

Intended for
T. Dharma Satya Nusantara, tbk

Document Type
Final

Date
June, 2021

Project Number
335000280

ANNUAL ENVIRONMENT AND SOCIAL AUDIT REPORT – PROGRESS 2020



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Project No. **335000280**
Issue No. **Rev 04**
Date **June 29, 2021**
Made by **Chen Siaw Fun, Barbara Lama**
Checked by **Cara Quinn**
Approved by **John Miragliotta**

Ramboll
20 Harbour Drive
#02-01
Singapore 117612

T +65 6469 9918
<https://ramboll.com>

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Version Control Log

Revision	Date	Made by	Checked by	Approved by	Description
Rev01	31-03-2021	Chen Siaw Fun, Barbara Lama	Cara Quinn	John Miragliotta	Internal Review of Draft Report
Rev02	07-05-2021	Chen Siaw Fun, Barbara Lama	Cara Quinn	John Miragliotta	Internal Review of Draft Report
Rev03	25-06-2021	Chen Siaw Fun, Barbara Lama	Cara Quinn	John Miragliotta	Internal Review of Draft Report
Rev04	29-06-2021	Chen Siaw Fun, Barbara Lama	Cara Quinn	John Miragliotta	Final Report

GLOSSARY OF TERMS/ ACRONYMS

Acronym	Abbreviation
&Green	The &Green Fund
CAP	Corrective Action Plan
CHSP	Community Health and Safety Plan
COVID-19	Coronavirus Disease
CPP	Community Participation Program
CRT	Conflict Resolution Team
CSR	Corporate Social Responsibility
DSNG	PT. Dharma Satya Nusantara, tbk
ER	Environmental Return
E&S	Environmental and Social
EHS	Environmental, Health and Safety
ERM	PT ERM, an environmental consulting firm
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESG	Environment, Social, and Governance
ESMS	Environmental and Social Management System
ESMP	Environmental and Social Management Plan
FPIC	Free, Prior and Informed Consent
FFB	Fresh Fruit Bunch
GM	Grievance Mechanism
GIIP	Good International Industry Practice
HTI	Industrial Forest Plantation (<i>Hutan Tanaman Industri</i>)
HCV	High Conservation Value
HC	Human Capital Department
Hectare	Ha
ICP	Informed Consultation and Participation
IFC	International Finance Corporation
ILO	International Labour Organization
IP	Indigenous Peoples
ISPO	Indonesian Sustainable Palm Oil
KIIs	Key Informant Interviews
KPI	Key Performance Indicator
LPP	&Green Landscape Protection Plan
LUCA	Land Use Change Analysis
MoM	Minutes of Meeting
NDPE	No Deforestation, No Peat, No Exploitation
PIR-Trans Programme	Plasma Transmigration Programme (<i>Perkebunan Inti Rakyat</i>)
PKS	Palm Oil Factory (<i>Pabrik Kelapa Sawit</i>)
PKO	Palm Kernel Oil
POM	Palm Oil Mill
PPE	Personal Protective Equipment
PR	Priority Recommendations
PS	Performance Standard
PT DAN	PT Dharma Agrotama Nusantara
PT DIN	PT Dharma Intisawit Nugraha
PT DWT	PT Dewata Sawit Nusantara
PT SWA	PT Swakarsa Sinarsentosa
PT KPAS	PT Karya Prima Agro Sejahtera

Acronym

PT BPN

PT BAS

RSPO

SAPRODI

SHE

SIA

SEP

SOP

TOR

Abbreviation

PT Bima Palma Nugraha

PT Bima Agri Sawit

Roundtable on Sustainable Palm Oil

Smallholder Support Programme (*Sarana Produksi Pertanian*)

Safety, Health, and Environment

Social Impact Assessment

Stakeholder Engagement Plan

Standard Operation Procedure

Terms of Reference

EXECUTIVE SUMMARY

Ramboll Environ Singapore Pte Ltd (Ramboll) was commissioned by PT. Dharma Satya Nusantara, tbk (hereinafter referred to as DSNG) 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 also consented to the appointment of Ramboll. The audit covers the period of April to December 2020, and audits will thereafter follow an annual calendar year reporting period.

The E&S Audit comprises of the following components: (1) desk-based review of documents; (2) virtual interviews with DSNG representatives from DSNG's Head Office; and (3) virtual site visit for PT BAS and BPN (limited to interview with site personnel, community representatives and photographs review).

The primary objective of the audit is to assess DSNG's compliance against the environmental and social covenants of the following applicable standards, and to provide recommendations for adjustments and improvements as required.

Applicable Standards for the E&S Audit are 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);
- No Deforestation, No Peat, No Exploitation (NDPE) Policy; and
- DSNG's Sustainability Policy.

This report presents the findings of the first annual E&S Audit. An Environmental and Social Due Diligence (ESDD) assessment was undertaken by PT ERM Indonesia in 2020 to assess the environmental and social risks, as well as to develop a comprehensive Environmental and Social Action Plan (ESAP).

Summary of Findings & Recommendations

Compliance to ESAP

Overall, it can be concluded that DSNG has made significant progress against the ESAP items which are required to be completed in 2020 under the challenging circumstances posed by COVID-19 restrictions. Most of the completed ESAP items are related to the policies and procedures. Therefore, DSNG has made significant progress in establishing a number of policies and procedures to improve environmental and social sustainability and accountability of its operations in 2020.

According to the deadlines that were due in 2020, DSNG has successfully addressed 23 out of 27 items; of which 4 items are considered partially compliance (ESAP 2.7, 2.9B, 2.15A, and 3.4.A).

The ESAP compliance is summarised in the table below.

Table ES 1: Summary of ESAP Compliance

ESAP No.	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	Compliance Status
1.2	Progress status of water extraction permit from relevant authority for PT BPN.	30-Sep-2020	Compliant
2.2	Board approved updated sustainability policy which incorporates the new NDPE policy.	30-Jun-2020	Compliant
2.3.A	Draft of NDPE implementation strategy for 3rd party FFB suppliers for each subsidiary for &Green to comment on.	30-Jun-2020	Compliant
2.3.B	Board approved NDPE implementation strategy for 3rd party suppliers FFB for each subsidiary.	31-Jul-2020	Compliant
2.5.A	Board approved SOP for contractor selection with detailed screening mechanisms towards compliance with the national regulation as well as the DSNG sustainability policy.	30-Sep-2020	Compliant
2.5.B	Updated contract agreement template to accommodate the contractors' obligation to adhere to the legal requirements and the sustainability policy	30-Sep-2020	Compliant
2.7	Board approved SOP for NDPE implementation.	30-Sep-2020	Partially Compliant
2.9.A	Training plan covering DSN's internal staff and its existing contractors.	31-Dec-2020	Compliant (with additional recommendation)
2.9.B	Evidence of training and socialisation via documentation photographs and attendance lists).	31-Dec-2020	Partially Compliant
2.9.C	Documentation of monitoring report	31-Dec-2020	Compliant
2.11	Documentation of SOP socialisation process to internal and external stakeholders (i.e. schedule of meetings).	31-Dec-2020	Compliant
2.15.A	Draft reporting template to be approved by &Green	31-Dec 2020	Partially Compliant
2.19.A	3rd Party E&S risk assessment of PT PUL against IFC PS.	30-Jun-2020	Compliant
2.19.B	Draft E&S management plan for PT PUL, for &Green to comment on.	30-Sep-2020	Compliant
2.19.C	Board approved E&S management plan for PT PUL.	31-Dec-2020	Compliant
3.2	Supporting evidence / documentation (e.g. photologs) after construction / installation of spill prevention system for PT BPN	30-Sep-2020	Compliant (with additional recommendation)

ESAP No.	ESAP Deliverable (ERM, ESAP Report, 2020)	Completion Date	Compliance Status
3.3	Supporting evidence of Sediment pond construction for PT BPN	30-Sep-2020	Compliant (with additional recommendation)
3.4.A	Action plan for efficiency, monitoring plan and mechanisms	30-Sep-2020	Partially Compliant
4.1.A	Maps of the concessions with demarcated alternative roads that can be used by the community.	31-Dec-2020	Compliant
4.1.B	Evidence of having provided alternative road access for the community such as with a laneway for the community or building a new road/bypass if necessary.	31-Dec-2020	Compliant (with additional recommendations)
6.1.A	Land inventory report combining information for all subsidiaries.	30-Sep-2020 (for PT SWA)	Compliant
6.1.B	Map of planted HCV area boundary for all subsidiaries.	30-Sep-2020 (for PT SWA)	Compliant
6.2.A	HCV management implementation plan in PT BPN and PT BAS.	30-Sep-2020	Compliant
6.2.B	Map of the concession / location point information with clarity on HCV demarcation area for PT BAS.	30-Sep-2020	Compliant
6.2.C	Documentation of HCV socialisation process to internal staff (SHE, sustainability and biodiversity personnel) and external stakeholders (community adjacent to HCV demarcation, related NGOs, related government agencies, and companies surrounding accession area). For instance: schedule of socialisation sessions and attendance list for each targeted group.	31-Dec-2020	Compliant
6.3.A	Action plan to execute the remedial actions for PT DAN and PT DWT	30-Sep-2020	Compliant
6.4	Replanting plan for each subsidiary, with a priority on PT SWA.	30-Sep-2020 (for PT SWA)	Compliant

Compliance to LPP KPI

In relation to the compliance to the requirements of the &Green LPP, DSNG has developed Company Landscape Protection Implementation in 2020. The document establishes the baseline in 2020 and details the annual targets to be achieved for ER1, ER2, ER3 and SI, qualified milestones as well as activities to be undertaken in order to achieve the annual targets until 2030.

This E&S audit validates the baseline data for 2020 that has been identified by DSNG. The compliance against the implementations and the annual targets for ER1, ER2, ER3 and SI will be included in the next audit (2021). The priority task for DSNG to complete in 2020 is to establish the baseline for ER1, ER2, ER3 and SI as well as to outline the activities in order to achieve the annual targets.

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

Table ES 2: Summary of LPP KPI

LPP	Reference Standard	Baseline 2020					
ER1	Protection of the forest	<p>Below is the summary of baseline data for total forest protection in 2020. The baseline data indicates that the forest protection target for 2030 has been achieved; DSNG is required to maintain the target annually until 2030.</p> <table border="1"> <thead> <tr> <th>Baseline 2020</th> </tr> </thead> <tbody> <tr> <td>On concession = 4,054 ha</td> </tr> <tr> <td>Off concession = 3,543 ha</td> </tr> <tr> <td>On concession + Off concession = 7,597 ha</td> </tr> </tbody> </table>	Baseline 2020	On concession = 4,054 ha	Off concession = 3,543 ha	On concession + Off concession = 7,597 ha	
Baseline 2020							
On concession = 4,054 ha							
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ER2	Sustainable intensification of productive land	<p>Below is the summary of baseline data for total land intensification in 2020. The baseline data indicates that the land intensification target for off-concession has been achieved, whilst the target for on-concession has a balance of 1,062 ha comparing to Target 2030.</p> <p>The off-concession Target has been revised from 3,740 ha to 3,042 ha due to the reduce of 698 ha land associated with the SAPRODI farmers (refer to SI for the details of Warga Rimba farmers group conversion).</p> <table border="1"> <thead> <tr> <th>Baseline 2020</th> </tr> </thead> <tbody> <tr> <td>On concession = 80,948 ha</td> </tr> <tr> <td>Off concession (SAPRODI's farmers land) = 3,042 ha</td> </tr> </tbody> </table>	Baseline 2020	On concession = 80,948 ha	Off concession (SAPRODI's farmers land) = 3,042 ha		
Baseline 2020							
On concession = 80,948 ha							
Off concession (SAPRODI's farmers land) = 3,042 ha							
ER3	Restoration of forest	<p>Below is the summary of baseline data for forest restoration identified in 2020. The implementation of the related compensation activities within concession areas of PT DAN and PT DWT will commence in January 2021; therefore, the output will be documented in annual LPP monitoring report starting from 2021. Total of 0.5 ha within concession area of PT DIN has been restored with 275 seedlings in 2020, whilst the rest of 36.5 ha will be regrown naturally.</p> <table border="1"> <thead> <tr> <th>Baseline 2020</th> </tr> </thead> <tbody> <tr> <td>PT DAN = 48 ha</td> </tr> <tr> <td>PT DWT = 28 ha</td> </tr> <tr> <td>PT DIN = 37 ha (0.5 ha restored; 36.5 ha regrown)</td> </tr> <tr> <td>Total = 113 ha</td> </tr> </tbody> </table>	Baseline 2020	PT DAN = 48 ha	PT DWT = 28 ha	PT DIN = 37 ha (0.5 ha restored; 36.5 ha regrown)	Total = 113 ha
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LPP	Reference Standard	Baseline 2020					
SI	Small Holders and households benefiting from DSNGs intervention	<p>Below is the summary of baseline data for Smallholders and households benefiting from DSNGs intervention:</p> <ul style="list-style-type: none"> As of December 2020, SNG 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 1232 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. It was stated by the management that the baseline 2020 needs revision and will be undertaken by DSNG soon. <table border="1"> <thead> <tr> <th>Baseline 2020</th> </tr> </thead> <tbody> <tr> <td>SAPRODI farmers = 1,102</td> </tr> <tr> <td>Number of individual benefitting from plasma partnership via cooperative = 6,262</td> </tr> <tr> <td>Transport contract = 343</td> </tr> <tr> <td>Construction service contract = 25</td> </tr> </tbody> </table>	Baseline 2020	SAPRODI farmers = 1,102	Number of individual benefitting from plasma partnership via cooperative = 6,262	Transport contract = 343	Construction service contract = 25
Baseline 2020							
SAPRODI farmers = 1,102							
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Compliance to IFC PS

DSNG is in the process of finalising of its ESMS to improve management of social and environmental risks of its operations. DSNG is required to identify the environmental and social risks in the ESMS and review the existing mitigation and monitoring plans to ensure the plans are aligned with the risks once the ESMS is finalised in 2021.

Socialisation and capacity building, particularly at concession level, for implementation should be a priority in 2021, including refreshers training to foster effective implementation. Monitoring mechanism of the performance of all seven subsidiaries are undertaken through continuous updates and quarterly review meetings. Documentation protocol in the subsidiaries were observed to be robust. DSNG has developed a number of procedures for different topics; however, Ramboll found that it is challenging to locate the relevant SOP from one master document. For easy tracking purpose, Ramboll recommended DSNG to list down all relevant SOPs (SOP reference number and title) in the management plan for each topic.

The IFC PS 2020 findings are summarised in the table below.

Table ES 3: Summary of IFC PS 2020 Findings

Aspect	2020 E&S Finding	Compliance Status
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	DSNG is in the process of developing of ESMS. It has developed Sustainability Policy and NDPE Policy to demonstrate their commitment to be compliant with national laws and regulations and environmentally and socially sound practices in order to meet high standards in terms of sustainability and transparency. DSNG has formed a Sustainability Committee, ESG Committee, CSR Team and SHE Department to manage the environment and social risks related to its operations. Monitoring of all seven subsidiaries are undertaken through a Quarterly Performance Review. SOPs related to emergency preparedness and response: however, procedures related to	In progress

Aspect	2020 E&S Finding	Compliance Status
	<p>accidental and emergency situations such as hazardous materials/wastes spillage, explosion, lightning, haze, violence behaviour are yet to be developed.</p> <p>Stakeholder Engagements were limited due to the Covid-19 situation nevertheless engagement activities have been undertaken by DSNG during the year 2020.</p> <p>Grievance handling procedures have been developed and grievances are documented by DSNG. However, is unclear from the grievance register how action from management translates down to the grievance close out.</p>	
PS 2: Labour and Working Conditions	<p>DSNG has developed employee handbooks for the welfare for its employees and it is applicable to its subsidiaries. Policies and procedures related to non-discrimination and equal opportunity have been developed. Agreements are signed with the employees and incorporates benefits provided by the company. DSNG also conducts numerous trainings and awareness programs for capacity building of its employees as well as a robust grievance redressal mechanism. Employees accommodation and medical facilities are provided for employees within the concession areas. Covid-19 protocol and measures have been developed and implemented. DSNG has developed SOPs to ensure suppliers compliance to its NDPE policy and MRV compliances. However, DSNG is yet to develop a retrenchment procedure/plan in the event of collective dismissal.</p>	In progress
PS 3: Resource Efficiency and Pollution Prevention	<p>All subsidiaries of DSNG have obtained relevant environmental permits from the Indonesian Government to operate palm oil plantations and mills. DSNG has developed environmental related SOPs on chemical management, waste management, pesticide management, GHG mitigation and wildlife protection to provide instructions to help employees to carry out the relevant works. Review of the available SOPs indicates that the contents are clear, sufficient and easy-to-understand to achieve the quality output. Ramboll has identified several deficiencies regarding to the SOP and management plan: DSNG has no SOP relating to the transportation, handling and use of hazardous materials; DSNG has no management plan relating to water and waste management. The management plan is important to ensure that effective procedures are implemented for the related activities conducted on site; therefore, it should always be referenced by SOP.</p> <p>Due to COVID-19 constraints, physical site visits to the subsidiaries were not included in this audit; therefore, the full compliance associated with the site conditions such as hazardous materials/wastes handling and storage, adequacy of spill prevention system, wastewater treatment system, milling process, surface runoff from land applications and etc could not be verified physically, and have been captured through virtual meeting/streaming and timestamp camera images. Physical site visit, if possible, should be included in the next audit (2021) to review compliance against the applicable E&S requirements of national regulations and IFC PS as well as to review progress on implementation of the ESMS.</p>	In progress
PS 4: Community Health and Safety	<p>In order to ensure safety of the community members, DSNG has developed various plans and procedures such as a Community Health and Safety Plan (CHSP) to mitigate incidents that could be a cause of concern for community health and safety. Traffic Safety and Traffic Management procedures have been developed to ensure safety of vehicles utilised for its operations. Covid 19 protocols have been developed and implemented in all concession areas. DSNG has also designated trained security guards for protection of its operations ,however training plans for the security guards is to be developed.</p>	In progress

Aspect	2020 E&S Finding	Compliance Status
PS 5 Land Acquisition and Involuntary Resettlement	All land permits for its subsidiaries were observed to be valid. On review of documents and discussions with management and village representative of Tepian Langsat, it was noted that there were no pending grievances related to land.	In progress
PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	DSNG has conducted HCV assessment for all subsidiaries between 2011 to 2017. The HCV areas have been identified and mapped based on the six HCV types categorised by IFC PS. No internationally recognised biodiversity protected areas are identified within the concession although several IUCN's Critically Endangered (CR) categorised flora and fauna species have been identified within the DSNG's concession areas. DSNG has developed Conservation Management Plan following the HCV assessment to manage the risks posed to the biodiversity and ecosystem. The biodiversity component is generally in compliance with the IFC PS based on the review of the available documents; however, the implementation of the biodiversity conservation programme is in the progress. The implementation will be verified in the next audit (2021).	In progress
PS 7 Indigenous Peoples	Development of the IPP/community development program within the Muara Wahau area is also underway. The IPP is being developed in alignment with the Ethnographic Study conducted in 2011 by DSNG. It is anticipated to be completed by September 30, 2021.	In progress
PS 8 Cultural Heritage	Development of Cultural Heritage Assessment report and cultural heritage preservation program is presently underway. It is anticipated to be completed by September 30, 2021. Sensitisation of the security guards regarding non-restriction of access to community members of Muara Wahau block and PT BPN for access to ancestral land and ancestral cemetery respectively is yet to be undertaken.	In progress