



Group Sustainability Policy

Jakarta, 22 October 2019

KPN Plantation - Group Sustainability Policy

KPN Plantation is an oil palm plantation and milling company which operates across various regions in Indonesia. Headquartered in Jakarta, we manage plantations in Riau, Jambi, South Sumatra, West Kalimantan, East Kalimantan, West Sulawesi, and Papua. Our primary business activities include cultivating oil palm trees, harvesting and processing fresh fruit bunch, producing Crude Palm Oil, Palm Kernel, Crude Palm Kernel Oil and Palm Kernel Shell.

With this Group Policy, KPN Plantation embraces its commitment to implement and publicly report on its contributions to sustainable oil palm:

Scope

Effective immediately, the provisions in this Sustainability Policy apply to all entities under KPN Plantation Group:

- A list of corporate entities that under the KPN Plantation Group is disclosed on our website. This list will be updated, as and when required.
- Our Directors will not own shares in plantation companies that do not subscribe to the KPN Plantation Sustainability Policy.
- KPN Plantation cannot accept responsibility for associated entities that have not committed to this Sustainability Policy.
- We will not divest our interest in land bank until outstanding grievances are fully resolved, or obligations have been legally transferred to another party (e.g., the new owner).
- This policy also applies to our contractors and third-party suppliers from whom we source fresh fruit bunches.

Stop Work Order

- As a short-term measure required to allow us to develop this policy and commence its implementation, a Stop Work Order (SWO) was issued to all management units, suspending all greenfield development from July 1st, 2018 onward. Replanting on peat will be restricted to sites at demonstrable risk of pest and disease.
- The Stop Work Order (SWO) remains in place until Management is confident that robust systems are in place that assure compliance with this Policy.
- Compliance with the Stop Work Order is monitored by an external party on a bi-weekly basis.

Forest protection

KPN Plantation commits to:

- No new plantation development until we identified and can effectively protect areas of High Conservation Value (HCV) and High Carbon Stock (HCS) within our land bank.
- Adhere with the definitions and integrated approach set out by the HCV Resource Network and HCS Approach Steering Group.
- Develop and implement a Remediation and Compensation Programme (ReCoP) to deliver tangible and long-term benefits to conservation and local communities, and to indemnify some of past harm caused by our operations. No later than by Q2-2019 will we have begun to support:
 - Community-based forest management schemes as administered by the Indonesian Government such as: Social Forestry (*Perhutanan Sosial*) in line with our Community Development/CSR programme and/or;
 - Ecosystem restoration concessions, degraded parts of national parks, protection forest reserves or wildlife conservation areas, collaborate with non-governmental and governmental stakeholders and/or;
 - New or ongoing conservation and forest/peat management programs operated by recognised NGOs, community groups, or other credible institutions and/or;
 - Projects that promote forest product processing and trade that benefit local communities.

Peat management

KPN Plantation commits to:

- No new plantation development on peat land, regardless of depth.
- Implementation of Best Management practices for existing plantations on peat, including:
 - Restoration and protection of natural vegetation on remaining peat within our plantations, where appropriate / sustainable.
 - Maintenance of ground water levels at maximum 40 centimetres and placement of piezometers at every 50-hectare block.
 - Collaborate with our local neighbours to coordinate appropriate groundwater management to slow down peat subsidence and prevent and control fire outbreak.

Social justice

KPN Plantation commits to:

- No exploitation of workers, women, children, suppliers, smallholders, indigenous people, and/or other communities.
- Zero tolerance on child labour, discrimination, sexual harassment and other forms of abuse.
- Secure from indigenous or local communities their free, prior and informed consent (FPIC) in case land acquisition, plantation management or conservation activity affects their rights, land, resources, territories, livelihoods, and food security.
- Provide a conducive work environment that includes common facilities like place of worship, housings, child-care centres, clinics, educational institutions and sport facilities.
- Pay wages at the legal minimum set by the local government in the regions where we operate plus other incentives.
- Provide National Welfare Insurance Scheme (BPJS / Jamsostek) to all workers and facilitate the formation of employee cooperatives (koperasi karyawan)
- Respect and recognition of the rights of all workers, including temporary workers.
- Recognize and respect the right of all workers to form or to become member of labour unions.
- Provide equal opportunity and treatment for work.
- Allocate minimally 20% of the planted area for the benefit of local communities (plasma) and to facilitate smallholder access to our supply chain, subject to relevant terms in this Sustainability Policy.
- Protect the security of environment and human rights defenders, whistle blowers, and community spokespersons to ensure their anonymity when requested.
- Build and maintain educational institutions, healthcare facilities, clean water systems, and other amenities (children day care, community centres and sports complex) to cater for our workers' and their family's day-to-day needs.
- Providing health insurance for local community members in the vicinity of our estates who live below the poverty line and to

Empower local independent farmers by providing training, sharing knowledge, equipment and tools in improving their production (i.e. our "Embrace Independent Farmers Program").

Fire Prevention

KPN Plantation commits to:

- No intentional burning on plantations that we control.
- No acquisition of land (through crop and land compensation, or GRTT) that burnt after July 1st 2018.
- No procurement of Fresh Fruit Bunches (FFB) from oil palms planted on land that burnt after July 1st 2018.
- Continue operating its daily fire monitoring program (Hot Spot Monitoring & Fire Danger Rating) and immediate vicinity.
- Equipping all plantations with fire prevention and firefighting tools in the event of fire outbreak.
- Actively engaging local communities in initiatives of fire and haze prevention through the *Desa Siaga Api* (D-SIGAP) program. And to strengthen our efforts, we will apply for membership of the Fire Free Alliance (FFA).
- Consistent reporting in of any fire incidents to the appropriate government agencies.

Legal compliance

KPN Plantation commits to:

- Strict adherence to all applicable government law, policies and regulations and, where appropriate, international law.
- Raising awareness among all our staff of relevant laws, policies, and regulations in our operations.
- Seek legal council should the implementation of our policy be seen to contravene law.

Plantations, mills and environment

KPN Plantation commits to:

- Deliver yield improvements in our plantations and improved Oil Extraction Rate (OER) through applied biotechnology R&D at our Tissue Culture Labs & Campuses.
- Stop the use of Paraquat its related compounds by end of Q1 - 2020.
- Plan for the phasing out or reduction of the use of other Class 1a (extremely hazardous) and Class 1b (highly hazardous) pesticides.
- Expand and broaden our Integrated Pest Management (IPM) systems, i.e. the use of natural biological controls.
- Work towards optimum nutrient recycling, soil improvement and waste reduction in our plantations and mills by using Empty Fruit Bunches (EFB) as mulch and field application of Palm Oil Mill Effluent (POME) on mineral soils.
- Continuously protect and manage river and ground water quality through HCV area management, water treatment before and after usage.
- Develop and commence to implement within three years a plan for the significant reduction of greenhouse gas (GHG) emissions from all our operations;
- Develop and commence to implement within three years a plan for the significant reduction of emissions of dust particles from our mills.

Traceability

KPN Plantation commits to:

- Provide, at stakeholder's request and subject prior agreed terms, maps of land allocated to companies under KPN Plantation for acquisition (*Izin Lokasi*), cultivation (*Izin Usaha Perkebunan*) and/or long-term use (*Hak Guna Usaha*) – as per latest permit granted.
- Not knowingly source FFB from suppliers who are not in compliance with this Sustainability Policy.
- Develop and trial enhanced systems to track and trace FFB supply to our mills in 2019.

Transparency and accountability

KPN Plantation commits to:

- Have all plantations and mills audited for certification under the Indonesian Sustainable Palm Oil (ISPO) scheme by 2020.
- Publish a bi-lingual Sustainability Report, commencing by June 2019, at least every two years.
- Launch a Social, Economic and Sustainability Impact Dashboard at least by December 2019.
- Ensure that a mutually agreed and transparent grievance mechanism will be followed, be it a governmental or other mechanism, in the event of conflicting land claims and other complaints and grievances. We appoint company's representative that has authority to settle disputes, engage and address concerns raised by NGOs, local communities, and government. We will record adequate documentary evidence of the settlement reached that will be accessible to our stakeholders.

Implementation and monitoring

KPN Plantation commits to:

- Develop a detailed Time Bound Plan and Milestones for the Implementation of this Policy within two months after the launch of this Policy.
- Assure that management of all entities in the Group is aware that this Sustainability Policy supersedes any policy previously applied.
- Align Standard Operating Procedures (SOPs) at Group level.
- Follow the recommendations of the Gap and Opportunity Analysis, and Scoping Review of HCV and HCS assessments for our estates.
- Commence awareness raising programs for our estate and mill management and other employees to familiarize them with this Policy.
- Inform other stakeholders, notably local communities in and near the plantations where we operate about this Policy.
- Reward employees who deliver outstanding contributions to the advancement and implementation of this policy and to apply sanctions on those whose decisions and/or actions lead to gross non-compliance with this Policy.

- Cease to procure produce from suppliers that are demonstrably involved in illegal activities, deforestation, new peatland development and socially abusive practices.
- Regularly review the implementation of this policy. As new information and knowledge comes to light, KPN Plantations will adjust and improve relevant components of this Policy and their implementation.
- We welcome feedback from our stakeholders (including other growers, smallholders, trader- refiners, processors, brands, NGOs, and/or government agencies) to advance our Policy and practices, through dialogue, research, technical advice, grievances or otherwise.

References

There are presently over three dozen NDPE policies published by palm oil growers, trader-refiners, processor-manufacturers and investors. For the development of our policy, KPN Plantation gratefully used key language proposed and/or adopted by a variety of stakeholders. Some of the key sources are referenced below.

- **Greenpeace International** “Still Cooking the Climate”. November 2017.
- **The Forest Trust** “Responsible Palm Oil Policy sample template”. 2018.
- **The Accountability Framework** “Core Principles for Setting, implementing, and monitoring effective commitments on deforestation, ecosystem conversion, and human rights in responsible supply chains”. Revised draft for public consultation. July 2018.
- **Asian Agri** Sustainability Policy. September 2014.
- **Astra Agro Lestari Tbk.** Sustainability Policy. September 2015.
- **Austindo Nusantara Jaya** Sustainability Policy. November 2016.
- **Bumitama Agri Ltd.** Sustainability Policy. 13 August 2015.
- **Bunge** “Sustainable Palm Oil Sourcing Policy”. 1 March 2018.
- **Felda Global Ventures (FGV)** Group Sustainability Policy. August 2016.
- **First Resources Ltd.** Policy on Sustainable Palm Oil. 1st July 2015.
- **Golden Agri-Resources (GAR)** Social and Environmental Policy. October 2015.
- **Goodhope Asia Holdings.** “Goodhope Sustainability Policy” 5 May 2017.
- **IndoAgri Ltd.** Sustainable Palm Oil Policy. 2017
- **Musim Mas** Sustainability Policy. August 2017.
- **Sime Darby Bhd** “Responsible Agriculture Charter”. September 2016.
- **SIPEF** “Responsible Plantations Policy”. Update 22 November 2017.
- **Wilmar International** “Integrated Policy: No Deforestation, No Peat, No Exploitation”. 6 December 2013.
- **Unilever** “Sustainable Palm Oil Sourcing Policy– 2016”

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