

# **Feedstock Supply Chain Management Action Plan**

for

**PT Domas Agrounti Prima**

# 1 INTRODUCTION

[The Project Company, PT. Domas Agroiinti Prima (DAP), is a large and unique producer of top quality highly-refined oleochemical products. DAP is the oleochemical producing arm of PT Bakrie Sumatera Plantation Tbk (BSP), one of the oldest and largest Indonesian plantation conglomerates and a vertically integrated palm fruit plantation and processing operation. The facility is currently mothballed, and the BSP management is working to fund and execute a restart of the existing operating equipment, as well as a buildout of the partially completed capabilities.]

This document is a Feedstock Supply Chain Management Action Plan (FSCMAP) describing the planned feedstock supply chain management process for the Project. It outlines a systematic approach to supply chain management with regard to labor, social and sustainability standards that will help to ensure best practices are employed by the plantations providing DAP with raw material feedstocks.

The FSCMAP is a living document and it will be regularly monitored, reviewed and updated by DAP throughout all stages of Project implementation.

# 2 PROJECT DESCRIPTION

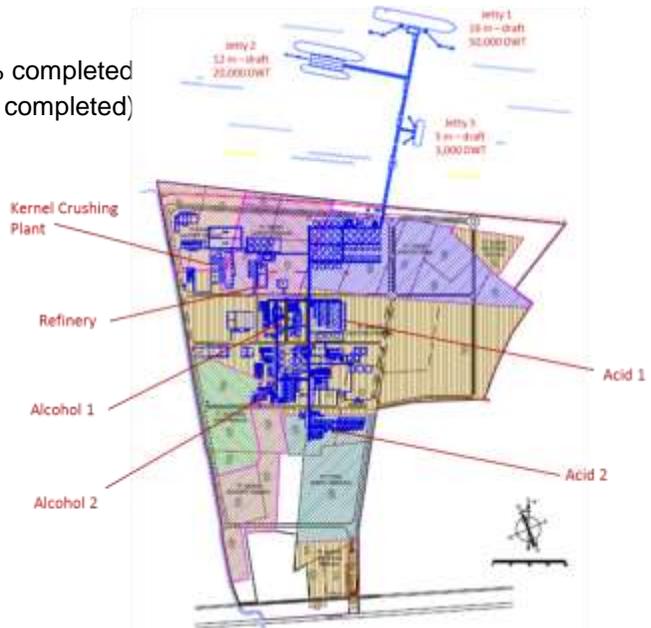
## 2.1 PROJECT LOCATION

The oleochemical processing facilities (the “Project”) of DAP are located on a land area of around 114 Ha within the PT Sarana Industama Perkasa industrial estate in Kuala Tanjung, North Sumatra, Indonesia. The manufacturing sites are easily accessible from the locations of BSP’s other plantations.

## 2.2 PROJECT CHARACTERISTICS

This plant is comprised of 6 key facilities:

1. Line 1 Fatty Acid and Fatty Alcohol (100% completed)
2. Line 2 Fatty Acid and Fatty Alcohol ([ ]% completed)
3. Refinery ([ ]% completed);
4. Kernel Crushing Plant ([ ]% completed);
5. Jetty ([ ]% completed); and
6. Power Station (In design stage)



## **2.2 MACRO OVERVIEW**

BSP, as required by their involvement with ISO certification, the RSPO and ISPO, and as a family involved in the national Indonesian government, must be acutely aware of stringent international labor, social and environmental standards when it comes to best practices in the palm oil business.

Between international capital suppliers such as OPIC and large multinational offtaking customers such as Procter & Gamble, BSP must have their upstream feedstock providers meet these international standards in order to obtain financing and offtaking customers.

Additionally, advancements in drone and satellite surveillance technology have given large buyers such as Procter & Gamble the capability to conduct surveillance on labor and sustainability practices at the upstream plantations. This technology was not available before but is actively used now.

Finally, NGO pressure and widespread sensitivity towards the growing and processing of palm oil comprise a highly effective informal monitoring and “whistle blowing” function to keep BSP, DAP and the upstream suppliers in compliance with the international labor, social and environmental standards.

## **3 FEEDSTOCK REQUIREMENTS**

The Project facilities utilize crude palm oil, palm kernels and palm kernel oil as raw material feedstocks for their oleochemical production processes. These feedstocks will all be provided by various oil palm plantations within North Sumatra, including BSP owned plantations.

## **4 FEEDSTOCK SUPPLY CONTRACTS**

Upon restart of operations at the Project site, DAP will enter into feedstock supply contracts with multiple palm oil plantations. Each of these plantations will be required to meet certain labor, and sustainability standards set by DAP, in accordance with RSPO standards, that help to ensure socially and environmentally sound practices.

## **5 APPLICABLE STANDARDS**

### Labor

1. Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages;
2. Children are not employed or exploited;
3. No forms of forced or trafficked labour are used;
4. Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited;
5. There is no harassment or abuse in the work place, and reproductive rights are protected;
6. Plantations respect human rights;

7. All staff, workers, smallholders and contract workers are appropriately trained; and
8. The employer respects the rights of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

### Social

1. Plantations provide adequate information to relevant stakeholders on relevant environmental, social and legal issues, in appropriate languages and forms to allow for effective participation in decision making;
2. Aspects of plantation and mill management that have social impacts, including replanting, are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement;
3. There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties;
4. There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties;
5. Any negotiations concerning compensation for loss of legal, customary or user rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions;
6. Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes;
7. There is compliance with all applicable local, national and ratified international laws and regulations;
8. The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary or user rights; and
9. Use of the land for oil palm does not diminish the legal, customary or user rights of other users without their free, prior and informed consent.

### Environmental

1. Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield;
2. Practices minimise and control erosion and degradation of soils;
3. Practices maintain the quality and availability of surface and ground water;
4. Pesticides and agrochemicals are used in ways that do not endanger health or the environment;
5. The status of rare, threatened or endangered species and other High Conservation Value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and operations managed to best ensure that they are maintained and/or enhanced;
6. Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner;

7. Use of fire for preparing land or replanting is avoided; and
8. Extensive planting on steep terrain, and/or marginal and fragile soils, including peat, is avoided.

## **6 ACTION PLAN**

### Inspection

DAP will visit each feedstock supplying plantation prior to the execution of a supply contract. The purpose of this inspection will be to assess the plantation's adherence to labor, social and sustainable farming standards. In particular, DAP will be concerned with any indications of child labor; forced labor; unsafe working conditions and practices; a lack of employee training; slash and burn land clearing; insufficient waste management practices; heavy use of pesticides and agrochemicals; detrimental effects on local fauna and flora; soil erosion and degradation; and poor deficient surface and ground water quality and availability. These inspections will be conducted without notice every six months for the duration of the supply contract.

### Employee Consultation

During the plantation inspection, DAP will speak with employees of all different levels. In an effort to better understand the general working conditions at the site, DAP will look to discuss hiring practices; employee training; health and safety policies; wages and benefits; and any grievances or concerns the employees might have.

### Public Consultation

DAP will also conduct a broad public consultation, speaking with local residents about the effect the plantation has on community wellbeing as a whole. This includes speaking directly with community leaders and randomly selected residents, as well as local police, educators and healthcare providers. This will provide DAP with a broad understanding of the role the plantation plays in the local community while providing local residents with an opportunity to communicate any grievance or concerns they might have.

### Education

DAP's goal is not only to assess each plantation's adherence to labor, social and sustainability standards, but also to educate plantation owners and the surrounding communities. As such, during each inspection, DAP will hold instructional sessions with key members of the plantation's management team to discuss the benefits of responsible labor, social and sustainability standards, as well as the risks and consequences associated with the failure to adhere to such standards. DAP will also request that each plantation makes this information readily available to members of the local community both onsite at the plantation and at the local government offices.

### Sanctions for Non-Compliance

In the event that any plantation fails to adhere to the labor and farming standards as set out by DAP, DAP will not conduct business with such a plantation until the failure is remedied. In the event of a second instance of failure to adhere to the aforementioned standards, a complete lack of willingness by the plantation management to remedy the failure, or the failure is deemed to be irremediable, DAP will not enter into a supply contract with the plantation under any circumstances.

## **7 CONTACT DETAILS**

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