as the Universal Declaration of Human Rights, the International Labour • Organization’s (ILO) core conventions, United Nations Guiding Principles on Business and Human Rights, IFC Performance Standards on labour and working conditions (PS 2), and the principles of Free and Fair Labour in Palm Oil Production; • Practice ethical recruitment in fair conditions, • Respect workers’ freedom of association and the right to collective bargaining; • Respect workers’ freedom of association, promote workforce diversity and prohibit any form of harassment, child labour and forced labour and • Promote safe and healthy working conditions across all DSNG operational activities. 	The Company intends to review of due-diligence procedures and supplier-monitoring systems relating to human and labour rights is planned to develop tools that assess the human and labour rights component of the ‘No Exploitation’ pillar of its NDPE policy. Tools will likely include a risk mapping and risk prioritization exercise to segment our suppliers based on their level of risk. However, timeline to develop these tools have not been defined. Grievance mechanism and supplier verification are some mechanisms which are presently being used as a measure to check human rights and labour violations. As per the 2021 E&S Audit, it is recommended that DSNG further augments human and labour rights assessments through periodic surveys (e.g. interviews) with its supply chain workers to gain a comprehensive understanding of the human right and labour rights conditions. The Company has developed relevant human resources policies and procedures to ensure ethical recruitments in fair conditions. Standard Operating procedures and mechanisms are in place in order to check child labour and forced labour in its operations. Regular awareness training on forced labour and child protection aspects are conducted to ensure its employees are aware of these aspects and inform management if there are instances of forced and child labour. Additionally, Women protection committees have been formed to prohibit any form of harassment. Occupational health and safety procedures have been developed and implemented by the EHS team to ensure safe and healthy working conditions prevail across operational activities. Training on health and safety protocols such as use of personal protective equipment and reporting of unsafe incidents is provided, based on training calendars reviewed.

<p>Community Development, Smallholder Inclusion and Social Impact</p> <ul style="list-style-type: none"> • Drive positive social impact and community livelihoods pro-actively and in a participative way; • Engage effectively and transparently with communities through a Stakeholder Engagement Plan (SEP), which includes consultation and a grievance mechanism to resolve any complaints from stakeholders; • Support the inclusion of smallholders in the palm oil supply chain and help them to comply with DSNG’s policies; and • Conduct regular and credible assessment of the effectiveness of such interventions, and where required adopt the necessary adjustments to minimise negative impacts. 	<p>The Company has established a Community Social Responsibility (CSR) team to ensure that it contributes and drives positive social impact and community livelihoods proactively. Consultations with local community members and stakeholders are conducted to ensure a participative process whilst implementing these programs. Budget development priority program documents are developed in alignment with the village level authority development plans.</p> <p>An overview Stakeholder Engagement document has been developed to engage effectively with its stakeholder which also incorporates a grievance mechanism procedure.</p> <p>An Indigenous People Development Plan was developed in 2021, however, the Company is yet to monitor its effectiveness. A Livelihood Assessment Report, dated December 8, 2021, has been developed by a third-party consultant which also includes the proposed livelihood restoration program for all sites. However, an implementation plan for the livelihood restoration program is yet to be developed.</p>
<p>Ensure no deforestation of HCS forests and HCV areas.</p>	<p>Based on a review of internet sources, there were no new deforestation claims or grievances flagged in 2022 related the Company’s operations. A process is in place for reviewing satellite imagery to ensure any deforestation is identified and rectification action can be taken.</p>
<p>Ensure no new planting on peatland regardless of depth, and protection of peatlands through water management and fire prevention; in case of acquisition of existing plantations on peat, DSNG commits to implement appropriate management using Best Management Practices, as defined in the RSPO P&C and the RSPO manual on Best Management Practices for existing oil palm cultivation on peat.</p>	<p>Based on the topography map of East Kalimantan, no peatland is located within the concession areas of any of the seven (7) subsidiaries. The socialisation of NDPE policy for the independent smallholders (including SAPRODI farmers and independent smallholders) commenced in 2022. The Company ensures that no new planting on peatland by DSNG’s suppliers occurs through regular spatial analysis of peatland areas across its supply chain.</p>
<p>Ensure no burning for new planting, re-planting and other developments.</p>	<p>The Company has implemented the following fire prevention measures:</p> <ul style="list-style-type: none"> • Monitoring through GFW or NASA FIRMS done at HQ or plantation level; • Monitoring, patrolling of planted area, recently planted, recently cleared land; • Full time fire guards on duty throughout the plantation for duration of dry season; • Prevention of unauthorised individuals into the company property; • Daily fire report to the Plantation Manager every morning (after muster); • Monitoring carried out throughout the time, but more actively at night; • Preparedness with firefighting facilities on standby during dry season, fire truck, truck mounted water tanks; • Establishment of fire break (wide road, vacant land) within the planted area; • Community engagement work where fires occur regularly with an effort to understand why fires are being lit, and resolve root causes.
<p>Respect land tenure rights and the rights of indigenous people and local communities by following the Free, Prior and Informed Consultation (FPIC) process. If any grievances, disputes or conflicts arise among indigenous groups or local communities, DSNG will strive to achieve a responsible and amicable resolution of grievances and conflicts with all parties.</p>	<p>The Company has developed Indigenous People Development Plans for Muara Wahau, PT BPN and PT BAS. These plans incorporate the rights of indigenous people and local communities by following the Free, Prior and Informed Consultation (FPIC) process and representation of the grievance mechanism in instances of conflict, disputes.</p> <p>The Grievance Mechanism is available for all community members living within the vicinity of the plantations and the community members are made aware of the grievance addressal system through engagement sessions.</p>
<p>Build Traceable Supply Chains.</p>	<p>An SOP for Compliance Roadmap Third Party Suppliers (<i>SOP-AGR-094-R00</i>) and a roadmap to ensure third party compliance to the NDPE Policy have been developed. In order to ensure the increased traceability of the FFB suppliers, DSNG has set up Traceability Teams in each region which are responsible for conducting socialisation and training of suppliers, reviewing compliance oof suppliers based on MRV C&I and developing corrective actions and recommendations. Furthermore, verification of the corrective action is also undertaken by the Traceability Team.</p>
<p>Transparency on Implementation Progress and Stakeholder Engagement DSNG is committed to:</p> <ul style="list-style-type: none"> • Resolving all grievances and conflicts related to this policy through a transparent and amicable grievance resolution mechanism that is agreed upon with stakeholders; • Providing a sustainability roadmap that is publicly available, and which indicates the targets and progress of NDPE implementation; • Consulting, collaborating and building stronger partnerships with governments, communities, industry partners and other stakeholders for the implementation of these policies; and • Welcoming and considering feedback from stakeholders and opportunities to advance these policies. 	<p>The Company aims to regularly communicate with its stakeholders through various mediums such as through its website portal where its NDPE Policy, Sustainability Policy and Annual Sustainability Reports are published. It is however yet to publicly disclose its NDPE Implementation Progress Reports in full.</p> <p>Based on a review of internet sources, there were no new deforestation claims and grievances flagged in 2022 related to DSNG’s operations. However, with reference to the 2021 E&S Audit Report, previous claims were not flagged under the Grievance Mechanism, nor reported to stakeholders (SAIL Ventures, &Green) through an agreed platform (Incident Comms Protocol). This indicated that the Grievance Mechanism was not adequately implemented during 2021. According to Company representatives during the 2022 E&S Audit, DSNG at the time of the Greenpeace and Rainforest Action report had not categorised the report as grievance; DSNG has provided a response to stakeholders who asked DSNG about the report. It has not been possible to determine during the 2022 E&S Audit if the Grievance Mechanism would be adequately implemented should similar claims be made.</p>

4. CONCLUSION

An E&S Annual Audit has been carried out on DSNG for 2022 (January – December 2022) to assess DSNG’s compliance against applicable E&S requirements and to provide recommendations for adjustments and improvements, as required.

4.1 Overarching Findings

DSNG is committed to being a responsible choice for people, planet, and prosperity; its mission focuses on sustainable growth in the natural resources-based industry, guided by its Sustainability Vision. Significant progress has been made towards compliance with the applicable environment and social standards particularly in areas such as the hiring of additional community liaison personnel to the CSR team, the GHG emission baselining and advancement of the decarbonisation strategy. However, following the development of an ESMS in 2021, the Company has not yet implemented the requirements of the ESMS throughout the Company. Many of the recommendations from the 2021 Audit to help address these key E&S risks still stand.

Comprehensive ESG strategy implementation and IFC PS compliance is an ongoing journey that requires continuous efforts to meet and sustain the requirements, and manage evolving E&S risks. It is recognised that full implementation of the commitments requires innovation, support and time.

Overarching recommendations to help achieve full implementation are as follows:

- Strengthen ownership and prioritisation of ESG within the Company through the establishment of a realistic roadmap to full IFC PS compliance, as agreed with the Lenders;
- Increase organisational capacity (people with the right skillsets) to ensure the resources are available for implementation of ESG requirements throughout the organisation continuity; and
- Establish a toolkit of key ESG documentation to reduce complexity and improve ease of implementation of all policies, programmes, plans and procedures, noting the interconnections and dependencies between them.

The Company’s Chief Sustainability Officer (CSO) is responsible for all environmental and social (E&S) requirements and commitments under local regulatory, IFC PS, the &Green LPP, the Company’s NDPE Policy and the Company’s Sustainability Policy. The CSO reports to the Company’s Chief Executive Officer (CEO) and is advised by the Sustainability Advisory Board (SAB). The CSO leads the Sustainability Department which comprises three (3) primary divisions: Certification & Compliance, Sustainability Engagement, and the ESG Committee. A Corporate Social Responsibility (CSR) business unit was introduced under the ESG Committee in 2021, as part of the Company’s commitment to drive positive social impact and community livelihoods pro-actively and in a participative way. Further restructuring of the Company’s Sustainability Department and ESG organisation is anticipated during 2023.

The key E&S risks and associated recommendations are provided in the table below.

Table 4-1: Summary of Key E&S Risk and Recommendations

Key E&S Risk	Recommendations
The Company does not have a comprehensive, consolidated E&S Management Plan (ESMP) or roadmap to implement the ESMS and ensure full compliance with all the requirements of the Applicable Standards. Lack of such an ESMP (or roadmap) outlining time-bound and actionable steps towards achieving full compliance with the Applicable	<ul style="list-style-type: none"> • Consolidate all policies, plans, programs, SOPs and necessary action items (including ESAP, LPP KPI, IFC PS, NDPE and local regulatory compliance); break down action items into tasks and sub-tasks (if required), and assign prioritisation. Ensure the descriptions are comprehensive and clear (what task, who is responsible, how to achieve target, timeline, indicator of completion etc). • Develop item-specific progress tracker to track the status of each action item by the responsible personnel. • Strengthen the ESAP action tracker with specific actions taken, dates,

Key E&S Risk	Recommendations
Standards represents a key risk for full compliance.	and checks.
The Company is lacking in capacity for full E&S compliance across the organisation and its supply chain.	<ul style="list-style-type: none"> • Appoint an E&S Manager experienced in IFC PS and other international standards to be responsible for the implementation of the ESMS. • As required by the ESMS, conduct an annual review of the ESMS and an internal company-wide E&S audit, and ensure resources are available to implement any necessary corrective actions. • Implement a program of E&S capacity building (comprising elements such as training, internal audits, corrective action, resource planning) in key topics such as Pollution Control, Health and Safety, Cultural Heritage, Worker Accommodation. • Conduct E&S Audits for all suppliers to ensure compliance with company requirements (including the Sustainability Policy, NDPE Policy, IFC PS). • Provide E&S briefing to suppliers related to the requirements (including the Sustainability Policy, NDPE Policy, IFC PS).
There are gaps in implementation of Grievance Mechanism for groups such as workers and local communities, civil society organisations, media houses and vulnerable communities.	<ul style="list-style-type: none"> • Strengthen the implementation of the Grievance Mechanism related to the closure of grievances, maintenance of records and provision of grievance mechanism training to the project team, with particular focus on groups such as workers and local communities.

A Site Visit was conducted as part of this Audit for four (4) concession areas: PT SWA, PT DWT, PT KPAS and PT BAS. During this visit, the auditors were only provided with three (3) effective days for all four (4) subsidiaries. Although the audit duration at each concession area is constrained by the travel time, the Site Visit provided good opportunities for Ramboll to observe the actual conditions of the sites and verify compliance with the implementation activities as well as interview with site employees and local community. Site visits to all concession areas are highly recommended to be undertaken in the next audit, with sufficient duration given at each site to ensure a detailed on-site audit. The ideal duration of on-site auditing is proposed in the table below.

Table 4-2: Proposed Site Visit Duration

Subsidiary	2023		Recommended Auditing Time On-Site
	Site Visit Dates	Actual Auditing Time On-Site	
PT SWA	13 January 2023	7 hours	16 hours per subsidiary
PT DWT	14 January 2023	6 hours	
PT KPAS	14 January 2023	5 hours	
PT BAS	16 January 2023	7 hours	

Note: Site visit duration refers to the amount of time spending on the site for site walkaround and documents review, excluding travel time.

4.2 Compliance to ESAP

Progress was made against many ESAP items in 2022. At the end of 2021, 6 items were considered Partially Compliant (ESAP 2.8B, 2.16 B, 2.18, 4.2, and 6.3B), as reported in the 2021 Audit Report. The items assessed to be Partially Compliant in 2021 which were addressed and closed out during 2022 are as follows:

- The Company has carried out an evaluation of the effectiveness of the SIA management plan for addressing the key identified impacts of SIA documents and prepared an SIA Implementation and Evaluation Report for the Group to report on 2021. Note that at the time of this audit, the 2022 SIA Implementation and Evaluation Report was not available for review;
- NDPE Progress Implementation Report 2020-2021 had not been published on DSNG’s website, therefore, the ESAP 2.16B relating to the annual release of public information on DSNG’s implementation progress was assessed to be Not Compliant. Update for 2022 Review: The Executive Summary of the 2020 and 2021 have been publicly disclosed on the DSNG website⁴;

⁴ DSNG Webpage ‘NDPE Policy’ accessed January 29, 2023 <https://dsn.co.id/esg/culture-of-transparency-accountability/ndpe-policy/>

The report for 2021 includes an assessment of status against the established goals (delayed, not yet started, in progress, partially achieved, achieved); and

- Monitoring of SIA measures (RKS/RPS) has been conducted and reported in an SIA Management Implementation Report for PT SWA, PT DAN, PT DIN, PT DWT and PT KPAS. Monitoring of SIA measures (RKS/RPS) at PT BPN and PT BAS is not yet available for review.

The items which are assessed to remain Partially Compliant in 2022 are as follows:

- A report on adoption of alternative access roads by the community is yet to be developed;
- Implementation plan for the livelihood restoration program is yet to be developed; and
- Full compliance with the remedial action plan (for LUCA) is yet to be achieved.

4.3 Compliance to LPP KPI

The Company has several separate documents to document the LPP KPI data and activities, but not a consolidated action plan. To better track the implementation progress of the LPP KPI, DSNG should develop a detailed action plan with specific actions required and timeline as well as responsible party (or subsidiary).

LPP KPI is established based on the targets of environmental returns and social impacts for on-concession and off-concession. DSNG is recommended to embed the NDPE Policy as part of the LPP commitment to track conserved forest and restored forest at supplier level, as well as opportunities for smallholders to ensure the supplies also comply to the NDPE and LPP commitments.

A Standard Operating Procedure (SOP) for Landscape Monitoring (SOP-AGR-097-R00) was issued on January 1, 2022. The SOP describes the approach to managing the monitoring system to meet compliance with the DSNG NDPE Policy and includes the registration process with Global Forest Watch Pro (GFW Pro) satellite monitoring system, uploading concession boundary maps into the GFW Pro system, analysing land cover changes, downloading deforestation alerts and converting them into polygons as warnings of changes, field verification to ensure land cover changes, mitigation of land cover changes, planning corrective actions, and making periodic reports on landscape conditions. The primary team responsible for reviewing the data is the Company's GIS Head Office Jakarta.

DSNG was unable to meet the following ER2 targets due to the challenges, such as lack of capacity of cooperatives to manage SAPRODI smallholders and climate change impact on FFB production.

- **Plasma Plantations:** Minister of Agriculture requires plantation companies to facilitate the development of Plasma plantations at least 20% of the total plantation area that has been planted and operated by the company. The following subsidiaries did not fulfil the requirement: PT BPN (13.3%), and PT BAS (18%).
- **Relay cropping program for PT BPN and PT BAS:** PT BPN achieved only 3-8% for its nucleus and Plasma plantations, whilst PT BAS achieved 0%, compared with Target 2021. According to DSNG, the subsidiaries were not ready for relay cropping, and they focused the improvement on other aspects such as repairing road and improving conditions of the blocks.
- **Improving road access to increase the efficiency of FFB transport routes for PT BPN and PT BAS:** PT BPN completed the road access improvement work up to 98%, whilst PT BAS completed only 13%, compared with Target 2021.
- **Apply EFB in nucleus plantations to increase the yield and to reduce the palm oil waste for all 7 subsidiaries:** The Company completed the EFB application in its nucleus plantations up to 9,006 ha, which is equivalent to 73% compared with Target 2021.

- **Increasing the use of POME in nucleus plantations for all 7 subsidiaries:** DSNG increased the use of POME in its nucleus plantations up to 7,761 ha, which is equivalent to 91% compared with Target 2021.

4.4 Compliance to IFC PS

The ESMS for the Company's operations has been developed. The scope of the ESMS covers DSNG operations of palm oil plantations, forestry and wood panel industries and renewable energy industry and covers DSN Group, its subsidiaries and third party including Fresh Fruit Bunch suppliers. DSNG has also ensured the establishment of an ESMS Task Force for implementing and updating the ESMS document at the corporate level and the subsidiaries level. Capacity building for the ESMS implementation, both at the corporate and at concession level, should be a priority in 2023, including review of the ESMS itself, internal ESMS audits and establishment of a company-wide compliance program. Monitoring mechanism of the performance of all seven subsidiaries are undertaken through continuous updates and quarterly review meetings.

Employee working conditions were observed to be adequate with appropriate facilities within the concession areas which comprises of child day care facilities, accommodation, and medical facilities. During the Site Visit, it was observed that the plantation workers generally donned appropriate PPE including safety boots, safety hats and lower back support. DSNG is recommended to add an additional rule in the SOP for the minimum number of caregivers handling children of various ages. DSNG has several types of worker accommodations, such as G4, G6 and G10. The Company should prepare a Worker Accommodation Plan and conduct regular monitoring of its implementation. Smaller accommodation units should be upgraded, as a matter of priority.

Consultations with community members suggests that the perception of DSNG amongst them is positive with substantial improvement in their way of life, income. Participatory planning is ensured by DSNG while developing and implementing its CSR activities. DSNG had carried out a participatory evaluation to measure the effectiveness of the implementation of the action plan that has been prepared, and to make a Corrective Action Plan if gaps are found in the implementation of the action plan. Integration of IP into its operations are ensured through periodic meetings with Indigenous community leaders, and engagements regarding job opportunities. DSNG is also recommended to develop an effective implementation of Indigenous People Management Plan.

In 2021, the Company engaged South Pole to conduct GHG Emission Scoping and AB-ERM to conduct a climate risk assessment for Year 2019, with the aim to reduce GHG emissions and adapt to climate resilient future in line with the Company's Sustainability Policy. The assessment reports results served as a baseline prior to the implementation of GHG reduction and climate risk strategies. The Company has appointed two new staff to lead the development of the Company Climate Action as well as for SBUs based on the GHG emission baseline established for 2019. The staff will also lead the project and operational activities and plan for SBU Agro (such as the development of Bio-CNG Plant 2 and the completed test of the use of Bio-CNG for trucks and heavy machineries) and for SBU Wood Product (such as the operation of Electric Forklift and the installation and operation of solar panels). According to the Company, a third-party consultant will be engaged by April 2023 to conduct a GHG inventory update and verify the GHG emission reduction from the implemented technology and measures in the strategic business units (SBUs), and the updated GHG Assessment report (2020-2022) will be completed by June 2023. The Company has plans to submit its GHG Data to SBTi as part of its corporate's commitment to sustainability.

The Company also conducted a Climate Risk Assessment (Doc ref. #0610983, dated March 2022) of its two SBUs and one RE Project, one of which is DSN SBU Agro that includes all of DSNG's 15 oil palm plantation estates that are grouped into eight landscapes consisting of 112,450 hectares; 10 POMs that process FFBS into CPO, with a total capacity of 570 tons/hour. Both physical and

transition climate related risks were assessed in this study. Highlights of the assessment results are below:

- *Physical risk*: Most of DSNG's assets will be exposed to high risks of hazards from riverine flood and extreme heat and to medium risks of hazards of landslides; and
- *Transition risk*: Overall, DSN SBU Agro has the biggest exposure to transition risks, coming mainly from policy and legal changes, as well as external reputation. It is also noted that changes in regulatory framework and reputation are risks to DSN SBU Agro. risks to both SBU Agro and SBU Wood Product. However, with the ongoing market and technology development, DSN SBU Agro can be positively influenced if DSNG has the right business strategy.

The Company has also made notable efforts in conserving the environment in 2022, these include:

- Conducting landscape monitoring via use of Global Forest Watch Pro screening tool and services.
- Use of SMART application to support the biodiversity and landscape monitoring;
- Conducting of monthly patrolling within HCV area to prevent illegal activities;
- Conservation of riparian area through vegetation enrichment program and prohibition of using chemicals at the certain distance to the riparian area;
- Participating in a Community led Forest Conservation Project in Laman Satong Villages Forest through a funding commitment for a period of 10 years (2021 – 2031) to support conservation and livelihood improvement;
- Implementing methane capture systems and Bio-CNG Plant at its POME wastewater treatment plant in PKS 4 of PT SWA to reduce GHG emissions and consumption of fossil fuels, with the second methane capture and Bio-CNG plants built in PKS 11 of PT DIN with double capacity which will be fully operational in Q2 of 2023;
- Implementing of water consumption management plan across subsidiaries;
- Conducting an Orangutan Conservation Implementation Strategy Plan at PT BPN, supported by local ecologist consultancy PT Ecositrop & Pustaka Tropis;
- Monitoring the types of animals present in its concessions using camera traps;
- Implementing biological pest control measures such as promoting the breeding of owls (*Tyto alba*) in combating rat infestation and planting of White Alder (*Turnera subulata*) plant to suppress infestation of leaf-eating insect that affects the oil palm plantation to reduce usage of pesticides; and
- Collecting land status from all smallholders to ensure their land legality.

Based on a review of internet sources, there were no new deforestation claims and grievances flagged in 2022 related to DSNG's operations. However, with reference to the 2021 E&S Audit Report, previous claims were not flagged under the Grievance Mechanism, nor reported to stakeholders (SAIL Ventures, &Green) through an agreed platform (Incident Comms Protocol). This indicated that the grievance mechanism was not adequately implemented during 2021. It has therefore not been possible to determine during the 2022 E&S Audit if the Grievance Mechanism would be adequately implemented should similar claims be made.

4.5 Compliance to NDPE

DSNG is working to ensure compliance with the principles of the NDPE Policy, which was introduced to its all subsidiaries in 2020. To date, DSNG has implemented various programs to ensure the compliance, including stakeholder engagement, management and monitoring measures of HCV areas, and fire reporting system. At the supplier level, the socialisation of NDPE

Policy for the independent smallholders (including SAPRODI farmers and independent smallholders) has commenced in 2022.

Based on the review of the Company's implementation of the NDPE in 2022, non-compliance noted included:

- Environmental non-compliance issues associated with waste and chemical management (refer to PS3) according to the local regulations;
- GHG emission reduction plan for 2022 onwards has not yet been developed;
- The result of investigation into deforestation claims by third party should be published online to demonstrate transparency and build trust; and
- Tools relating to human and labour rights including risk mapping and risk prioritization of its suppliers have not yet been developed.

APPENDIX 1 PHOTOLOG



Photo 1: Boundary of pesticide spraying area (red mark) in river border area (PT SWA)



Photo 2: Conservation Area (PT DWT)



Photo 3: River Border Area (PT BAS)



Photo 4: Groundwater monitoring well adjacent to on-site landfill site (PT DWT)



Photo 5: Landfilling of non-hazardous waste into an on-site pit, plastic and cardboard observed (PT BAS)



Photo 6: Diesel Oil Above Storage Tank, without secondary containment or appropriate signage (PT SWA)



Photo 7: Settling pond of equipment washwater (PT BAS)



Photo 8: Cylinders of Oxygen at Clinic (PT BAS) lacking labelling, safety chain or appropriate signage



Photo 9: Platform of the stairs (PT BAS) lacking appropriate toe boards



Photo 10: Diesel fuel storage tank, lacking in appropriate bunding and signage (PT BAS)



Photo 11: Roll Plate Machine, lacking in machine guarding (PT BAS)



Photo 12: Chemical drum storage area, lacking in appropriate labelling, with stained floor (PT DWT)



Photo 13: Road at the concession, which is also accessed by the community (PT SWA)



Photo 14: Road at the concession, which is also accessed by the community (PT KPAS)



Photo 15: Exterior of a Medical Clinic (PT DWT)



Photo 16: Interior of a Medical Clinic – waiting area and in-patient room (PT SWA)



Photo 17: School Facilities (PT SWA)



Photo 18: Grievance box located close to a day care facility (PT DWT)



Photo 19: Worker accommodation (PT DWT)



Photo 20: School facilities (PT DWT)



Photo 21: Child daycare facilities (PT DWT)



Photo 22: Child daycare facilities (PT KPAS)



Photo 23: Worker accommodation (G10 Housing - from the main door and front view) (PT SWA)



Photo 24: Worker accommodation (Bathroom and bedroom of G10 Housing) (PT BAS)



Photo 25: Mosque Facility at worker accommodation area (PT SWA)



Photo 26: DSNG Learning Center, Muara Wahau Site

APPENDIX 2

EXTERNAL FACTORS REVIEW

Appendix 2 – External Factors Review

Websites	Search Terms	Findings	Follow Up Web Search
Google	<ul style="list-style-type: none"> • Company + deforestation • Company + grievance • Company + complaint • Company + pollution • Company + environment • Company + penggundulan hutan (clearing) • Company + penebangan hutan (logging, felling) • Company + deforestasi (deforestation) • Company + keluhan (grievance/complaint, less severe) • Company + pengaduan (grievance/complaint, more severe) • Company + polusi (pollution) • Company + lingkungan (environment) 	No environmental or social issues or concerns in relation to the Company were identified related to 2022 operations	NA
Greenpeace	<ul style="list-style-type: none"> • Company 	No findings	NA
Mighty Earth	<ul style="list-style-type: none"> • Company 	No findings	NA
Rainforest Action Plan	<ul style="list-style-type: none"> • Company 	No findings	NA
Environmental Justice Atlas	<ul style="list-style-type: none"> • Company 	No findings	NA
Land Matrix	<ul style="list-style-type: none"> • Company 	No findings	NA
Human Rights Watch	<ul style="list-style-type: none"> • Company • Palm 	No findings	NA
Indonesian Competition Commission (ICC)	<ul style="list-style-type: none"> • Company 	No environmental or social issues or concerns in relation to the Company were identified related to 2022 operations	NA
Apical (leading vegetable oil processor)	<ul style="list-style-type: none"> • Company 	According to Apical, on 7 December 2021, Mighty Earth released the Rapid Response Report 37. The report claimed that, PT Kencana Alam Permai, a subsidiary of PT DSN, cleared about 8.5 ha of forest inside the concession	

Appendix 2 – External Factors Review

Websites	Search Terms	Findings	Follow Up Web Search
		On July 2022, Apical considered this case as closed	

Company = DSN, DSNG

APPENDIX 3 CORRECTIVE ACTION PLAN TRACKER