

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 audit covers the period from **January to December 2022** and was conducted during the period January to March 2023.

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. During the Site Visit, the Auditors were only provided with three (3) effective days for all four (4) subsidiaries. Although the audit duration at each concession area was constrained by the travel time, the Site Visit provided good opportunities for the Auditors to observe the actual conditions of the sites and verify compliance with the implementation activities as well as conduct interview with site employees and the local community.

This document describes ongoing implementation, compliance, monitoring and reporting of the procedures, practices and programs set out in compliance with the requirements of the &Green Landscape Protection Plan (LPP), the Environment and Social Action Plan (ESAP), Environment and Social Management System (ESMS), and IFC PS on Environmental and Social Sustainability.

The Company has committed to the transition of its operations and sector through the implementation of the LPP and related ESAP. The LPP is a sustainable land use and management plan, which quantitatively sets out how impact will be generated during the financing period. It includes a description of the landscape, business as usual and project scenarios, stakeholders in the landscape and a Monitoring, Reporting and Verification (MRV) strategy. Related environmental and social actions, with timebound milestones and deliverables, are listed in the ESAP.

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 Applicable Standards for the E&S Audit are as follows:

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

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

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

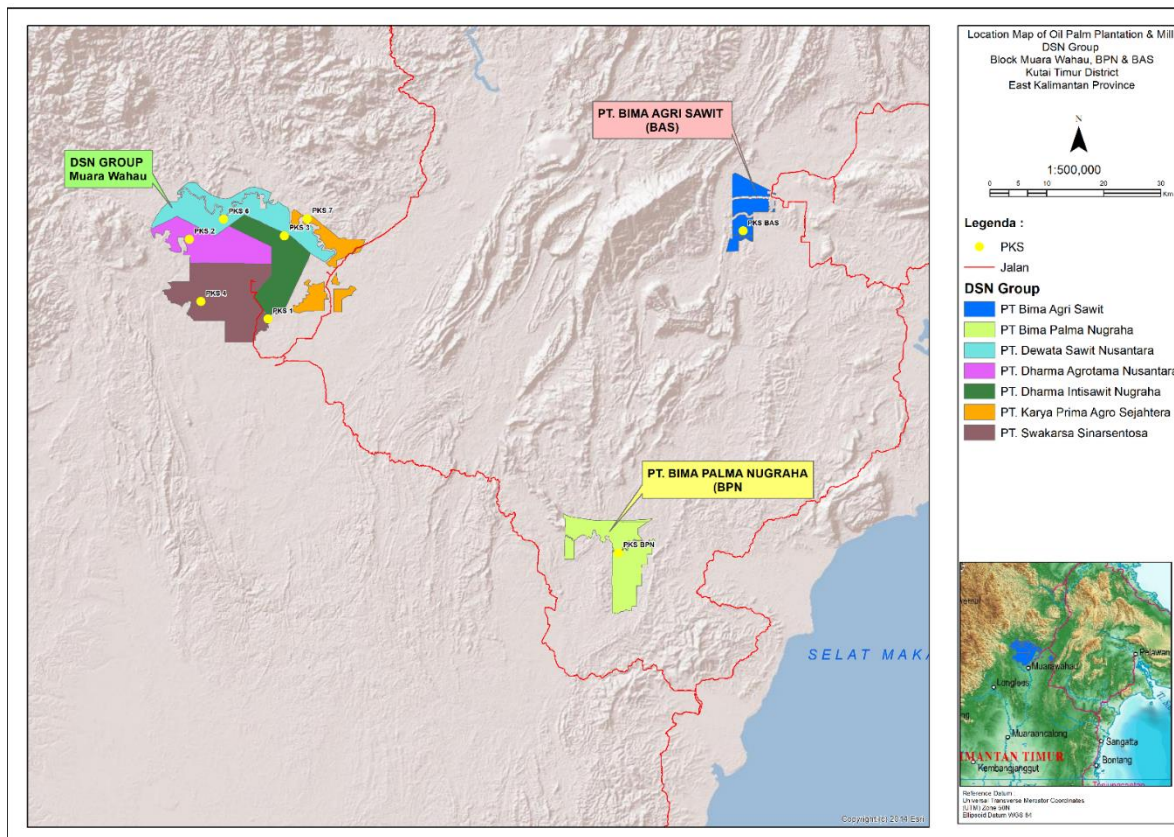
landscapes: Bulungan in North Kalimantan, Wahau, Bengalon, Karangan and Mahakam in East Kalimantan, Lamandau in Central Kalimantan and Ketungau and Sintang in West Kalimantan, with a total planted area of 112,450 hectares (ha). DSNG also manages 10 palm oil mills (POMs) that process Fresh Fruit Bunches (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.

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 ES-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.

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.

Summary of Findings

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 development of management documentation such as the LPP in 2020 and the ESMS in 2021, the hiring of additional community liaison personnel to the CSR team, the GHG emission baselining and advancement of the decarbonisation strategy.

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 and additional resources are anticipated to support the implementation of E&S programmes.

However, the Company has not yet implemented the requirements of the ESAP throughout the Company, particularly with respect to implementation of the ESMS and compliance with IFC PS. Many of the recommendations from the 2021 Audit to help address these key E&S risks still stand.

It is recognised that 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. Full implementation of the commitments requires time, together with innovation, resources and a clear roadmap or action plan.

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, with timebound milestones and deliverables, key roles and responsibilities, and periodic review, 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 at both the management and operational level and across all subsidiaries; and
- Establish a toolkit of key ESG documentation (e.g. document management system with file repository containing all relevant plans, policies, manuals, SOPs, training material etc, with a consistent hierarchy of documents and numbering system) to reduce complexity and improve ease of implementation of all policies, programmes, plans and procedures, noting the interconnections and dependencies between them.

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, programmes, SOPs and necessary action items (including ESAP, LPP KPI, IFC PS, NDPE and local regulatory compliance), mapping synergies where relevant; break down action items into tasks and sub-tasks (if required), and assign prioritization; 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, with indicator of completion. • 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, reporting directly to the Chief Sustainability Officer, 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. • Develop and implement a structured 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, in accordance with the ESMS requirements. • Conduct E&S Audits for all suppliers to ensure compliance with company requirements (including the Sustainability Policy, NDPE Policy, IFC PS). • Provide E&S briefings to suppliers related to the requirements (including the Sustainability Policy, NDPE Policy, IFC PS), according to an established plan which works towards full compliance (e.g. target 100% of suppliers engaged on NDPE, with month by month schedule for implementation).
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 (e.g. maintain records of review of grievances and justification for closure), and provision of grievance mechanism training to the project team, with particular focus on groups such as workers and local communities.

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 ES-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.

Compliance to LPP

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).

The LPP's KPIs are 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 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%). DSNG is understood to have sought government approval to providing monetary compensation to communities where land is not available for plasma. According to the company (email correspondence, July 2023), the development of the plasma plantation is ongoing but DSNG has to complete the recognition process so that all parties can confirm the size of the plasma plantation that has been built, its location and its legality; therefore, it is not appropriate for DSNG to show it at this time; by the end of 2023, the company will record the plasma plantations that have been built in the DSN accounting document.
- **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.

Compliance to ESAP

The ESAP includes three components:

- Strategic items, related to specific actions required to implement the LPP;
- Compliance with the IFC Performance Standards (IFC PS) based on annual quantitative targets and priority actions; and
- Impact targets linked to &Green’s KPI framework.

Significant progress has been made on the strategic items of the ESAP. These are largely related to establishing the necessary systems required to implement the LPP and are now complete. However, compliance with the second ESAP component, IFC PS, is an ongoing commitment, to which the Company is not yet compliant. Progress towards the third ESAP component, impact targets linked to &Green’s KPI framework, are also in progress and not yet compliant.

The ESAP compliance is summarised in the table below.

Table ES-3: 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	Compliant
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

ESAP. No	ESAP DELIVERABLE (ERM, ESAP Report, 2020)	COMPLETION DATE	COMPLIANCE STATUS
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
2.18	Monitoring report of SIA measures (RKS/RPS) of PT BPN and PT BAS.	31 March 2021	Compliant with recommendation
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	Compliant with recommendation
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.

Compliance to IFC PS Requirements

Compliance with the second ESAP component, meeting the requirements of the IFC PS, is an ongoing commitment, to which the Company is not yet compliant.

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 2023, including refreshers training to foster effective implementation. However, the Company is yet to develop specific action plans to support ESMS implementation, as required by the ESMS. Increasing capacity at management level in the requirements of the IFC PS, such as through the appointment of an ESMS Manager, is recommended, with continued tracking of performance through the IFC PS Compliance Matrix.

Social

The Indigenous People Development Plans and Cultural Heritage Preservation Plans for Muara Wahau Block, PT BAS and PT BPN were developed in 2022. 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 records of grievance investigation and closure, 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 included:

- 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 findings are summarised in the table below.

Table ES-4: Summary of Compliance to IFC PS

ASPECT	COMPLIANCE STATUS	% COMPLIANCE 2021	% COMPLIANCE 2022
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	Partially Compliant	61%	63%
PS 2: Labour and Working Conditions	Partially Compliant	60%	64%
PS 3: Resource Efficiency and Pollution Prevention	Partially Compliant	50%	52%
PS 4: Community Health and Safety	Partially Compliant	58%	58%
PS 5 Land Acquisition and Involuntary Resettlement	Partially Compliant	36%	43%
PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	Partially Compliant	55%	63%
PS 7 Indigenous Peoples	Partially Compliant	50%	50%
PS 8 Cultural Heritage	Partially Compliant	50%	58%
TOTAL	Partially Compliant	55%	58%

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. The Company has increased its capacity to implement the NDPE Policy, with the appointment of five (5) Supplier Engagement Staff to support the engagement process. The socialisation of NDPE policy for the independent smallholders (including SAPRODI farmers and independent smallholders) commenced in 2022, with a total of three engagement sessions held with suppliers. Based on the records provided for review, a total of 83 participants attended the engagement sessions, including DSNG personnel. Further sessions are recommended throughout 2023 to increase awareness amongst all suppliers. A Supplier Register should be maintained which clearly records pertinent details such as: the name of all registered suppliers; which of those suppliers have been engaged, together with full details (e.g. name, job title) of those who have been engaged; the date of the engagement, etc. Progress can then be tracked (e.g. percentage who have been socialised) using this register. The NDPE compliance status for DSNG’s suppliers is recommended to be reviewed during the next audit (2023).

No actual deforestation incidents were identified during the audit, however, the site visit was short and a longer site visit is recommended for future audits.

Based on the review of DSNG’s implementation in 2022, some non-compliance issues were noted, as follows:

- Environmental, health and safety non-compliance issues associated with waste and chemical management (refer to PS3) related to the Company’s own operations according to the local regulations;
- The development of the GHG emission reduction plan for the Company’s operations 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.

Conclusions

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.

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 has found that the Company is not yet meeting all the requirements of the Applicable Standards.

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 compliance with the Applicable Standards are as follows:

- Strengthen ownership and prioritisation of ESG within the Company through the establishment of a realistic roadmap, with timebound milestones and deliverables, key roles and responsibilities, and periodic review, 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 at both the management and operational level and across all subsidiaries; and
- Establish a toolkit of key ESG documentation (e.g. document management system with file repository containing all relevant plans, policies, manuals, SOPs, training material etc, with a consistent hierarchy of documents and numbering system) to reduce complexity and improve ease of implementation of all policies, programmes, plans and procedures, noting the interconnections and dependencies between them.

The next E&S Annual Audit is scheduled to be carried out for the period January – December 2023 to assess DSNG’s compliance against applicable E&S requirements, the findings of this report, and to provide recommendations for adjustments and improvements, as required.