1.1 Introduction

As a manager of oil palm estates and producer of crude palm oil and crude palm kernel oil, DSNG is proud that palm oil is the most efficient vegetable oil among the major oil seed crops such as soybean, rapeseed and sunflower. Commencing planting in 1996 with just 1,000 hectares in East Kalimantan, DSNG’s management has employed a consistent philosophy toward development of its estates and palm oil business overall – mutual respect for the environment and communities to ensure short term benefits do not sacrifice the long health of the ecosystems in which we operate.

Over the past 25 years, DSNG has witnessed the rapid expansion of palm oil in Indonesia and the evolution of the industry as it tries to grapple with the challenges brought on by such a rapid rise. Recognizing the complexity of a now global commodity supply chain with a variety of stakeholders, DSNG strives to develop its policies and operations to meet the highest standards in terms of sustainability and transparency as it seeks to establish itself as a leader in the industry. To achieve this goal, DSNG is committed to employ palm oil production practices that are

(i) compliant with national laws and regulations;
(ii) are environmentally sound to effectively protect forests and biodiversity;
(iii) reduce greenhouse gas (GHG) emissions; and
(iv) respect the rights of indigenous peoples, workers and local communities.

And along this journey, DSNG’s actions will be guided by this policy, which follows not only the Roundtable on Sustainable Palm Oil (RSPO) principles, but other best practice standards for sustainability and transparency.

1.2 Policy Range

DSNG will adopt this policy for all its own operations, all its subsidiaries, joint ventures, any productive assets it owns, manages, or invests in, including plasma plantations managed and operated by DSNG for the benefit of its smallholder farmers. DSNG will also apply this policy throughout its supply chain, including, Fresh Fruit Bunch (FFB) suppliers, other suppliers and contractors associated with DSNG’s palm oil activities.

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. This policy is effective as of 31 March 2020 and will be communicated and implemented across all DSNG subsidiaries and its supply chain thereafter. DSNG will also publicly disclose all progress documents on a regular basis.

1.3 Commitments

DSNG is fully committed to reducing environmental and social risks and impacts as well as preserving forests through sustainable palm oil production and sourcing. To demonstrate its leadership in the sector in Indonesia, DSNG will build a traceable, transparent and sustainable palm oil production and supply chain, as well as ensure pro-active communication and engagement with its key stakeholders.

The foundation of these commitments are based on the following principles:

- Compliance with all applicable legislation as well as regulatory and industry codes of conduct.
- Leadership with regard to respect for biodiversity, human rights, community development and social impact.
- Establishment of traceable supply chains such that all suppliers can also be given the opportunity and assistance to comply with our Sustainability Policy.
Striving for the highest levels of transparency and stakeholder engagement.

1.4 Baseline Conditions in 2020

DSNG’s existing plantations and mills in Kalimantan, Indonesia are all members of the RSPO. In addition, several of the plantations and mills have obtained RSPO (and/or ISPO) certification. DSNG will look to further build on these certifications by:

- Certifying the outstanding plantations and mills with the RSPO by 2022.
- Committing to sustainable production of palm oil and continuous improvement as outlined in the Indonesian Sustainable Palm Oil (ISPO) system and Indonesian government’s targets.

Specific commitments in accordance with DSNG’s environment and social performance (applicable to third party suppliers), 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;
- Minimize 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 categorized 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.

1.5 Commitments for all New Planting, New Acquisitions or Developments

The additional and specific commitments applicable to any new planting, acquisition, and/or development by DSNG and its third party suppliers are identified as follows:

a. Ensure no deforestation of HCS forests and HCV areas;

b. 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
c. Implement RSPO compliant New Planting Procedures (NPP) before commencing any new planting;
d. Ensure no burning for new planting, re-planting and other developments; and
e. 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.

1.6 Roadmap to Build Traceable Supply Chains

DSNG wishes to build traceable supply chains in compliance with the commitments in our Sustainability Policy. Traceability specific to palm oil is defined as traceable production to the level of the supplier’s plantation or supplier’s farm parcel. Supporting commitments to achieve this goal are identified as:

a. Ensuring that all volumes of palm oil and palm oil fractions will be 100% traceable by the end of 2025;
b. Conducting supplier identification and risk analysis using adequate publicly available or internal tools to understand the risks of non-compliance against the legal, environmental and social commitments made by DSNG;
c. Committing to actively promoting and supporting the transformation of the palm oil supply chain through a process of supplier engagement; and
d. Performing supplier due diligence and facilitating monitoring activities within DSNG’s supply chains to verify compliance with DSNG’s sustainability policy and to take pro-active risk mitigation actions.

Specific objectives of the implementation of supply chain traceability include:

a. Striving to increase the volume or number of traceable suppliers into its supply chain;
b. Appointing independent third party experts to conduct supplier due diligence and ensure their compliance with these policy commitments; and
c. Disclosing the progress against supply chain traceability targets based on the roadmap of the NDPE implementation strategy.

1.7 Transparency on Implementation Progress and Stakeholder Engagement

DSNG is committed to:

a. Resolving all grievances and conflicts related to this policy through a transparent and amicable grievance resolution mechanism that is agreed upon with stakeholders;
b. Providing a sustainability roadmap that is publicly available, and which indicates the targets and progress of NDPE implementation;
c. Consulting, collaborating and building stronger partnerships with governments, communities, industry partners and other stakeholders for the implementation of these policies; and
d. Welcoming and considering feedback from stakeholders and opportunities to advance these policies.

PT Dharma Satya Nusantara Tbk