



HDL E&S ACTION PLAN

This Environmental & Social Action Plan (ESAP), agreed upon between Stichting &Green Fund (&Green) and PT HDL (HDL), defines the annual targets of HDL during the loan period. The ESAP relates to HDL's contractual commitments with respect to reaching IFC PS compliance, implementing the NDPE policy, delivering Environmental Returns and Social Inclusion targets, as well as improving its governance systems. HDL's ESAP compliance is audited annually by external E&S consultants.

Theme	Target	Action	Verification Means	2022	2023	2024	2025	2026	2027	2028	2029	2030
IFC PS Compliance, E&S risks												
IFC PS1: ESMS	90% compliance by 2026	Implement recommended actions resulting from the IFC PS Matrix. At a minimum complete within 2 years after investment: [A]E&S capacity and competence [B] ESMS and [C] training plan [C] Grievance mechanism	External audit report	50%	60%	70%	80%	90%	90%	90%	90%	90%
IFC PS1: ESMS	[A] Establish, and strengthen E&S capacity and competence	Contract qualified consultants to support the delivery of the ESMS, of the NDPE socialisation strategy and of the BAP and to train HDL team	(i) &Green approved ToR of consultants (ii) signed contracts	(i) by 31/03 (ii) by 31/05								
IFC PS1: ESMS	[B] Build an ESMS that responds to on-going E&S risks and impacts of the business	Develop and adopt an Environmental and Social Management System (ESMS) document covering HDL, its subsidiaries, contractors, and supply chain, and that is compliant with national laws, RSPO criteria and indicators, and meets the requirements of IFC PS1.	ESMS document;	By 31/12								



IFC PS1: ESMS	[C] ESMS socialised and understood by all stakeholders	Create and deliver an comprehensive training plan covering HDL employees, contractors, and FFB suppliers – focusing on relevant themes of ESMS for each stakeholder type. Plan will include all aspects of environmental, social, and EHS work as applicable to worker roles, duties, and responsibilities.	(i) Training Plan; (ii) Evidence of training	(i) by 31/12	(ii) by 30/06								
IFC PS1: ESMS	[D] Establish an effective grievance mechanism	Create and implement an SOP for managing an external (public/community) grievance mechanism	(i) SOP; (ii) Evidence of socialisation; (iii) Registry of grievances	(i) by 31/12	(ii) by 31/03 (iii) by 30/06								
IFC PS2: Health, safety, labour	90% compliance by 2025	Implement recommended actions resulting from the IFC PS Matrix.	External audit report	60%	70%	80%	90%	90%	90%	90%	90%	90%	90%
IFC PS3: Water, air, land	90% compliance by year 2026	Implement recommended actions resulting from the IFC PS Matrix. At a minimum complete within 2 yrs after investment and before finalisation of the mill: [E] POME management and monitoring plan [F] Greenhouse Gas (GHG) management and monitoring plan	External audit report	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%
IFC PS3: Water, air, land	[E] Minimize and control POME-related impacts	Create a Palm Oil Mill Effluent (POME) management and monitoring plan	POME Management and monitoring plan		by 30/06								
IFC PS3: Water, air, land	[F]Reduce GHG emissions related to the operations	Create a Greenhouse Gas (GHG) management and monitoring plan covering	GHG Management and monitoring plan		by 31/12								
IFC PS4: Communities	90% compliance by year 2025	Implement recommended actions resulting from the IFC PS Matrix	External audit report	60%	70%	80%	90%	90%	90%	90%	90%	90%	90%



IFC PS5: Displacement	90% compliance by 2023	Implement recommended actions resulting from the IFC PS Matrix	External audit report	80%	90%	90%	90%	90%	90%	90%	90%	90%	90%
IFC PS6: Biodiversity	90% compliance by 2026	Implement recommended actions resulting from the IFC PS Matrix. At a minimum, complete within 1yr after investment: [G] Biodiversity-HCV Action Plan.	External audit report	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%
IFC PS6: Biodiversity	[G] Effective management of biodiversity and HCV areas	Create and deliver a Biodiversity Action Plan (BAP) consistent with IFC PS6 and ER/SI targets, that includes at a minimum final HCV-HCS demarcation/maps, detailed implementation for achieving net gain, management, and monitoring plans for HCV-HCS and critically endangered species	HCV-Biodiversity Action Plan	By 31/12									
IFC PS7: Indigenous Peoples	90% compliance by 2024	Implement recommended actions resulting from the IFC PS Matrix. At a minimum complete within 2 yrs after investment: [H] Indigenous People Plan.	External audit report	70%	80%	90%	90%	90%	90%	90%	90%	90%	90%
IFC PS7: Indigenous Peoples	[G] Avoid and mitigate adverse impacts on communities of Indigenous Peoples	Create and deliver an Indigenous Peoples Plan (IPP)* consistent with IFC PS7 requirements	Indigenous Peoples Plan		by 30/06								
IFC PS8: Cultural Heritage	90% compliance by year 2025	Implement recommended actions resulting from the IFC PS Matrix	External audit report	50%	70%	80%	90%	90%	90%	90%	90%	90%	90%



NDPE Implementation												
Certification	100% RSPO certified by 2025	Achieve and maintain RSPO certification from 2025	RSPO certification			By 31/12	RSPO certified	RSPO certified	RSPO certified	RSPO certified	RSPO certified	RSPO certified
Governance, Capacity	SOPs finalised	Finalise all SOPs related to tracing, screening, managing and monitoring suppliers against the NDPE	Report summarising all Policies and SOPs	by 31/12								
NDPE: Sourcing Strategy	Implement the sustainable sourcing strategy	Implement the sustainable sourcing strategy: [A] formalise the strategy workplan and socialisation plan for implementation [B]Scale up implementation beyond the 3 pilot villages	Audit report	[A] by 30/03	[B] by 30/06							
NDPE: Traceability	Achieve traceability	Achieve and maintain 100% traceability of all FFB suppliers	Audit report		100% traced	100% traced	100% traced	100% traced	100% traced	100% traced	100% traced	100% traced
NDPE: Coverage	Achieve 100% compliance	Achieve and maintain 100% compliance of all FFB suppliers	Audit report		100% compliant	100% compliant	100% compliant	100% compliant	100% compliant	100% compliant	100% compliant	100% compliant
Environmental and Social Targets												
ER1: Conservation	Protect and conserve 56 hectares of forest within concession	Establish and implement HCV-biodiversity action plan	Audit report	56 ha	56 ha	56 ha	56 ha	56 ha	56 ha	56 ha	56 ha	56 ha
ER1: Conservation	Protect and conserve 406 hectares of customary forest within concession	Secure the legal recognition of customary forest areas and implement community-based forest protection programs	Audit report	406 ha	406 ha	406 ha	406 ha	406 ha	406 ha	406 ha	406 ha	406 ha
ER1: Conservation	Protect and conserve 7,039 hectares of forest in the landscape	Implement the NDPE sourcing strategy	Audit report	7,039 ha	7,039 ha	7,039 ha	7,039 ha	7,039 ha	7,039 ha	7,039 ha	7,039 ha	7,039 ha



ER2: Intensification	Optimise FFB production on own oil palm plantation	(ii) support smallholders in the landscape through its farmer support program.	Audit report	5,388 ha	5,388 ha	5,388 ha	5,388 ha	5,388 ha	5,388 ha	5,388 ha	5,388 ha	5,388 ha	5,388 ha
ER2: Intensification	Support the sustainable production of smallholder palm oil plantation	Implement the smallholder NDPE on-boarding program which includes gap assessment, land regularisation services and trainings on good agricultural practices.	Audit report	2,235 ha	16,871 ha	30,560 ha	30,560 ha	30,560 ha	30,560 ha	30,560 ha	30,560 ha	30,560 ha	30,560 ha
ER3: Restoration	Restore 472 hectares of forest	Remediate for past environmental liabilities through set aside and natural regeneration	Audit report	472 ha	472 ha	472 ha	472 ha	472 ha	472 ha	472 ha	472 ha	472 ha	472 ha
SI1: Producers	Support up to 2,055 individuals— plasma smallholders.	Service the plasma-profit sharing agreement	Audit report	2,055	2,055	2,055	2,055	2,055	2,055	2,055	2,055	2,055	2,055
SI1: Producers	Support up to 5,964 individuals— independent palm oil smallholders.	Implement the smallholder capacity building program which includes gap assessment, land regularisation services and trainings on good agricultural practices.	Audit report	447	3,374	6,101	6,101	6,101	6,101	6,101	6,101	6,101	6,101
SI2: Community services	Support 15,000 individuals through community services	Improve and maintain infrastructure for the 15 villages in and adjacent to HDL concession.	Audit report	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
SI3: Jobs	Support 834 direct jobs	Provide direct and indirect jobs (fte equivalent), of which 99% to local people, 16% women.	Audit report	824	834	834	834	834	834	834	834	834	834



E&S Governance											
Governance: independence	Enhance the function of BOD and BOC with adequate representation from HDL's permanent, Indonesia-based senior executives and independent members.	(i) Expand BOC to minimum 3 members including 1 independent Commissioner; (ii) Reorganise BOD to include minimum 2 Indonesia-based executives; (iii) Add an Annual Budget resolution requirement to Articles.	Requisite Corporate Resolutions appointing the new BoC and BoD and including annual budget	By 30/09							
Governance: independence	Establish a secretarial function	Establish a corporate secretarial function, reporting to the BOD, which comprises internal and external communications and monitoring legal/regulatory compliance and document retention to safeguard HDL's reputation.	(i) Corporate Secretary position job description and CV of hired staff (ii) BOD and BOC protocols ("rulebook")	(i) By 31/12	(ii) By 31/03						
Governance: E&S	Establish a Sustainability Advisory Board ("SAB")	Establish a "SAB" comprised of HDL's senior executives and relevant external experts to advise HDL on strategic decisions safeguarding the business are taken while considering the long-term impact and risks to the community, environment and reputation of the shareholders and other investors/creditors. Ensure SAB is empowered to advise the BOD and BOC.	(i) BOD resolution on the SAB establishment; (ii) First meeting has taken place. (iii) TOR of the SAB for external experts; (iv) Second meeting (with external expert) has taken place;	(i) by 30/09 (ii) and (iii) by 31/12	(iii) and (iv) by 30/06						
Governance: Investor Relation	Enhance local corporate finance team	Enhance the local corporate finance team functioning with adequate resources to liaise with all	Corporate Finance manager job description and CV of hired staff	By 30/09							



		stakeholders – creditors, government agencies, civil society										
Governance: Investor Relation	Enhance corporate communication and reporting systems	Standardize corporate reporting templates and consolidate corporate data sources to ensure consistency of internal and external communication about HDL's business performance, CSR programs, etc.	Updated HDL corporate website and Investor Presentation	By 31/12								