



SAMPOERNA KAYOE

# 2022 Sustainability Report



sustainable tomorrow starts today

# List of Content

## 1. Overview

About Us **Our Vision and Mission**  
Our Operational Area **Business Ethics**  
Sustainability Strategy



## 2. About this Report

About This Report  
**Stakeholder Engagement**  
Determination of Material Topics



## 3. Governance

Managing Climate Change  
**Sustainable Governance**



## 4. Environment

Sustainable Forest Management  
**Biodiversity** Our Forest Certification



## 5. Production

Production **Improving Our Environmental Performance**  
Research and Development

## 6. Social

Responsible Business **Employee Welfare**  
Professional Development  
**Occupational Health and Safety (K3)**  
Community Engagement  
**Agroforestry** Economic Development  
Supporting Local Business **Social Welfare**



## 7. GRI Content Index & TCFD Framework



## Message from our CEO

[GRI 2-22, 2-23, 2-24]

As Asia's leading processed wood producer, Sampoerna Kayoe (SAMKO) has adopted environmentally responsible business development and management. SAMKO continues to support the sustainable initiative through the fulfillment of Environmental, Social, and Governance (ESG) aspects.

As a token of commitment to implementing a sustainable business, SAMKO has established a 2030 Sustainability Vision, which is aligned with the United Nations agenda manifested in the Sustainable Development Goals (SDGs). The 2030 Sustainability Vision serves as a guideline for companies in reviewing the areas of business operations that have the greatest impact on the environment, focusing on People, Sustainable Forest Management, Production, and Conservation.

We remain to grow positively driven by various transformation efforts in several aspects of our business operations and improve capabilities on an ongoing basis.

For us, sustainability is a journey in which every step is important. Our journey to the sustainable mission is reflected in the tagline of "Sustainable Tomorrow Starts Today", in line with SAMKO's commitment to achieving business development. We also continue to strengthen our corporate branding, improve efficiency, reduce operational costs, as well as enhance business performance. This year, SAMKO is honored to have the opportunity to take part in addressing global problems related to climate action in Conference of the Parties (COP-27) in Sharm El-Sheikh, Egypt. The company participate as a key speaker regarding financing towards smallholders by generating baseline through the implementation of Sustainable Forest Management.

SAMKO's commitment to implementing the sustainability principle in every business strategy and operational activity has been materialized for years, proving that we are





able to adapt amid the rapidly changing dynamics of the business world. To that end, we strive to ensure that the business processes and operational activities that we carry out can provide value added in various sectors, including economic, environmental, social and governance.

Through sustainable practices under the “Sampoerna Kayoe” brand, we hope to expand our sustainable development programs, create borderless opportunities to sustainably grow, and continue become one of the leading industry players through our innovative and sustainable solutions.

**Riko Setyabudhy Handoko**  
**Executive Director and Chief Executive Officer**



## Message from Head of Sustainability

Sampoerna Kayoe is committed to being engaged in various activities and innovations that support the achievement of Sustainable Development Goals (SDGs) and sustainable business principles. As a processed wood manufacturer, we are aware that these principles must be embedded in our business strategy in order to be successful in today's global market and to be ready to overcome the challenges in the future.

For this reason, we describe sustainability as a journey for our business that requires continuous learning, adaptation, improvement and response to our diverse stakeholders' priorities. We work to optimize our impact, re-evaluate our priorities, and ensure that we view our core business strategy from a sustainability perspective.

SAMKO responds to the current global situation by integrating all aspects of ESG adjusted to the Triple Bottom Line concept (People, Profit, and Planet). We have officially unified this concept in our sustainability framework consist of four pillars: People, Sustainable Forest Management, Production, and Conservation and remain committed to periodically evaluating the ESG implementation efforts.

SAMKO continues to make endeavors to keep sustainability integrated in every core of the company's business. In implementing its sustainability mission, SAMKO this year took several actions representing each of its four pillars, including planting program of 3,231 variety of seeds in critical land rehabilitation and HCV areas; 450,000 seeds distribution in East and Central Java to increase welfare of farmers and communities; successfully implemented sustainable forest management certification to 743 farmers; and decreasing emission by solar panels installation.

We are also committed to running a sustainable business by taking into account the principles of human rights, justice and equality. We continue to ensure that all the company's policies, rules, and guidelines apply universally to all levels of management and empower business development based on integrity, transparency, and professional behavior in accordance with the government's regulations.

To support our sustainability commitment, SAMKO has proudly released its 2022 Sustainability Report. The report features presentations on sustainability programs, sustainability strategies, the company's performance, and the company's efforts to full ESG aspects by integrating sustainability targets. Our sustainability measure in this reporting year is to align according to SGX Core ESG Metrics in order to increase transparency and accountability on sustainability issues. In line with the SGX roadmap for mitigating the impacts of climate change and for transitioning to a low-carbon economy, we are providing climate-related disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Our sustainability journey has confirmed what we already know to be true—that Sampoerna Kayoe is a strong, resilient, and value-driven organization committed to doing the right things in the right way to ensure success for shared values. Moreover, we are dedicated to growing responsibly, environmentally sound, and provide beneficial manner with sustainable principles, as we partner closely with our farmers, suppliers, employees, customers, communities, and stakeholders.

**Caroline Rosa Wijaya**  
Head of Sustainability



SAMPOERNA KAYOE



# Overview



## About Us

[GRI 2-1, 2-6, 2-23]



Established on December 26, 2005, Samko Timber Limited (“STL” or the “Company”) is a limited liability company founded under the laws of the Republic of Singapore. On 25 February 2008 STL listed its shares on the Mainboard of the Singapore Stock Exchange.

STL currently has more than ten subsidiaries, which form a leading vertically integrated processor of wood resources and is engaged in primary and secondary processed wood business.

STL's subsidiaries are present in many countries, including Singapore, Indonesia and Malaysia through direct and indirect share ownership. These companies form the Samko Timber Group and are also known as the Sampoerna Kayoe Business Group (“SAMKO” or “Sampoerna Kayoe” or the “Business Group”). SAMKO operates in Singapore with its head office located at the Sampoerna Strategic Square Building in Jakarta, Indonesia.

With nearly 45 years of experience in the primary and secondary processed wood products industry, Sampoerna Kayoe's products such as plywood, wood decking, wood doors, wood flooring, pianos and truck parts, can be found in residential houses, commercial buildings, and industries. Sampoerna Kayoe products dominate market share in Indonesia. Sampoerna Kayoe's products are also distributed in 35 countries around the world, including in the Asia Pacific region, Europe, the Middle East, Southeast Asia, Australia and the United States.

Sampoerna Kayoe's commitment to maintaining the principles of sustainability and product quality at every stage of the supply chain has driven the company to win international environmental accreditation.



## 35 Countries

Algeria **Australia** Belgium **China** Croatia **Denmark** France **Germany** Hong Kong **India**  
Indonesia **Iraq** Italy **Japan** Jordan **Kuwait** Malaysia **Mexico** New Zealand **Oman**  
Philippines **Poland** Puerto Rico **Saudi Arabia** Singapore **South Korea** Spain **Sweden**  
Switzerland **Taiwan** Thailand **Timor Leste** United Arab Emirates  
**United Kingdom** USA

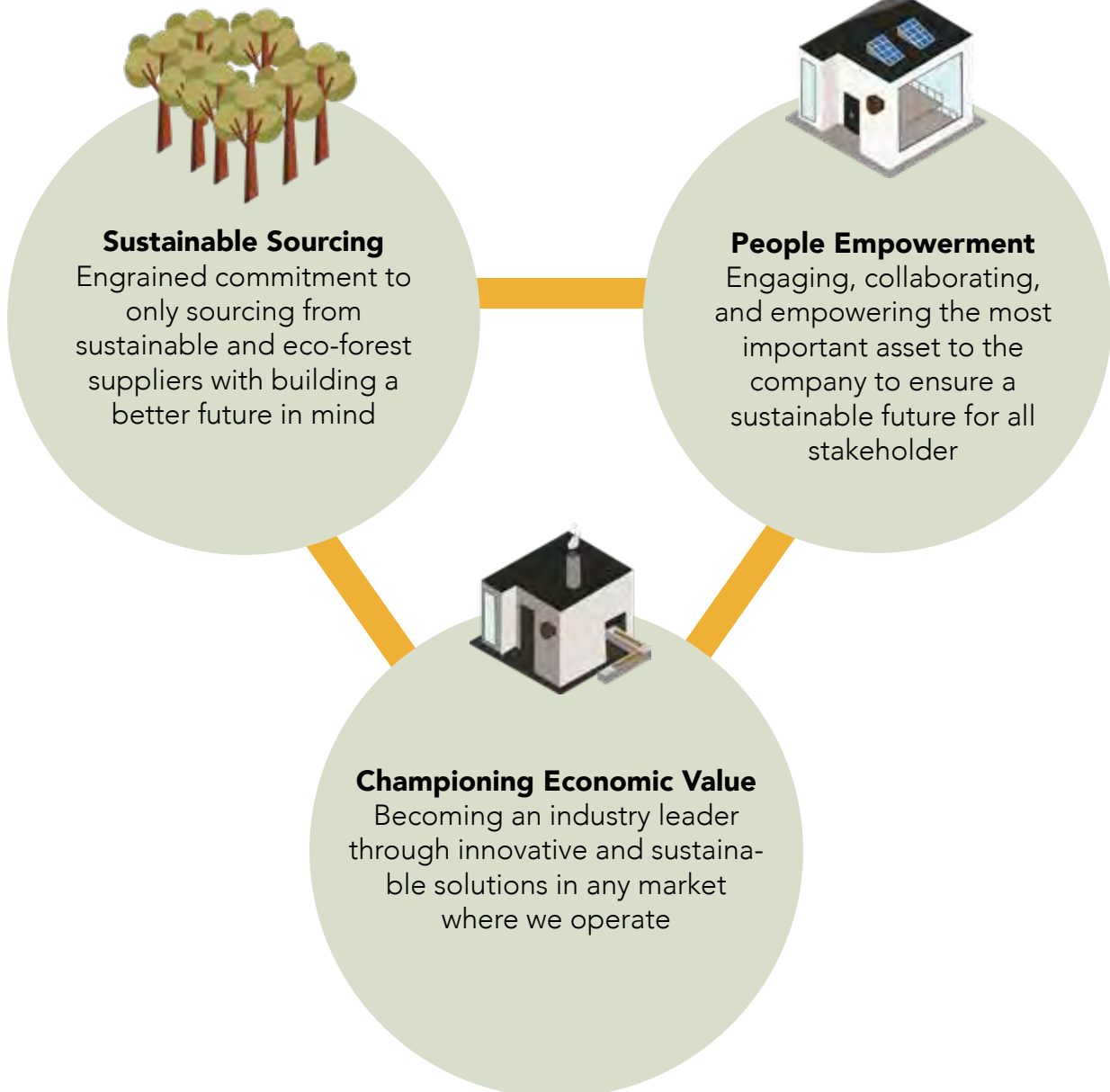


## Our Vision and Mission

### Vision

Being a champion enabler that inspires a sustainable future for all

### Mission







## Our Operational Area



### 1. PT Sumber Graha Sejahtera Jambi Branch

954 persons

55,889 m<sup>3</sup>

General Plywood, Film Face Plywood, LVL

### 2. PT Sumber Graha Sejahtera Balaraja Branch

1,421 persons

89,486 m<sup>3</sup>

General Plywood

### 3. PT Sumber Graha Sejahtera Purbalingga Branch

615 persons

64,998 m<sup>3</sup>

General Plywood

### 4. PT Sumber Graha Sejahtera Semarang Branch

1,821 persons

157,751 m<sup>3</sup>

General Plywood

### 5. PT Sumber Graha Sejahtera Jombang Branch

3,966 persons

255,494 m<sup>3</sup>

General Plywood, Floor Base

### 6. PT Sumber Graha Sejahtera Luwu Branch

1,799 persons

45,896 m<sup>3</sup>

General Plywood

### 7. PT Sumber Graha Sejahtera North Maluku

132 persons

Construction Phase

Employees

Production Capacity

Key Products



## Business Ethics

[GRI 2-16, 2-26, 205-1, 205-2, 205-3]

In the span of four decades, SAMKO has continued to practice the highest standards of lawful business conduct in order to bring significant and beneficial impacts for our stakeholders. Our management and employees fully understand and apply these standards in building and maintaining working relations with fellow employees, customers, suppliers, shareholders, the government and the general public. These standards have also influenced the mechanism for correcting sanctions for failures and violations.

SAMKO continues to encourage each of its employees to act in accordance with the values and culture of the company and ensures that the company's reputation is always reflected in their individual qualities. In order to maintain effectiveness of work relations, SAMKO carries out a cross-sectional and cross-company communication process by making the most of digital media such as email and e-news, as well as physical media such as flyer blasts and bulletin boards. Intensive dissemination and communication is expected to build good reciprocal relations between SAMKO and employees to join hands in achieving goals.

SAMKO is committed to implementing Good Corporate Governance (GCG). Based on the company's standard operating procedure (SOP), every legal case, lawsuit, and/or court case (litigation case) involving the company and/or its officials and/or employees must be informed and consulted with the company's legal division.

Since 2008, we have been implementing a whistle-blowing policy to provide communication spaces for employees who wish to raise concerns about potential improprieties and obstructive actions within the company. The whistle-blowing policy serves as a bridge when employees want to ensure: [GRI 3-3]

- Imposition of sanctions for maladministrative, disciplinary actions, as well as civil and/or criminal violations proven through objective and balanced investigations, while ensuring that the whistle-blower will be protected from retaliation for reporting violations in good faith and without malicious intent;
- Independent investigations carried out in an appropriate and timely manner;
- As well as appropriate actions taken to correct weaknesses in internal controls and policies that perpetuate fraud and/or violations.

The policy aims to tackle serious problems that can hurt the company, such as actions that can lead to erroneous financial reporting, acts against the law, actions that are not in line with legal obligations or company policies, actions that conceal mistakes or malpractice that can lead to serious violations of fundamental internal controls, and otherwise constitute serious inappropriate behavior or will fully withhold any of the information that is likely to be shown above.

All complaints are to be reported to the Audit Committee, either in person or in writing, via e-mail or in a sealed envelope marked "Private and Strictly Confidential". We continue to make every effort to protect the identity of the whistle-blower. We do not tolerate or condone obstructive actions against employees who want to file complaints, and/or retaliate against employees who have submitted reports.

As part of our efforts to implement the GCG, the Board of Directors (BOD) from all companies within the Samko Timber Group have developed procedures for reporting irregularities and violations of ethical business conduct and/or applicable legal regulations, Articles of Association, contracts/agreement made on name of the company, as well as other actions that can hurt the company. The procedure for raising concerns about possible impropriety has been updated and implemented since 2017. The reporting procedure has been regulated in the SOP titled "Law and Business Ethics Violation Reporting Procedure", which is managed by the Special Whistleblowing Team appointed by management and formed under SAMKO.

In our effort to prevent graft, SAMKO has held dissemination on anti-corruption policies and procedures to all the company's employees. The company appeals to all employees to take part in preventing involvement in all forms of graft and gratification. The company has also reviewed risks to identify business operations that are prone to graft. Based on the study and the identification, the operational work units that are considered to have high risk are Log Procurement, Procurement, Logistic, Production, Commercial and Finance.

Throughout the year 2022, we consistently maintained non-litigation measures related to graft within the company's operational environment. Files and records of the company's legal division show that there are no pending, unresolved, and/or ongoing legal or litigation cases involving the company and/or officials and/or employees related to violations (non-compliance) of the prevailing laws and the company's regulations resulting in legal cases or litigation cases against the company and/or any cases of license revocation.

## Sustainability Strategy

In 2021, Sampoerna Kayoe launched a new sustainability framework. This framework has established robust principles of responsible business practices that drive us to invest in shared values for our stakeholders. We also strive to incorporate best practices in forestry management, enhance production efficiency through continuous innovation, and uphold the values of biodiversity across ecological areas.

Furthermore, our framework aligns with the Sustainable Development Goals (SDGs) set by the United Nations (UN), and we have made them our objectives. By aligning our business strategies and priorities with the SDGs, we ensure our most significant contributions. Our Sustainability Agenda, the Sustainability Vision 2030, is the outcome of our mapping activity, and we have identified four aspects, namely People, Production, Sustainable Forest Management, and Conservation, on which our business operations will focus to make the most impactful contributions.



## SAMPOERNA KAYOE SUSTAINABLE VISION 2030



Strengthen Corporate Governance

Integrate and Promote Sustainability Best Practices throughout Our Business



SAMPOERNA KAYOE

# About this Report





## About this Report

[GRI 2-2, 2-3, 2-4, 2-5]

The formulation of a sustainability report is part of our efforts to publish various achievements and challenges faced in meeting the targets of the Sustainable Development Goals (TPB). In order to provide timely and accurate information, SAMKO since 2017 has consistently published a sustainability report on a yearly basis.

This report features information for the period of January 1 - December 31 2022, a continuation of the 2021 Sustainability Report published in May 2022. This report, which is published annually, does not restate data from previous reports.

### Report References

To support the implementation of sustainability principles, our Sustainability Report has been formulated with reference to several standards and reporting frameworks as follows:

- The 2021 Global Reporting Initiative (GRI) Standard; and
- Task-Force on Climate-Related Financial Disclosure (TCFD).

### Report Coverage

The 2022 Sustainability Report covers the sustainability performance of SAMKO's six main processing plants (units) as follows:

Legal Entity	Unit (Branch)
PT Sumber Graha Sejahtera	Muaro Jambi (Sarang Burung)
	Jombang (Diwek)
	Semarang (Butuh)
	Tangerang (Balaraja)
	Purbalingga
	Luwu (Barowa)

### External Assurance

This report has not gone through an assurance process by an independent third party. However, we rely on internal verification mechanisms to ensure the accuracy of the information.

### Contact Us

We welcome any input and suggestions for the improvement of the report in the future. Please send your feedbacks to:

SAMKO TIMBER LIMITED 7500A Beach Road, #08-305/307  
The Plaza Singapore 199591  
Phone: (65) 6298 2189 | Fax: (65) 6298 2187  
[www.sampoernakayoe.co.id](http://www.sampoernakayoe.co.id)





## Stakeholder Engagement

[GRI 2-29]

Stakeholder engagement is an integral part of the sustainability approach and influences the company's operations, products and business strategies. Therefore, we prioritize the engagement of all internal and external stakeholders such as shareholders, customers, employees, suppliers, regulators and local communities.

We solicit feedback from stakeholders to integrate each interest as a basis for developing and improving our sustainability strategies. The way we engage with various stakeholders, their hopes and concerns, and how we respond to them is presented below.

Stakeholder Group	Areas of Interest	Engagement Mechanism	Frequency
 Shareholders	<ul style="list-style-type: none"> <li>• Financial health</li> <li>• Transparency</li> <li>• Business ethics</li> <li>• Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings on business performance and development</li> <li>• Annual report</li> <li>• Sustainability report</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Product certifications</li> <li>• Product specifications</li> </ul>	<ul style="list-style-type: none"> <li>• Product education</li> <li>• Customer complaint Report</li> <li>• Customer satisfaction Survey</li> <li>• Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• As Necessary</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>• Supply chain management</li> <li>• Legal and sustainable sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers evaluation</li> <li>• Third party assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> </ul>
 Communities	<ul style="list-style-type: none"> <li>• Employment Opportunities</li> <li>• Community Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable forest Management trainings</li> <li>• Social engagement</li> <li>• Seeds distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• As Necessary</li> </ul>



Stakeholder Group	Areas of Interest	Engagement Mechanism	Frequency
 Employees	<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Human rights</li> <li>• Talent attraction and retention</li> <li>• Equal and friendly workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Performance management system</li> <li>• Competency education and training</li> <li>• Health and safety training</li> </ul>	<ul style="list-style-type: none"> <li>• Per Semester</li> <li>• As Necessary</li> </ul>
 Regulator	<ul style="list-style-type: none"> <li>• Corporate governance and operation</li> <li>• Business integrity</li> <li>• Legal compliance</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Official correspondence</li> <li>• Seminars and evaluation</li> <li>• Third parties assessment</li> </ul>	<ul style="list-style-type: none"> <li>• As Necessary</li> </ul>



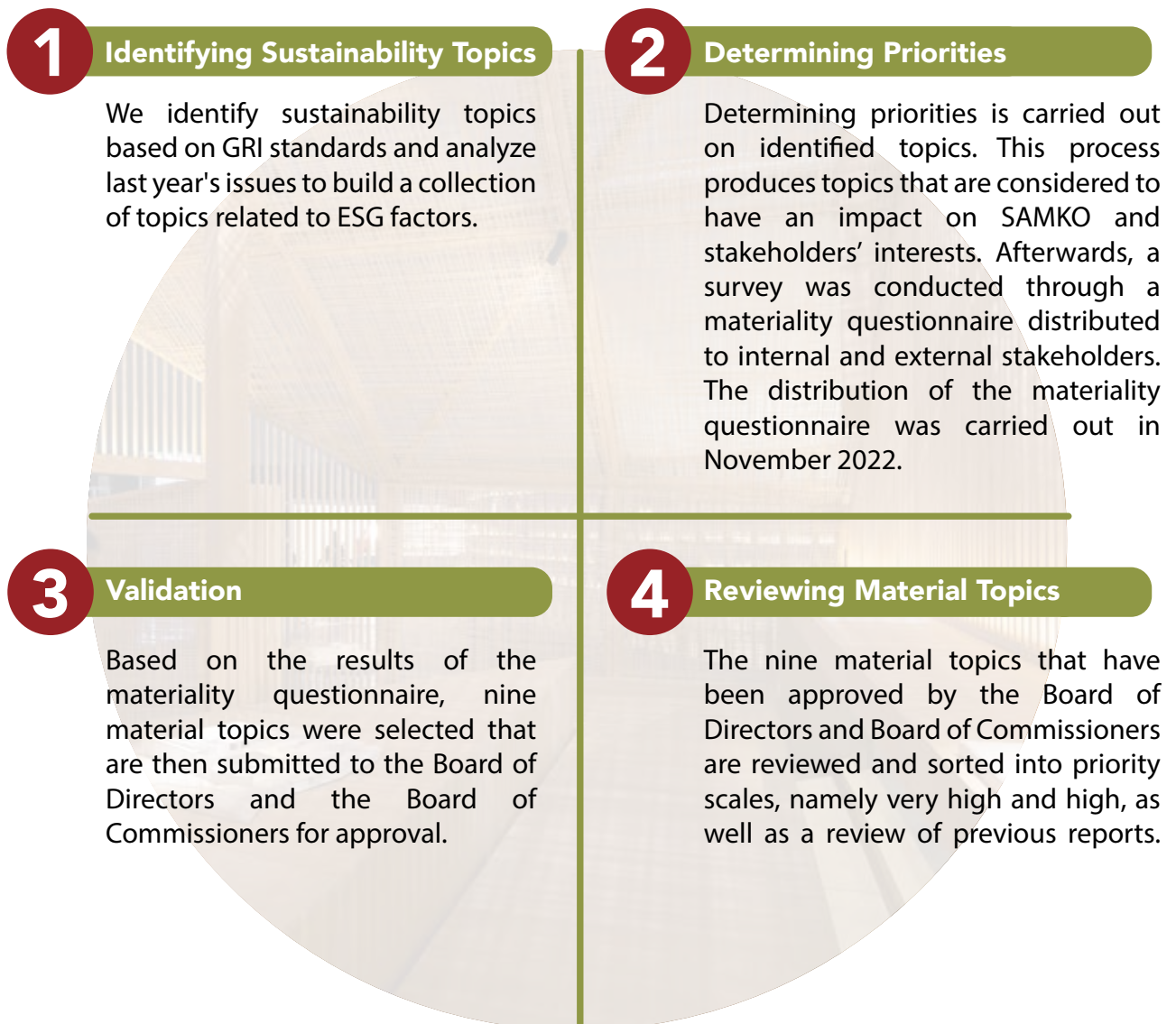


## Determination of Material Topics

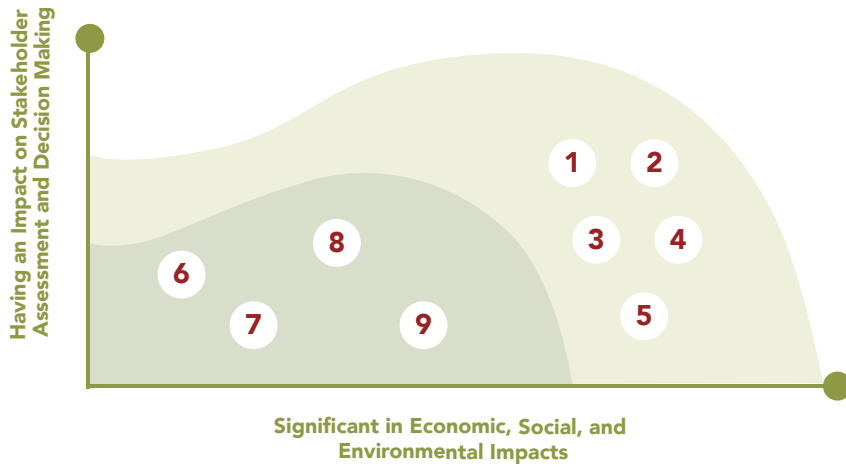
[GRI 2-14, 3-1, 3-2]

Our sustainability strategy approach is centered on managing the Environmental, Social and Governance (ESG) impacts of the company's business operations. Our strategy is to manage the most significant sustainability impacts, risks and opportunities with the aim of creating long-term value for all stakeholders.

We focus on the processes needed to identify topics that are relevant to stakeholders, including:



# Materiality Matrix



## Material Topics and Support on Sustainable Development Goals

### "Very High" Category



### "High" Category





SAMPOERNA KAYOE

# Governance



## Managing Climate Change

In a bid to mitigate the effects of climate change and to transition to a low-carbon economy according to the SGX roadmap, SAMKO provides climate-related disclosures based on recommendations from the Task Force on Climate-related Financial Disclosure (TCFD).

The TCFD Recommendations define governance, strategy, risk management, and corporate metrics and targets in tackling climate change as core elements. In addition, the TCFD also provides guidance on relevant climate disclosures.

### Core Elements of Recommended Climate-Related Financial Disclosures





## Governance



Our Chief Executive Officer (CEO) and our Board of Directors are committed to supporting our sustainability strategy to achieve Sampoerna Kayoe's 2030 sustainability vision. Sampoerna Kayoe's sustainability strategy is part of our contribution to support Indonesia's mission to mitigate climate change.

Assessing and addressing climate change risks and opportunities are managed by the Sustainability Group, which is under the CEO and the Board of Directors. SAMKO's Sustainability Group comprises the Sustainability Division, the Sustainability Function, and the Working Group. To ensure our goals can be achieved, the CEO and the Board of Directors provide active oversight and involvement within the Sustainability Group.

### Sustainability Committee

**Riko Setyabudi Handoko**

Chief Executive Officer

**Johanes Ibrahim Tjendana**

Chief Finance Officer

#### Group Sustainability

**Edward Tombokan**

Commercial Director

**Rudyanto Tan**

Operation Director

**Andrew Wardoyo**

Supply Chain Director

**Fredson Kotamena**

Human Resource Director

**Dr. Hadi Daryanto**

Independent Advisor

Sustainability Division

Sustainability Function

Working Group



## Strategy and Risk Management

In 2022, we conducted an analysis of climate change risks and opportunities as part of our sustainability and risk management strategies. Referring to the TCFD Recommendations, financial risk of climate change can arise from two main risk factors, namely physical risk and transition risk. We have identified a number of climate-related risks and opportunities with the potential to bring material or financial impacts (as described in the following table).

Cause	Risk	Time Period	Potential Financial Impact	Strategies to Respond to Risks
<b>Physical Risk (Acute)</b>				
Plant disease	Rising number of plant diseases caused by insects or pests that disrupt the health of forests and trees.	Short-term	<ul style="list-style-type: none"> <li>• Rise in the cost of procuring wood, accompanied by a drop in the level of production of forest resources; and</li> <li>• Rising operating expenses to recover assets (replanting, remediation).</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent monitoring of pest and disease</li> <li>• Use of natural sources such as bio-pesticide for small scale nursery</li> <li>• Permission to use chemical pest under compliance to sustainable forest management international standards for large scale of nursery</li> <li>• Replanting program and seeds distribution (horticulture, non timber forest product, multi purpose tree species)</li> </ul>
Extreme Weather	Uncertainty and high frequency of extreme weather that cause floods, droughts and typhoons that can disrupt activities in operational areas.	Short-term	<ul style="list-style-type: none"> <li>• Decreasing factory productivity due to environmental conditions; and</li> <li>• Volatility of wood supply/demand, timber prices, and forestry sector supply chains in response to extreme weather</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with sustainable business strategy</li> <li>• Implementation of standards of procedure:               <ol style="list-style-type: none"> <li>a. Forest and land fire control</li> <li>b. Emergency response preparedness</li> </ol> </li> <li>• Use of fire danger rating index</li> <li>• Application of rainfall gauges (ombrometer)</li> <li>• Control of the erosion rate by using sediment trap, mud bag</li> <li>• Involvement in rehabilitation of critical land programs</li> <li>• Replanting program and seeds distribution (horticulture, NTFP, MPTS)</li> </ul>

Cause	Risk	Time Period	Potential Financial Impact	Strategies to Respond to Risks
<b>Physical Risk (Acute)</b>				
Forest Fire	Forest fires that can disrupt activities in operational areas, quality of wood supply, access or availability of wood, supplier or customer facilities, and logistics/ transportation.	Short-term	<ul style="list-style-type: none"> <li>• Expenditure to improve preparedness for forest fires (eg fire fighting equipment); and</li> <li>• Rising cost of procuring wood, accompanied by a decrease in the level of production of forest resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with sustainable business strategy</li> <li>• Implementation of standards of procedure:               <ol style="list-style-type: none"> <li>a. Forest and land fire control</li> <li>b. Emergency response preparedness</li> </ol> </li> <li>• Fire forest training</li> <li>• Forest patrol and security</li> <li>• Fire watch tower construction</li> <li>• Use of fire danger rating index</li> <li>• Application of rainfall gauges (ombrometer)</li> <li>• Signboard of "No Burning"</li> </ul>
<b>Physical Risk (Chronic)</b>				
Changes in Weather Pattern	Trend towards heavier rainfall patterns, changes in water quality, and water storage under the land that results in a decrease in the general level of water supply and quality.	Long-term	<ul style="list-style-type: none"> <li>• Rising costs of procuring wood due to changes in where to plant and buy trees; as well as</li> <li>• Decreasing forest productivity due to environmental conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent monitoring and management of water quality</li> <li>• Preservation of conservation area: protect buffer zone area corresponding to River Border Protection Areas</li> <li>• Monitoring of environmental impact mitigation</li> <li>• Preservation of natural water sources</li> <li>• Replanting of MTPS to reduce landslide</li> </ul>
<b>Transition Risk (Policy)</b>				
Emerging regulation	Government's actions to address climate change that lead to new policies and regulations for climate action such as carbon economy values and carbon taxes.	Medium-term	<ul style="list-style-type: none"> <li>• Rising cost of procuring wood due to policies related to carbon sink forests; and</li> <li>• Rising energy costs (eg due to carbon pricing).</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to renewable energy by using solar panel</li> <li>• Use of wood waste as fuel for boiler machine</li> </ul>



Cause	Risk	Time Period	Potential Financial Impact	Strategies to Respond to Risks
Emerging regulation	Policies related to forest conservation.	Medium-term	Rising costs of procuring wood due to logging taxes, logging fees, and others.	<ul style="list-style-type: none"> <li>• Construction of sediment trap by using wood waste to preserve soil and water quality</li> <li>• Signboard installation by using wood waste as construction materials</li> </ul>
<b>Transition Risk (Market)</b>				
Increasing Customer Requirements	Changes in customer preferences towards low emission products.	Medium-term	Shrinking income due to reduced demand for wood products.	<ul style="list-style-type: none"> <li>• Sustainable forest certification</li> <li>• Installation of solar panel</li> <li>• Improvement of waste management procedure</li> <li>• Implementation of forest conservation program</li> <li>• Replanting program and seeds distribution to local farmers</li> </ul>
<b>Transition Risk (Legal)</b>				
Exposure to Litigation	Rising social demands to switch from fossil energy to renewable energy sources and efforts to reduce energy consumption, as well as increase future energy security.	Long-term Medium-term	Shrinking income due to reduced demand for products that require access to natural resources.	<ul style="list-style-type: none"> <li>• Sustainable forest certification</li> <li>• Installation of solar panel</li> </ul>

\* NTFP : Non-Timber Forest Products  
 MTPS : Multi Purpose Tree Species

Opportunity Type	Opportunity Description	Time Period	Potential Financial Impact	Strategy to Realize Opportunities
Use of low emission energy sources	Use of low-emission energy sources opens wider market opportunities due to the rising demand for wood products as an option with a low carbon footprint.	Medium-term	Increased revenue from increased demand for products.	<ul style="list-style-type: none"> <li>• Reduction of GHG emission</li> <li>• Use of wood waste as fuel for boiler machines</li> </ul>
Goods and Services	Implementation of sustainable forest management in producing wood products.	Medium-term	Rising demands for forest products if forestry is increasingly seen as an important part of the transition to a low or zero carbon future.	<ul style="list-style-type: none"> <li>• Implementation of sustainable forest management international standards</li> <li>• Implementation of our Sustainable Framework, representing 4 SK Pillars (sustainable forestry, conservation, people, production)</li> </ul>



## Metrics and Targets

In 2022, we assess climate risks and opportunities by adopting scenarios based on TCFD reporting recommendations. We are making improvements to our greenhouse gas quantification processes by tracking our GHG emissions more stringently. We have not yet established a specific target as this year marks the first year we are calculating emissions with the most comprehensive data coverage, which will serve as a benchmark for determining future reporting targets. Additionally, we have not yet evaluated the climate scenario using an emission reduction scenario of 2°C or lower.

One of the measures to mitigate climate change is to use renewable energy such as solar panels. In 2021, SAMKO spearheaded the installation of the largest solar panel facility at a factory in East Java province. The use of solar panels supports emission reductions by 951.04 tCO<sub>2</sub>e. Sampoerna Kayoe will remain committed to pushing for change for a cleaner world. We are furthering our climate agenda by expanding the adoption of solar panels to seven additional key factories, as well as reassessing our emission reduction targets.

Although the implementation of TCFD will require continuous improvement and further analysis over time, we hope this disclosure can have tangible benefits for shareholders, clients and employees, especially to build a shared understanding of SAMKO's position in the context of climate change and to anticipate impacts that may affect the company's business.





## Sustainable Governance

[GRI 2-9]

SAMKO's highest governance body is the executive board of the company. Chief Executive Officer (CEO) and Board of Directors are responsible for the overall sustainability performance of the company. CEO and Board of Directors as the highest governance body take part in considering sustainability issues in the formulation of the company's strategies and oversee the management of the company's environmental, social and governance (ESG) aspects. Formulation of sustainable governance is driven by the awareness that good governance is an important key to improving sustainable performance and competitive edge. [GRI 2-11, 2-12]

In building a sustainability business, SAMKO has established a Sustainability Division as a supporting organ responsible for assisting the executive board in decision-making and oversight regarding economic, environmental, and social impacts. The task of the division is to ensure that the company's operations and business activities are carried out according to the best sustainability practices. [GRI 2-13]

In the process of formulating the Sustainability Report, Independent and Non-Executive Director and Commercial Director are very much involved in the process of determining material topics and the direction of the company's sustainability. The Board of Directors also has the responsibility to review and approve the information reported in the Sustainability Report. [GRI 2-14]

The composition of SAMKO's sustainability governance body considers the aspect of diversity. Members of the sustainability governance body come from diverse educational backgrounds, knowledge, expertise, gender, age, race, and experience in their respective fields. All members do not have family relations with other members or with shareholders, as well as business relations or other relations that may affect their independence. Likewise, there are no concurrent positions for each member of the sustainability governance body that can cause a direct or indirect conflict of interest.

### Board Statement on Sustainability

“ CEO and Board of Directors as the highest governance body take part in considering sustainability issues as part of the formulation of the company's strategies and oversee the management of the company's environmental, social and governance (ESG) aspects.

The following is information regarding the diversity of the highest governance bodies within the company:

Name	Gender	Age	Executive/ Non-executive	Independence Status	Designation	Educational Level	Competence
<b>Riko Setyabudhy Handoko</b>	Male	50	Executive	Independent	Executive Director and CEO	<ul style="list-style-type: none"> <li>• Master of Business Administration INSEAD, France and Singapore</li> <li>• Bachelor of Economics from Trisakti University, Indonesia</li> </ul>	Business Administration and Economics
<b>Eka Dharmajanto Kasih</b>	Male	72	Non-executive	Non-independent	Chairperson	Bachelor of Economics University of Indonesia	Economics
<b>Michael Joseph Sampoerna</b>	Male	44	Non-executive	Non-independent	Director	Went to Millfield School in Somerset, England before attending London School of Economics focusing on business and finance	Business and Finance
<b>Ng Cher Yan</b>	Male	64	Non-executive	Independent	Director	<ul style="list-style-type: none"> <li>• Bachelor of Accounting from the National University of Singapore and also qualified as a Chartered Accountant in Australia</li> <li>• Member of Chartered Accountants in Australia and New Zealand</li> </ul>	Accounting
<b>Sim Idrus Munandar</b>	Male	68	Non-executive	Independent	Director	Bachelor of Economics University of Indonesia	Economics
<b>Ito Sumardi</b>	Male	70	Non-executive	Independent	Director	<ul style="list-style-type: none"> <li>• Doctor of Law, University of Padjadjaran, Bandung (2008)</li> <li>• Master of Law, University of Padjajaran, Bandung (2005)</li> <li>• Master in Human Resource Management, University of Bramshill, UK (1998)</li> <li>• Master of Business Administration Indonesian Entrepreneur Development Institute, Jakarta (1997)</li> <li>• Bachelor of Islamic Law</li> </ul>	Law, Resource Management, Business Administration, and Military

Name	Gender	Age	Executive/ Non-executive	Independence Status	Designation	Educational Level	Competence
<b>Hadi Daryanto</b>	Male	65	Non-executive	Independent	Director	<ul style="list-style-type: none"> <li>• Doktor Ingenieur (Dr. Ing), Advanced Wood Science and Technology, Grand Ecole, Ecole National Superieur d'Ectronique and Mecanique (E.N.S.E.M.) from the National Polytechnic Institute de Loraine (I.N.P.L.) Nancy, France (1998)</li> <li>• Diplôme Etudiante D'approfodies (D.E.A.), Wood Science at Perancis Grand Ecole: E.N.S.E.M. (Ecole National Superieur D'electricite Et Mecanique), I.N.P.L. (Lorraine National Polytechnic Institute) and University of Nancy, France (1985)</li> <li>• Bachelor of Forestry, Bogor Agricultural Institute, Bogor, Indonesia (1981)</li> </ul>	Wood and Forestry Science



## Nomination Process for Directors and Board Committees

[GRI 2-10, 2-11, 2-15]

Based on good governance practices, the company has established a Nomination Committee (NC) with a written framework of reference that clearly regulates the authorities and duties. Some of the functions of the NC include regularly and strategically reviewing the structure, size and composition of the Board and Board Committees, including competence, gender, age, qualifications, experience, and diversity; providing recommendations or propose candidates who meet the requirements as members of the council to be consulted with the council; and requiring the nominated candidate to disclose any expected future business interests that could create a conflict of interest.



Appointment of the Director is carried out based on the decision of the Board that has approved the appointment. The NC is responsible for identifying candidates and reviewing all nominations for the appointment of new Directors, which among other things is to consider succession plans and gradual and regular refreshing of Board of Directors membership, as well as to avoid loss of institutional memory.

In accordance with Article 94 of the company's Articles of Association, each Director retire from his position every three years and at each Annual General Meeting of Shareholders. In addition, one-third of the Directors retire from their positions on a rotating basis. In the meantime, Article 95 stipulates that retired Directors have the right to nominate themselves for re-election, while Article 100 stipulates that all newly appointed Directors serve only until the next GMS and the new Director meets the requirements to run again. In addition, effective as of 1 January 2019, all Directors must apply for nomination and reappointment at least every three years in accordance with Rule 720(5) of the SGX-ST Listing Guidelines. In connection with the re-nomination, the NC considers the contribution and performance of each Director and considers whether the Director has sufficient time and attention to devote to the company.



### **Conflict of Interest**

[GRI 2-15][GRI 2-16]

Directors are required to minimize conflicts of interest with the company. When a potential conflict of interest arises, the affected Director withdraws from discussions and decisions involving areas of the potential conflict, unless the Board is of the opinion that his/her participation is necessary. If such participation is permitted, the conflicting Director excuses himself or herself for the appropriate period of time during the deliberation. Notwithstanding, the Director must withdraw from making the decision in any case.

In accordance with Article 156 of the Companies Act, each Director is required to declare himself/herself if he/she has a conflict of interest in one of the company's transactions. Each Director is also required to submit details of his partners annually so that the company can monitor Interested Persons Transactions (IPT).

In communicating critical issues, the company conveys these to the Board through Quarterly Meetings, Initiative Meetings, and Annual General Meetings in Singapore. Throughout 2022, there were no important reporting concerns that needed to be communicated to the Board.



## Sustainable Training and Development of Directors

[GRI 2-17]

The company does not have a formal training program for Directors, but it arranges for all new Directors to undergo a comprehensive and customized induction to join the Board. This includes understanding how to carry out the duties of a director. This orientation program aims to ensure that the new Director is familiar with the business practices and governance of the Group.

The new director will be given an opportunity to meet with management to gain a better understanding of the Group's business. The company will arrange for first-time Directors to attend relevant training in understanding the roles and responsibilities of directors of public companies in Singapore, as specified by the SGX-ST, as well as other areas such as accounting, law, and industry-specific skills where appropriate.

The Board values continuous professional development and recognizes that it is important for all Directors to receive training on a regular basis. With this continuous development, it is hoped that the Director will be able to serve effectively and be able to contribute to the Board. The Board will also consider adopting a continuing professional development policy for Directors.

The company encourages all Directors who are members of the Singapore Institute of Directors ("SID") to keep up with updates regarding laws, regulations, changes in commercial risk and financial reporting standards. The company also expects all Directors to attend specially tailored trainings by professionals at least once a year and attend relevant and useful seminars and skills courses for continuing education and improving skills organized by external organizations.

All Directors are briefed on a regular basis from time to time regarding changes to relevant laws and regulations regarding accounting standards, listing regulations, corporate governance, and other regulatory or legal requirements.

Briefing, updating, and training for Board of Directors in fiscal year 2022 includes:

Name	Training Name	Training Date
Michael Joseph Sampoerna	LED - Environmental, Social, & Governance Essential Programme	September 7, 2022
Eka Dharmajanto Kasih	LED - Environmental, Social, & Governance Essential Programme	July 14, 2022
Riko Setyabudhy Handoko	LED - Environmental, Social, & Governance Essential Programme	November 8, 2022
Ng Cher yan	LED - Environmental, Social, & Governance Essential Programme	October 25, 2022
Ito Sumardi	LED - Environmental, Social, & Governance Essential Programme	November 8, 2022
Hadi Daryanto	LED - Environmental, Social, & Governance Essential Programme	September 7, 2022
Sim Idrus Munandar	LED - Environmental, Social, & Governance Essential Programme	September 7, 2022





## Evaluation of Board of Directors Performance

[GRI 2-18]

The company evaluates the performance of the Board of Directors internally through the NC. The Board makes its best efforts to ensure that Directors appointed to the Board and Board Committees are Directors who, both individually and collectively, have background, experience, knowledge in business, have competence in finance, and management skills essential to the Group. The Board also ensures that each Director has a specific contribution to assist the Board in a perspective, independent and objective way to enable sound, balanced and well-considered decision making.

The NC has been tasked with helping the Board develop a performance evaluation framework for the Board, Board Committees, and individual Directors; propose performance criteria and assist with conducting evaluations, analyze findings, and report results to the Board. The NC, together with the Board, has established a formal process to establish performance criteria as a reference in assessing the effectiveness of the Board as a whole and its Board Committees. In addition, setting performance criteria also serves to assess the contribution of each Director to the effectiveness of the Board so that it is aligned with the applicable principles and provisions as stipulated in the Code of Ethics.

Parameters for each Director's assessment include knowledge and skills, record of attendance at Board and Board Committee meetings, as well as the intensity and quality of participation in meetings. The NC and the Board have relied on these parameters to evaluate the contribution of individual Directors and have considered this evaluation for re-nomination of Directors.



## Remuneration Policy

[GRI 2-19, 2-20, 2-21]

Remuneration for the Board is carried out with the aim of rewarding long-term performance that has been dedicated to achieving the company's goals. The Board has formal and transparent procedures used to develop remuneration policies for Directors and Executives. This formal procedure is also used to determine the remuneration package of each Director and the Key Management Personnel (KMP). In deciding remuneration, no Director is involved to determine his own remuneration.

The Board establishes a Remuneration Committee (RC) with a written frame of reference that clearly defines its powers and duties. RC has the main responsibility and function of determining the company's remuneration policy by considering the company's risks and ensuring that the policy is aligned with long-term goals. The RC ensures that the levels and remuneration structure of the Board and the KMP are appropriate and proportionate to the company's ongoing performance and value creation.

Another task of the RC is to ensure that their remuneration package is in line with the staff remuneration guidelines and commensurate with the scope of work and level of responsibility of each, as well as reviewing the appropriateness and relevance of the company's ongoing remuneration policies (including but not limited to honorarium, salary, allowances, bonuses, options, incentives, share-based awards, and other benefits programs (if necessary)).



## Remuneration of Executive Director and the KMP

The remuneration structure for Executive Director and the KMP consists of a fixed component and a variable component. The variable component relates to the performance of the Group/company as well as the performance of each personnel. The performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and also to promote the long-term success of the Group.

After reviewing and considering the variable components in the remuneration package for Executive Director and the KMP, the RC is of the view that the remuneration package for the Executive Director and the KMP, which includes fixed components and variable components related to the Company's performance, is in line with the interests of shareholders and is not excessive. The variable part is linked to individual performance, and is dependent on Group performance, as well as the contribution of individuals to Group performance. An annual review of compensation is conducted by the RC to ensure that the remuneration of Executive Director/the CEO, and the KMP is commensurate with their performance which is regularly reviewed by the RC and the Board.



## Remuneration for Non-Executive Directors

The Director's remuneration fee is determined according to the remuneration framework which is based on the level of responsibility and scope of work. The CEO does not receive director fees, while non-executive directors receive director fees according to their level of contribution, considering factors such as the effort and time spent, as well as the responsibilities and obligations of the directors. Non-executive Independent Directors are not overcompensated to the extent that their independence is compromised. The director's remuneration fee is recommended by the Board of Directors to be approved by the shareholders at the company's AGMS.





The company recommends a performance-based remuneration system for Executive Directors and the KMP that is flexible and responsive to the market, consisting mainly of a basic salary component, holiday allowance (THR) that is equivalent to one month's basic salary, component variables which include bonuses, and other benefits based on performance Group and individual performance.

The company does not use contractual provisions that allow the Group to reclaim the incentive component of remuneration from the CEO and the KMP in extraordinary circumstances such as misstatement of financial results or errors leading to financial losses for the company. In such situations, the CEO owes a fiduciary duty to the company. The company must be able to use itself for recovery against the CEO when there is a breach of fiduciary duty. In the fiscal year of 2022, no external consultants are involved by the company in determining remuneration. The company also cannot disclose details of the annual compensation ratio for the highest paid individual to the average annual total compensation for all employees, nor the percentage increase in this annual compensation ratio due to the company's confidentiality reasons.

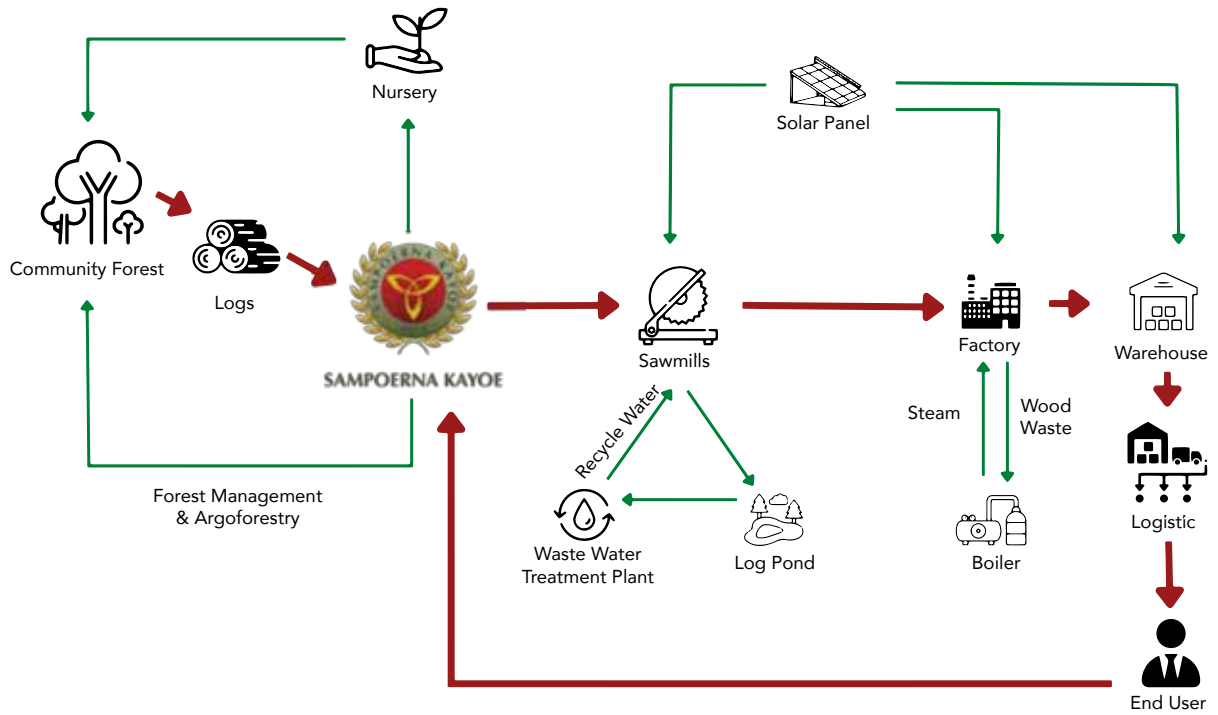


### Samko Timber Performance Share Plan

Samko Timber Performance Share Plan ("Samko PSP") is a performance incentive sharing plan that becomes an integral part of the Group's incentive compensation program. Samko PSP was approved by shareholders at the company's Extraordinary General Meeting of Shareholders (EGMS) held on April 27 2018. Samko PSP aims to promote higher performance goals, and recognizes and rewards contributions made by qualified CEOs and/or Executive Directors. Samko PSP considers granting a contingent share of fully paid shares after certain predetermined benchmarks have been met.

Samko PSP is managed by an administrative committee ("Administration Committee") consisting of the NC and the RC. The Administration Committee determines and approves the allocation of shares, date of grant, and price based on Samko PSP. Details of Samko PSP are set out in the company's Circular dated April 12, 2018.

# Sustainable Value Chain





SAMPOERNA KAYOE

# Environment





## Sustainable Forest Management

SAMKO fervently believes that sustainable forest management will support our operations and is also a form of practicing the Three Hands philosophy, which underscores collaboration with stakeholders towards a more sustainable business model.

The progress we have made in sustainable forest management is as follows:

### Sources

**Timber sourced from legal areas :**

- 90% Logs sourced from selective cutting from selected legal concessions
- 10% Logs sourced from Community Forests in Indonesia

### Nursery

**Number of seeds cultivated:**

- Pandeglang public nursery**  
400,000 Sengon seedlings
- Jambi private nursery**  
30,000 Rubber seedlings

### Replanting Program

**Yearly Sengon Seeds Distribution 2022 :**

- 270,000 seeds in Central Java
- 180,000 seeds in East Java

**Tree Planting Day 2022 :**

- 1,550 Multipurpose Tree Species (MPTS) seeds in Semarang
- 500 Horticulture seeds in Jambi
- 1,181 Multipurpose Tree Species (MPTS) seeds in Jombang

### Community Forests

**Sustainable forest management practices :**

<b>Jambi Province</b>	<b>Jombang Regency</b>
1,022 Hectares	471 Hectares
13 farmers groups	27 farmers groups
360 farmers	733 farmers

### Forest Revitalization

**Ongoing sustainable forest management practices:**

**North Maluku**

± 11,780 Hectares

- Phase 1**  
High Conservation Value and Social Impact Assessment has been conducted by eligible third parties.
- Phase 2**  
Preliminary assessment has been conducted by Certification Body

### Certification

**Timber Legality Verification (SVLK)**

- PT Sumber Graha Sejahtera, branch: Balaraja, Muaro Jambi, Jombang, Madiun, Jember, Banyuwangi, Luwu, Luwu Timur, Semarang, Purbalingga

**Forest Stewardship Council - Chain of Custody (FSC-COC)**

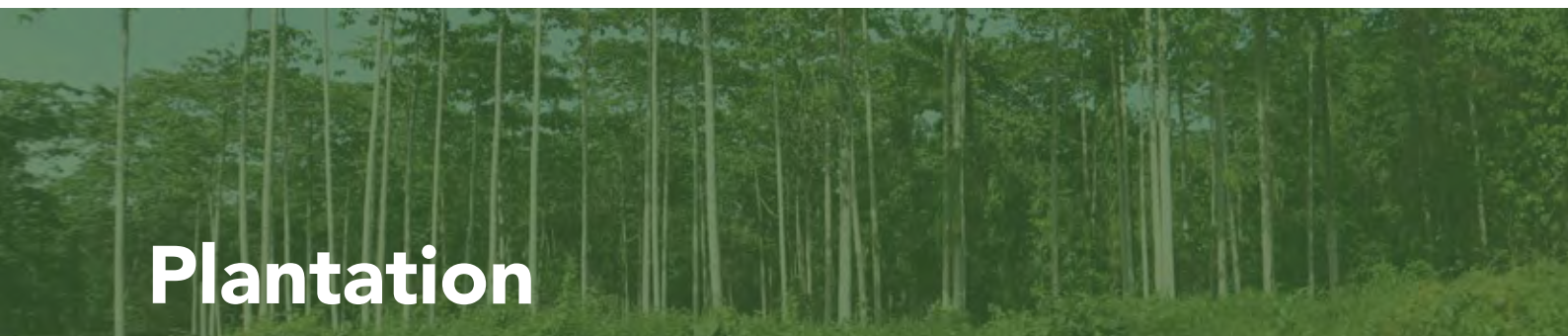
- PT Sumber Graha Sejahtera - Muaro Jambi Branch
- PT Sumber Graha Sejahtera - Semarang Branch
- PT Sumber Graha Sejahtera - Jombang Unit

**Forest Stewardship Council - Small and Low Intensity Managed Forest (FSC - SLIMF):**

- Sari Mulyo Farmers Group - Jambi Province
- "Kelompok Pengelola Hutan Rakyat Sumber Sejahtera" Farmers Group - Jombang Regency

Our commitment to sustainable forest management practices aims to maintain healthy, productive, and well-managed forests. SAMKO first initiated to implement the best forest management practices by undertaking several activities including ensuring plants are managed optimally, preventing premature harvest, reducing the use of harmful pesticides, providing appropriate management of high conservation value areas, forest fire prevention training, and educating financial planning to support the sustainability of farmers' income.

We are regularly engaged with local communities and farmers regarding our management practices to promote sustainable and responsible forestry. Some of the programs we implement are:



# Plantation

## **Forest Revitalization**

At the end of 2019, SAMKO acquired forest concession covering 59,000 hectares in the eastern Indonesian province of North Maluku. Receiving this concession right embodies our aspirations to put our sustainability commitments into practice through forest revitalization. In addition, this business creates upstream business opportunities in the management and operation of industrial plantation forests whose results give value to the people and earth.

We are currently in the process of obtaining international sustainable forest management certification in our one-unit management for a 11,780 hectare timber plantation. We have also carried out High Conservation Value Forest (HCVF) assessments and Social Impact Assessments (SIA) for areas in and around the concession area by licensed parties.

In addition to pushing conservation, the program also supports the empowerment of local communities through collaboration in infrastructure development, construction of public facilities, and job creation.

## **Nursery**

Our nursery program aims to create temporary shelters for plant seeds to adapt to actual conditions in order to produce best quality seedlings. To date, we have donated around 430,000 seeds annually. Our nursery program is implemented in Jambi province and Pandeglang regency.





# Community Forests

## Farmers Program

All SAMKO's wood products are legally sourced. Almost all of them, or around 90%, are sourced from community forests. We have around 1,500 suppliers who are actively involved in the development and establishment of the plywood industry. Therefore, SAMKO is fully committed to maintaining and assisting small-scale farmers in managing their forests in a sustainable manner and in complying to national standards as well as international certification procedures. SAMKO's commitment to farmers is manifested in the launching of the Forest Stewardship Council (FSC) Certification Program in 2018. The program supports farmer cooperatives to receive FSC Small and Low-Intensity Managed Forest (SLIMF) certification. Until this year, there are 743 farmers who have successfully received SLIMF certification after 350 farmers receiving assistance in 2021. We are currently managing a total of 1,093 farmers and 40 community forest farmers under our forestry program in Jambi province and Jombang regency.

The following are the activities carried out in the farmers program:

- Enabling new access to potential resources that can be used directly by the community as an alternative source of income to improve the people's welfare;
- Managing resources, facilities, and infrastructure to enhance production, social, and
- Environmental activities, or other components agreed upon by the communities;
- Enhancing technical and managerial skills to support new business opportunities;
- Facilitating communities' aspirations and initiatives;
- Building a network of cooperation with external parties to strengthen community welfare programs;
- Carrying out sustainable community forest management with production, social, and environmental benefits; and
- Expanding sustainable forest management programs and increasing capacity of community forest farmer members in order to implement responsible forest management.

## Replanting Program

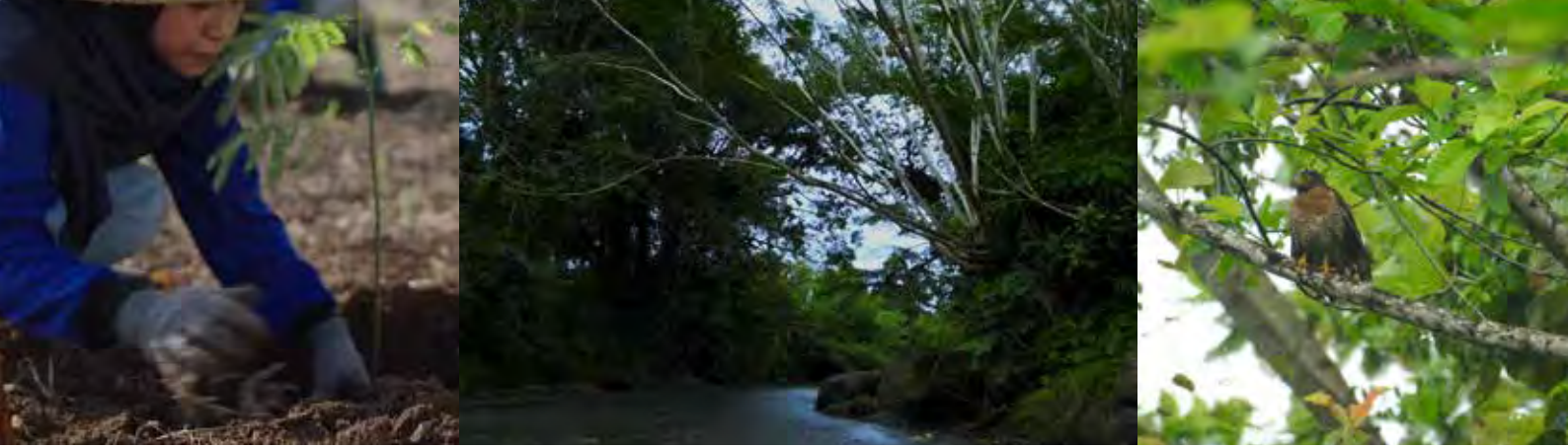
Replanting program plays a pivotal role in the process of sustainable wood sourcing. To that end, SAMKO has since 2001 given support for the replanting program of more than 71 million trees throughout Indonesia in a bid to promote a green culture. The replanting program encourage small-scale farmers to plant and maintain the balance of forest ecosystem. By this year, in continuing our sustainability journey and expanding our program, we have distributed 453,000 variety seeds, such as Horticulture and Multi Purpose Tree Species seeds. These initiative also tend to be in synergy with programs implemented by the Indonesian government to increase the economic potentials of the country's community forests.

Our program encompasses:

- Encouraging small-scale farmers to plant trees, not only as a form of synergy with programs implemented by the Indonesian government, but also to boost economic potentials of community forests;
- Providing advanced planting training to community forest farmers in order to improve their business capabilities and opportunities;
- Distributing the best quality fertilizers and certified seeds; and
- Ensuring sustainable forest growth and forest regeneration.

Our distribution approach is equitable and in line with the annual distribution target plan for community forest farmers, timber suppliers, and the local communities.





## Biodiversity

[GRI 304-1, 304-2, 304-3, 304-4]

Significant progress in sustainable forest management and conservation was achieved at the UN Climate Change Conference COP27. More than 20 countries joined the launching of the Forest and Climate Leaders Partnership that is aimed at promoting sustainable forest management. SAMKO's manufacturing concessions and operations are located in Indonesia, which is identified as one of the world's 17 megadiverse countries. To that end, it is important for us to support biodiversity commitments at the global and national levels.

SAMKO's sustainability journey is characterized by conserving forest biodiversity and conservation values in and around our direct concession areas and community forests. We believe that conservation and restoration efforts in Indonesia have brought a positive impact on meeting the country's sustainability goals.

We have conceptualized a strategy to assist farmers and forest managers in their efforts to manage forests sustainably and bring positive environmental impacts using two methods:

1. Identifying areas in or near our factories that contain fundamental social, cultural and/or ecological values; and
2. Implementing management and monitoring systems to ensure improvement of these values.

Our operations may directly or indirectly harm the biodiversity in our development areas and in areas we have determined to protect (HCV areas, buffer zones, river systems and adjacent areas where wildlife inhabits or passes). HCV areas that have been identified through monitoring are as follows:

HCV Areas	Location	HCV Total Area	Distance to Operation Location (Km)	Note
Swamp	Jambi	6.91	± 270	Hampan II Farmer Group
River	Jambi	0.75	± 270	Hampan II Farmer Group
Swamp	Jambi	3.6	± 270	Harapan Maju Farmer Group
River	Jambi	9.04	± 270	Harapan Maju Farmer Group

Operational Location	Conservation Areas (in Ha)	Concession Areas	% Total Concession Area
Jambi	101.28	1,022.02	10%
East Java	52.97	470.79	11%

From the results of the High Conservation Value Forest Assessment (HCVF) studies that have been conducted, several impacts of our operations on biodiversity have been identified. An analysis related to the impact and its handling is presented in the following table. [GRI 2-25]

Activity	Impact Potential	Impact Range	Mitigation
Changes in land cover in river border areas and riverbanks	<ul style="list-style-type: none"> <li>- Change of land cover from forest/agro-forestry gardens to covered areas into paddy fields/dry land agriculture</li> <li>-Land clearing that can threaten water quality and water availability</li> </ul>	On River Border Areas <ul style="list-style-type: none"> <li>- Tretes River</li> <li>- Gogor River</li> <li>- Genuk River</li> <li>- Watu Gopit River</li> <li>- Bening River</li> <li>- Maling River</li> <li>- Grenjengan River</li> </ul>	<ol style="list-style-type: none"> <li>1. Information dissemination to members of the Forest Farmers Group and parties regarding the importance of conservation areas along riverbanks</li> <li>2. Conducting outreach activities, interviews/focus group discussions, etc. to members of the Forest Farmers Group (Kelompok Tani Hutan/KTH) and parties related to the importance of conservation areas on river banks</li> <li>3. Regular checking related to changes in forest cover by conducting direct visits on the ground</li> <li>4. Installation of signs/signposts around the river in the form of prohibitions and warnings so the area is guarded and maintained</li> <li>5. Checking of the signposts or information boards related to the prohibition of logging in protected areas, namely on riverbanks</li> <li>6. Designation and marking of the left and right river boundaries</li> <li>7. Monitoring of demarcation marks or boundaries can be in the form of scratches on tree trunks or field stakes/markers</li> </ol>
Animal hunting	Animal hunting protected	On River Border Areas <ul style="list-style-type: none"> <li>- Tretes River</li> <li>- Gogor River</li> <li>- Genuk River</li> <li>- Watu Gopit River</li> <li>- Bening River</li> <li>- Maling River</li> <li>- Grenjengan River</li> </ul>	<ol style="list-style-type: none"> <li>1. Training members of Farmer Groups in identifying critical, rare, threatened, vulnerable, endemic or protected by the Government of Indonesia and species that are included in CITES Appendix I &amp; II.</li> <li>2. Periodic monitoring related to protected, endemic and endangered species.</li> <li>3. Formulation of a policy prohibiting the hunting of critical, rare, threatened, or vulnerable animals or endemic or those protected by the Government of Indonesia and are included in CITES Appendix I &amp; II.</li> <li>4. Checking of the signposts that have information on the prohibition of hunting protected animals.</li> </ol>
Operational activities	Water pollution due to Operational activities plantations around the river	On River Border Areas <ul style="list-style-type: none"> <li>- Tretes River</li> <li>- Gogor River</li> <li>- Genuk River</li> <li>- Watu Gopit River</li> <li>- Bening River</li> <li>- Maling River</li> <li>- Grenjengan River</li> </ul>	<ol style="list-style-type: none"> <li>1. Data collection and mapping of communities that use rivers as a source of livelihood.</li> <li>2. Monitoring of every development of community activities that utilize the river as a source of livelihood</li> <li>3. Carrying out Collaborative management activities with stakeholders regarding the physical condition of the river</li> <li>4. Collaborative monitoring with stakeholders related to river water quality on a regular basis</li> </ol>

Activity	Impact Potential	Impact Range	Mitigation
Planting	Planting of exotic and/or invasive plant species rehabilitation/enrichment of plant species can that disrupt the ecological balance in the habitat	On Border Areas - Tretes River - Gogor River - Genuk River - Watu Gopit River - Bening River - Maling River - Grenjengan River	1. Contributing to planting activities collaboratively with stakeholders (Forest Management Unit, Forest Service, Natural Resources Conservation Agency, Grand Forest Park officers, Perhutani officers, NGOs, community), prioritizing using native plant species in areas that have open conditions on riverbanks. 2. Monitoring of the growing percentage of the type planted.
Land clearing	Planting of exotic and/or invasive plant species rehabilitation/enrichment of plant species can that disrupt the ecological balance in the habitat	- Tretes River (Carang Wulung Village) - Watu Gopit River (Carang Wulung Village) - Gogor River (Wonosalam Village) - Genuk River (Sambirejo Village)	1. Pushing for the issuance of a village regulation on river management and preservation 2. Installing and checking information boards or signs related to river conservation 3. Periodic monitoring activities to support river conservation, such as interviews, focus group discussions (FGDs), counseling, and call boards. 4. Implementing the the principle of collaborative management: working with stakeholders (Forest Management Unit, Forestry Office, Natural Resources Conservation Agency (BKSDA), Grand Forest Park officers, Perhutani officers, NGOs, communities) to protect and preserve the river 5. Conducting periodic consultations related to collaboration with other parties through interviews/FGDs, workshops, seminars, counseling, etc
Pilgrimage places cultural sites	Some pilgrims who worship the tombs, potentially making the tombs idolatrous places.	- Kyai Wonosegoro tomb (Wonosalam Village) - Mbah Longgor Grave (Ngampungan Village) - Mbah Sampurno tomb (Ngampungan village) - Mbah Wonojati Grave (Ngampungan Village)	1. Checking the signs or information boards related to calls for preserving cultural sites 2. Carrying out the dissemination of information to related parties regarding the preservation of cultural sites, including those managed by the Sumber Sejahtera Community Forest Management Group (KPHRSS) and other parties 3. Active participation 4. Monitoring of all activities related to the preservation of cultural sites

Total protected species based on the IUCN red list can be seen in the table below.

Location	Total Identified Fauna Based on the IUCN Red List							Total
	CR	EN	VU	NT	LC	DD	NE	
Sumber Sejahtera Community Forest Farmers Group, Jombang	1	-	-	-	37	-	1	39
Sari Mulyo Combined Farmer Group, Jambi	-	1	-	2	54	1	-	58



Location	Total Identified Flora Species Based on the IUCN Red List							Total
	CR	EN	VU	NT	LC	DD	NE	
Sumber Sejahtera Community Forest Farmers Group, Jombang	-	-	3	-	45	3	61	112
Sari Mulyo Combined Farmer Group, Jambi	3	1	2	2	8	-	-	16

\*Protection Status:  
 EN: Endangered  
 CR: Critically Endangered  
 VU: Vulnerable  
 LC: Least Concern  
 NT: Near Threatened  
 DD: Data Deficient  
 NE: Not Evaluated

Fauna categorized under the EN status is hoop monkey (*Presbytis melalophos*), while pangolin (*Manis javanica*) is under the CR status. Flora with EN status is red meranti (*Shorea pauciflora*). Meanwhile, flora with CR status are swamp meranti (*Shorea macrantha*), meranti belangeran (*Shorea balangeran*), and so on.

SAMKO will continue ensuring zero net loss of conservation values and zero raw materials sourced from HCVF areas. We are also implementing land rehabilitation as part of our conservation program.

In 2022, we carried out several conservation activities such as:

PROGRAM	INITIATIVE		IMPLEMENTATION DATE
<p>2022 Earth Day Jambi</p> 	<p><b>"Lestarkan Bumi Mulai dengan Aksi"</b> (Saving the Earth Begins with Action)</p>	<p><b>Distribution of:</b></p> <ul style="list-style-type: none"> <li>• 120 packages of horticultural seeds</li> <li>• 215 packages of groceries</li> <li>• 18 sacks of NPK fertilizers</li> </ul> <p><b>to 7 farmer groups from Gapoktan Sari Mulyo.</b></p>	<p><b>23 April 2022</b></p>
<p>Indonesian Tree Planting Day 2022</p> 	<p><b>"Pesta Menanam Sampoerna Kayoe 2022"</b> (Planting Celebration with Sampoerna Kayoe 2022)</p> <ul style="list-style-type: none"> <li>- Critical land rehabilitation and planting in HCV areas</li> <li>- Planting trees simultaneously in               <ul style="list-style-type: none"> <li>• Jambi</li> <li>• Jombang</li> <li>• Semarang</li> </ul> </li> </ul>	<p><b>Distribution of forestry plant seeds / Multi-Purpose Tree Species (MPTS)</b></p> <ul style="list-style-type: none"> <li>• Jambi : 500 seeds</li> <li>• Jombang : 1,181 seeds</li> <li>• Semarang : 1,550 seeds</li> </ul>	<p><b>28 November 2022</b></p>





## Our Forestry Certification

Since 2021, we have received Forest Stewardship Council (FSC) Chain of Custody (FSC-CoC) certification for our facility in the city of Semarang. FSC is widely recognized as a sustainable forest management certification that promotes responsible forest management. As a member of the FSC Economic Chamber, SAMKO has provided direct contribution in the development of FSC standards and is committed to building a future for a responsible forestry sector. We remain focused on obtaining FSC Small or Low Intensity Managed Forests (FSC-SLIMF) certification for our raw materials in Jambi province and Jombang regency. [GRI 2-28]

At the national level, we have received Timber Legality Assurance System (SVLK) certification in all of our facilities. SVLK certification and related documents (export permits such as V-Legal Documents) must go through a due diligence process under the EU Timber Regulation (EUTR) to meet the requirements for importing plywood-based products in the European Union (EU). We are pleased to announce that all of our facilities have complied with this approach. The SVLK is a recognized certification in all EU member states and the Indonesian government is campaigning for wider recognition in other markets.

We participate in the Indonesian government's Program for Pollution Control, Evaluation and Assessment ("PROPER") for our assembly plants in Balaraja and Jambi province that is regularly monitored by the Indonesian government. In 2022, we receive another Blue PROPER award, demonstrating our compliance with government standards and guidelines regarding environmental management. [GRI 2-27]

We have also received certification from the Japan Agricultural Standard (JAS), CE Marking, United States Environmental Protection Agency (US EPA Title VI), California Air Resource Board (CARB Phase 2), ISO 9001 (Quality Management System), ISO 14001 (Environment), Green Building Council Indonesia, and many more. We ensure that our products and processes comply with global quality and environmental stewardship standards.



# Production



SAMPOERNA KAYOE







## Production

[GRI 417-1, 417-2, 417-3]

Production is an aspect that becomes the focus of our business operations considered to make a significant contribution to sustainable development. Our focus on production is also the manifestation of our commitment and responsibility to the customers as one of the stakeholders with an important role in the sustainability of our business. [GRI 3-3]

Bringing in products that meet quality standards and guaranteed legality becomes our commitment and responsibility to improve customer satisfaction, achieved through the quality and service policies that we set, one of which is the integrity of our product quality assurance chain which is guaranteed using third-party certifications.

The third-party certification that we apply adds value to the traceability of the ingredients of our products and guarantees a well-managed source. We consider these measures important to meet the needs of stakeholders to ensure the legality of our products along the value chain. The certification we carry out is not only a form of compliance with rules and regulations, but also a form of Sampoerna Kayoe's contribution to customers who wish to meet their obligations and target responsible procurement.

We provide third-party certified labels and certifications on our factories and products to ensure our customers high quality products from sustainable sources. This has been a supporting factor for the company in maintaining zero cases of violations related to legality certification requirements, non-compliance regarding marketing communications, and product information and labeling. [GRI 417-1, 417-2, 417-3]

	Luwu	Jambi			Balaraja	Semarang	Purbalingga	Jombang	
Brand	GMELINA	BIRCH	FORTUNA	HEVEA	HEVEAPLEX	BIRCH, PALEM	BIRCH, TUNAS	PALEM, TUNAS	BIRCH, PALEM, TUNAS
Quality Management System		ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001			
Environmental Management System		ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001			
PROPER		BLUE	BLUE	BLUE	BLUE	BLUE			
Product Quality	JAS OP		JAS CP SP OP	JAS LVL					
	CARB Phase 2	CARB Phase 2			CARB Phase 2	CARB Phase 2	CARB Phase 2	CARB Phase 2	CARB Phase 2
	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI			U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI
			CE Marking – (Structural Plywood)		CE Marking – (Structural Plywood)				
Eco-Label Support	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia	Green Building Council Indonesia
Chain of Custody			FSC-COC				FSC-COC		FSC-COC
	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK
Key Products	Plywood	Plywood	Plywood	New Wood (LVL, Deck)	Film Face Plywood	Plywood	Plywood	Plywood	Plywood

In terms of quality and legality, all of our facilities have implemented Indonesia's national timber legality system, the Timber Legality Assurance System (SVLK). The SVLK certification is recognized in European Union (EU) countries and the Indonesian government continues to campaign for wider recognition in other markets. Therefore, the SVLK certification of all our facilities and related documents such as export permits and V-Legal Documents we have passed and complied with the due diligence process under the EU Timber Regulation (EUTR).

The measure is taken in accordance with the prevailing laws in Indonesia and aims to meet European Union (EU) import product requirements for plywood-based products. [GRI 417-1]

In addition to guaranteeing legally guaranteed quality and safety production, we also guarantee responsible production and contribute to environmental preservation. To achieve that, we refer to the Forest Stewardship Council (FSC), which is widely recognized as a certification for sustainable forest management that promotes responsible forest management. [GRI 417-1]



## Improving Our Environmental Performance

We are aware of the responsibility to manage our operations safely, to avoid harm to the surrounding community and the environment. To that end, SAMKO is committed to actively initiating actions and steps to minimize the impact on the planet.

In line with our 2030 Sustainable Vision, we continue to strive to improve our performance in the management of waste, water, energy and emission.



### Energy

[GRI 302-1, 302-2, 302-3, 302-4, 302-5]

One of the components in our efforts to ensure environmentally friendly business operations is the use of renewable energy. Use of electricity purchased from external suppliers dominates the bulk of SAMKO's energy needs. As part of our commitment to sustainability, we have set a target to reduce our electricity consumption and explore opportunities to increase our use of renewable energy sources. [GRI 3-3]

We manage energy by monitoring energy consumption on a yearly basis. Our energy consumption calculation uses the method of adding up the volume of energy sources used and converted into Gigajoule (GJ) units based on International Energy Agency (IEA) conversions.

Indirect energy from electricity use was recorded at 195,140.24 GJ. Use of renewable energy sourced from solar panels was recorded at 6.311,58 GJ, while total output from the solar panels itself amounting to 7.207,27 GJ. The excess kWh will be going to PLN, which they will distribute it to other customer. This scheme will make PLN's other customer use renewables energy as well.

Energy Source	Unit	2022	2021	2020
Direct Energy Fuel	GJ	44,319.99	82,526.20	75,146.65
Indirect Energy Electricity	GJ	195,140.24	206,935.22	189,186.97
<b>Total</b>	GJ	239,460.23	289,461.42	264,333.63

\* Diesel fuel consumption is measured in liters, with a conversion factor of 1 liter = 0.0387 GJ

\* Electricity use is measured in kWh, with a conversion factor of 1 kWh = 3.6 MJ (WRI, 1987)

We recorded energy intensity in 2022 of 0.358 GJ/m<sup>3</sup>.

Energy Intensity	Unit	2022	2021	2020
Total Energy Consumption	GJ	239,460.23	289,461.42	264,333.63
Total Production	m <sup>3</sup>	669,514	714,037	649,281
<b>Energy Intensity</b>	GJ/m <sup>3</sup>	0.358	0.405	0.407

## Contribution to Development of New and Renewable Energy

As a concrete step in cutting global emissions, SAMKO fully supports the transition to the use of new and renewable energy. We are developing new and renewable energy by constructing a solar power plant with a capacity of 1.7MWp at two factories in Jombang Regency, East Java province. Solar power plant at the Tanon plant produces 1.8 GWh of energy and reduces emissions equivalent to 1,500 tCO<sub>2</sub>e annually. Meanwhile, the solar power plant at the Pundong plant produces 0.8 GWh of energy and reduces emissions equivalent to 970 tCO<sub>2</sub>e annually.



### Emission

[GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-6]

As we make progress on our sustainability journey, we are placing a strong focus on cutting carbon emissions. Solar power plant facilities have made it possible for us to become Indonesia's first plywood company that transitions to renewable energy use. Nonetheless, we believe in the importance of redoubling efforts to cut carbon intensity. [GRI 3-3]

As part of compliance in environmental management, we regularly manage and monitor emissions with certified parties under government regulations, such as:

1. Air Emission Control;
2. Control of Hazardous Waste Management (B3); and
3. Control of Liquid Waste.

In the reporting year, we calculated GHG emissions, including Scope 1 from fuel consumption and Scope 2 from electricity consumption. There is no accounting for biogenic emissions of CO<sub>2</sub> and ozone-depleting substances (ODS). All GHG emission calculations come from operational activities included in the sustainability report. Calculation of GHG emissions uses the Intergovernmental Panel on Climate Change (IPCC) guidelines. Calculation of solar emissions uses the GHG Emission Inventory for the Energy Sector of Ministry of Energy and Mineral Resources (ESDM) 2020. Meanwhile, electricity emission factor uses the 2019 electricity emission factor of the Ministry of Energy and Mineral Resources.

Total emissions generated during the reporting period amounted to 52,055.02 tCO<sub>2</sub>e, decreasing by 10% compared to that in 2021.

Description	Unit	2022	2021	2020
Scope 1	tCO <sub>2</sub> e	3,282.65	6,112.47	5,565.89
Scope 2	tCO <sub>2</sub> e	48,772.37	51,735.60	47,429.27
<b>Total</b>	tCO <sub>2</sub> e	52,055.02	57,848.07	52,995.16

We recorded GHG emission intensity in 2022 of 0.078 tCO<sub>2</sub>e/m<sup>3</sup>.

Description	Unit	2022	2021	2020
Emission Amount	tCO <sub>2</sub> e	52,055.02	57,848.07	52,995.16
Total Production	m <sup>3</sup>	669,514	714,037	649,281
<b>Emission Intensity</b>	tCO <sub>2</sub> e/ m <sup>3</sup>	0.078	0.081	0.082



## Water and Effluent

[GRI 303-1, 303-3, 303-5]

SAMKO realizes that water is one of the most important resources in all aspects of life and business. As a result, water management is crucial in ensuring sustainable use of resources and keeping our business running. [GRI 3-3]

In liquid waste management, we refer to laws or regulations on liquid waste management, including:

Industrial Liquid Waste, Decision of Minister of the Environment and Forestry Number 4 of 2014 (appendix VII) for Plywood Companies; and

Domestic Liquid Waste, Regulation of Minister of the Environment and Forestry Number 68/Men.LH of Tahun 2016 (attachment 1).

Our operation begins the water use process by taking water from the source to the reservoir, until it is distributed for operational purposes. Our operational requires water that seperated into industrial and domestic needs. All water waste generated from both industrial and domestic activities are processed in the Wastewater Treatment Plant (WWTP) and monthly tested by an accredited independent laboratory before releasing it to the environment. Moreover, we also collaborate with licensed third parties to treated domestic water waste. Additionally, as part of our sustainability goals, we have a target to reduce water intensity per saleable volume.

We measure and monitor our water consumption performance. Water used in our operations is taken from groundwater and river water. We have not identified any areas of water stress within our operational areas. Measurement of water withdrawal and consumption were carried out using flow meter. In 2022, total water withdrawal at our production reached 1,188,473 m<sup>3</sup>, increased by 7% compared to that in 2021.

Water Withdrawal	Unit	2022	2021	2020
Groundwater	m <sup>3</sup>	667,395	619,386	613,420
River Water	m <sup>3</sup>	521,078	493,293	406,750
<b>Total</b>	m <sup>3</sup>	1,188,473	1,112,679	1,020,170

In 2022, total water consumption at our production facilities increased by 7%, reaching 1,189,473 m<sup>3</sup>, compared to that in 2021.

Water Use	Unit	2022	2021	2020
Industry	m <sup>3</sup>	889,981	765,084	735,816
Domestic	m <sup>3</sup>	299,492	347,595	284,354
<b>Total</b>	m <sup>3</sup>	1,189,473	1,112,679	1,020,170

We have taken various initiatives to reduce clean water consumption and increase water efficiency. At the individual level, we encourage all employees to use water responsibly. We have also increased water recycling rate by re-using water to support our operational activities, such as in the log pond areas. Recycled water consumed during the reporting period amounted to 46,492 m<sup>3</sup>.

Description	Unit	2022
Recycled Water	m <sup>3</sup>	46,492

Waste water management using WWTP facilities must comply to the Government technical requirements. Our industrial wastewater treatment refers to Decision of Minister of Environment Decree Number 5 of 2014 (Appendix VII), also testing of domestic wastewater that refers to Regulation Number 68 of 2016 (Appendix 1). Our waste water management includes the process of recording incoming and outgoing water debits, measuring pH, and measuring daily temperature.

We ensure the quality of treated wastewater by monitoring the result with the established waste disposal quality standards. Should there is non-compliance with the quality standards, the treatment process in the WWTP will be improved and a laboratory re-test will be carried out. During the reporting period, none of any B3 waste spills occurred and there are no tests for the amount of dissolved solids.

Wastewater	Unit	2022	2021	2020
Industry	m <sup>3</sup>	83,313.45	78,469.35	71,908.05
Domestic	m <sup>3</sup>	234,773.48	347,614.81	284,353.86
<b>Total</b>	m <sup>3</sup>	318,086.93	426,084.16	356,261.91



## Waste

[GRI 303-2, 303-4, 306-1, 306-2, 306-3, 306-4, 306-5]

In line with our commitment to reducing the impact of business activities on the environment, we strive to manage resources and waste across all lines of operations. We categorize production of waste resulting from the manufacturing process into two types: hazardous waste (B3) and non-hazardous waste (non-B3). Furthermore, as part of our sustainability efforts, we have a target to reduce waste to landfill per saleable volume. [GRI 3-3]

Our waste management procedures refer to:

Government Regulation Number 22 of 2021 on Implementation, Protection and Management of the Environment; and

Ministerial Regulation Number 06 of 2021 on Procedures and Requirements for Hazardous Waste Management

We carefully carry out B3 waste management in accordance with Government Regulation Number 101 of 2014 that aims to prevent pollution and safety hazards. Several types of solid waste are categorized as B3 waste such as used glue, contaminated packaging, neon lights, used drums, and rotary grinding residue, while examples of non-B3 waste include wood, plastic, metal, straps, and organic or inorganic waste from human use. Management of non-B3 waste is usually not disposed of immediately, but is reused in other forms instead.

B3 waste disposal control refers to Government Regulation Number 22 of 2021 from the storing LB3 in the licensed TPS, in collaboration with licensed transporters, as well as licensed destroyers or users. Government Regulation Number 22 of 2021 also regulates the completeness in the form of a bilateral memorandum of understanding (MoU), or a tripartite agreement.

The amount of hazardous waste generation in the reporting period was 1,425.20 ton, a decrease by 38% compared to that in 2021. In addition, the amount of hazardous waste generation dropped by 67%.

Types of Waste	Processing Method	Unit	Volume Produced		
			2022	2021	2020
<b>Hazardous Waste</b>					
Used glue	Transported by licensed third parties	Tons	1,347.01	1,008	865.94
Oil			9.48	5.61	19.90
Contaminated packages			41.54	4.98	34.14
Medical waste			2.11	0.52	3.86
Fluorescent lamp			0.00	0.00	0.00
Drum			0.13	0.05	0.17
Oil filter			2.52	2.62	2.99
Accu			0.08	0.70	0.34
Resin/lab waste			0.39	0.35	0.66
Rotary knife gram			0.00	0.00	14.93
<b>Total hazardous waste</b>			<b>1,403.26</b>	<b>1,030.43</b>	<b>954.26</b>

Types of Waste	Processing Method	Unit	Volume Produced		
			2022	2021	2020
Non-hazardous waste					
Wood waste	Reused	Tons	294,050.76	398,779.39	602,131.29
	Discharged		101,617.64	906,341.31	185,008.62
Total non-hazardous waste			395,668.40	1,305,120.70	787,139.91

The wood waste that is reused undergoes the process of incineration. On the other hand, any unused wood waste is disposed of in a landfill (final disposal site).

Wood Waste	Unit	2022	2021	2020
Incineration	Tons	294,050.76	398,779.39	602,131.29
Landfill	Tons	101,617.64	906,341.31	185,008.62
Total	Tons	395,668.40	1,305,120.70	787,139.91

We carry out strict monitoring of hazardous waste according to government regulations. Hazardous waste that is resistant to decomposition must be destroyed, including in the cases of waste water treatment, used glue, used forklift engine oil, and contaminated packaging such as jerry cans and air filters. Waste oil generated from our production machines is stored in a temporary shelter for hazardous waste before it is handled by a licensed third-party waste processor.

We also apply the 3R (Reduce, Reuse, Recycle) principles to minimize waste production level. We use several types of waste such as wood as pallets and if the wood waste is damaged it will be used as firewood. In the meantime, metal waste is usually used to make other equipment such as patchwork and roofing.



Our commitment to waste management is also reflected in our Banyumas factory, which uses bamboo as a durable material for pallet production. This method has allowed the factory to record zero spending on building materials.



In 2021, we obtained the FSC Chain of Custody Certification (FSC-CoC) for our facility in Semarang and continue to expand our FSC Small or Low Intensity Managed Forests (FSC-SLIMF) certification for our raw materials in Jambi province and Jombang regency. We are also a member of the FSC economic chamber of commerce as a form of our efforts to contribute directly to organizational standards and the future of responsible forestry.

[GRI 3-3, 417-1]

Our contribution to environmental preservation is also reflected in our participation in the Public Disclosure Program for Environmental Compliance (PROPER) developed by the Ministry of the Environment and Forestry of the Republic of Indonesia. Through our assembly plants in Balaraja regency and Jambi province, the Indonesian government monitors, evaluates and assesses our environmental management performance. Our compliance with government standards and guidelines regarding environmental management has earned us the Blue rating PROPER award in 2020. [GRI 417-1]

Our commitment in ensuring that our products and operations comply with global quality standards and environmental management is proven by other certifications we have received, including Japan Agricultural Standard (JAS), CE Marking, United States Environmental Protection Agency (US EPA Title VI), California Air Resource Board (CARB Phase 2), ISO 9001 (Quality Management System), ISO 14001 (Environment), Green Building Council Indonesia, and many others.

From the aspect of production quantity, the total production capacity in 2022 is 699,514 m<sup>3</sup>. The capacity decreased by 11% compared to that in 2021. Our operation in North Maluku province has not been included in this report as they are still in the development stage.





## Research and Development

As a prominent player in the global market of timber products, Sampoerna Kayoe is aware of the need to stay competitive. Competition comes in various forms: technological advance of timber manufacturing processes, development of new and higher-quality timber products and development of substitute products that aggressively target the current market.

Research and Development ("R&D") help Sampoerna Kayoe protect its market share and expand to new markets. Through R&D, Sampoerna Kayoe could always be prepared, both in response to today's challenges as well as anticipating future risks and opportunities. R&D enables Sampoerna Kayoe to deliver higher-quality products through process improvement and new raw and supporting materials, securing both the economic and environmental sustainability of our business.

Our current research in 2022 are focuses on three developing projects:

Wood adhesive material, formulating the usage of regular urea formaldehyde resin as a substitution material for low emission urea formaldehyde glue, in order to reduce the glue mix cost and anticipate the increasing of glue resin price at all Sampoerna Kayoe's assembly plant. Our innovation at SGS Balaraja in 2021 has made cost savings up to  $\pm$  Rp12 Billion / year and has been implemented in the whole of Sampoerna Kayoe production plant in 2022 with potential cost savings up to  $\pm$  Rp50 Billion / year.

Wood Preservatives (anti fungus and anti-insect), looking for some alternate preservative materials to increase the durability of rubber wood (plantation wood) and albazia falcataria/ sengon wood (fast growing species wood), balancing the requested quality with reasonable cost, and to increase the value added of Sampoerna Kayoe's products.

Process Engineering of LVL curved shape which functioned as bicycle frame, developing the production process and the product itself as Sampoerna Kayoe's high values product in the future.



SAMPOERNA KAYOE

# Social





## Responsible Business

[GRI 3-3]

Sampoerna Kayoe is committed to invariably running its business activities responsibly and implementing sustainability strategies as key to long-term business continuity. The commitment is aligned with the company's goal of renewing Indonesia's natural resources industry and contributing to responding to global sustainability challenges and issues.

One of our responsibilities in running a business is reflected in our support and our contribution to sustainable development in Indonesia. In line with Sampoerna Kayoe's framework, our contribution to social criteria is focused on human and production aspects by building collective, shared values with stakeholders, innovating in production efficiency on an ongoing basis, and establishing quality and service policies in order to improve customer satisfaction.





The company's values and code of ethics are Sampoerna Kayoe's commitment to sustainable development. They serve as the foundation for implementing a sustainable value chain that involves stakeholders, especially suppliers, to be involved in manifesting our commitments. Besides optimizing business impact on sustainable development, implementing a sustainable value chain will ensure that the company can avoid non-compliance with the prevailing rules or regulations.

To that end, we ensure that all logs that we use are legally and sustainably sourced by requiring our suppliers to comply with the National Standards for Sustainable Production Forest Management–Timber Legality Assurance System (SVLK-PHPL). We have 1,500 suppliers who are actively involved in the development and establishment of the plywood industry with us. We ensure that all logs are sourced from selected legal concession areas in Indonesia through a selective logging process, with 90% of our wood sourced from community forests. Throughout 2022, Sampoerna Kayoe did not have new suppliers; hence, there was no new supplier selection process using social criteria. [GRI 414-1, 414-2]

As our responsibility in maintaining forest regeneration and its sustainability, we integrate a sustainable business approach through an annual seed distribution program to farmers, suppliers, and the communities that we carry out consistently. The implementation of the program is based on the Group's view that smallholders and suppliers are actively involved and play an important role in developing and shaping the plywood industry.

To develop a sustainable value chain, the Sampoerna Kayoe Group has been managing plantation forests in North Maluku province with the concession rights of around 59,000 hectares since 2021. The Group is also in the process of achieving international sustainable forest management certification for its timber plantations, with the target of achieving 100% plantation forest with a sustainable forest management certification scheme as our new step in running a sustainability business.





## Employee Welfare

Sustainability of the business that we have built is inseparable from the important role of our employees. Therefore, Sampoerna Kayoe pays attention to employee welfare as part of our steps to achieve business sustainability. Apart from welfare, the need to get the best work experience that includes a sense of being valued, being safe, being comfortable, and being treated fairly is one of our focuses in managing human resources. [GRI 3-3]

We are committed to ensuring that all employees receive their rights to benefits and compensation, health and safety, an adequate work environment, career advancement, as well as training and development to develop their potential. Sampoerna Kayoe defines itself as a very diverse workplace and always strives to create a workplace that truly fits the aspirations of its employees. [GRI 3-3]

The Group categorically opposes discriminatory practices of any kind regardless of background, ethnicity, religion, race. Instead, we continue promoting gender equality throughout our organization. The attitude is based on our principle of upholding the principles of human rights, justice and equality in human resources management. The implementation of all company policies, regulations and guidelines that apply universally to all levels of management is a form of anti-discrimination implementation. We also empower business development based on integrity, transparency and professional behavior based on government regulations.

The following data illustrates Sampoerna Kayoe employees obtained through records of our Human Capital Department at the end of the reporting period. [GRI 2-7, 405-1]

Number of Employees Based on Employment Status

Employment Status	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Permanent Employees	6,983	817	7,195	823	6,836	1,528
Contract Employees	3,509	198	3,745	218	4,061	451
<b>Total</b>	10,492	1,015	10,940	1,041	10,987	1,979

### Number of Employees Based on Employee Category

Employment Category	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Full-time Employee	10,492	1,015	10,940	1,041	10,987	1,979
Part-time Employee	-	-	-	-	-	-
<b>Total</b>	10,492	1,015	10,940	1,041	10,987	1,979

### Number of Employees by Work Area

Working Areas	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Head Office	635	161	510	158	470	140
Muaro Jambi Branch/Unit	712	242	716	245	903	379
Jombang Branch/Unit	3,942	24	4,071	2	3,422	790
Semarang Branch/Unit	1,821	-	1,970	-	2,205	5
Tangerang Branch/Unit	1,421	3	1,634	6	1,720	7
Purbalingga Branch/Unit	615	-	683	-	741	-
Luwu Branch/Unit	1,217	582	1,356	630	1,436	658
Mangole Branch/Unit	129	3	-	-	-	-
<b>Total</b>	10,492	1,015	10,940	1,041	10,987	1,979

### Number of Employees Based by Age Group

Age Group	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
18-30	1,543	169	2,412	219	3,084	590
31-40	5,358	377	5,525	394	5,383	898
41-50	2,919	430	2,475	403	2,060	473
> 50	672	39	528	15	370	18
<b>Total</b>	10,492	1,015	10,940	1,041	10,987	1,979

### Number of Employees Based on Designation Level

Designation Level	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Directorate Head	8	-	8	-	9	-
Division Head	26	7	23	5	24	4
Department Head	132	27	119	26	113	24
Area Head	320	44	309	41	325	47
Team Leader	1,118	134	1,074	114	957	106
Non-Staff	8,888	803	9,407	855	9,469	1,798
<b>Total</b>	10,492	1,015	10,940	1,041	10,897	1,979

In carrying out its operations, Sampoerna Kayoe exclusively employs workers who hold the status of company employees. This has been our policy in managing human resources in order to maintain industrial relations and achieve the company's goals. Nonetheless, all members of society, particularly the local community, have an equal opportunity to join Sampoerna Kayoe without any discriminatory practices. [GRI 2-8]

As a token of support for employee welfare, we refer to national labor laws and government regulations. By respecting human rights and upholding the principle of equality in fulfilling employee rights, we ensure that wages and remuneration are paid according to government regulations and that there is no difference in the salary ratio between male and female employees. The wages we provide to our employees are adjusted to the minimum wage set by the provincial government in each of our operations that can set minimum wage requirements by province and industrial sector. [GRI 405-2]

We also ensure human resource management that underscores the importance of compliance with standard work procedures for all employees in the organization. The measure is a form of our commitment to provide a sense of security and comfort that guarantees occupational health and safety. In line with this, we provide benefits such as health insurance, Government Health Insurance (BPJS Kesehatan), Government National Social Security (BPJS Ketenagakerjaan), pension funds for permanent employees, maternity leave, and maternity benefits. [GRI 401-2]

We are currently compiling the parental leave data and will report it in the upcoming report. [GRI 401-3]





To ensure employee welfare, Sampoerna Kayoe guarantees employees freedom to associate and comply with the provisions of the Collective Labor Agreement (PKB) All (100%) employees are included in the PKB, which regulates employee relations and guarantees freedom for employees to join as union members. In 2022, 30.33% of our workers were registered as members of local unions in all our assembly plants. Significant changes in the organizational structure and operations of the company are communicated to all employees via email, letters and memos placed on the bulletin board. [GRI 2-30]

Sampoerna Kayoe is aware that its status as a labor-intensive company operating in developing and remote areas is highly vulnerable to potential incidents of forced labor and child labor. To that end, Sampoerna Kayoe implements strict policies against forced labor and child labor throughout our operations. The policy refers to the prevailing labor laws, which regulate working hours and minimum age of employees. Referring to the prevailing laws and regulations, working hours in Indonesia are 40 hours per week or seven hours per day of six working days, and equal to eight hours per day for five working days a week. The company also must not employ individuals under 18 years of age, in line with the provisions of the International Labor Organization (ILO) and Indonesian law. [GRI 408-1, 409-1]

Number of New Employees and Employee Turnover by Gender [GRI 401-1]

Gender	2020	2021	2022	2022
	New Employees			Employee Turnover
Male	85	186	384	10.4%
Female	8	4	39	4.1%
<b>Total</b>	<b>93</b>	<b>190</b>	<b>423</b>	<b>3.79</b>



Our compliance with laws and regulations regarding human resource management is part of the Group's efforts to run business in a fair and equal manner that puts people at the heart of our operations.



## Professional Development

Our employees are an important asset that we empower to grow our business as a leading wood engineering company. We also provide them with the opportunity to build their careers and become future leaders. Sampoerna Kayoe is of the view that improving human resource competencies is in line with improving performance and business growth. Through training and development programs, employees not only gain important skills and improve competence, but also competence and competitiveness that are useful in achieving their career goals and company goals. [\[GRI 3-3\]](#)

Designation Level	2022		
	Grand Total Duration (Hours)	Grand Total Audience (Persons)	Average Training Hours
Manager - Up	113	51	2.216
Staff – Asst. Manager	1,847	1,554	1.189
Non-Staff	9,757	9,802	0.995

In addition to considering competence, we realize that character development is an important factor in driving business growth. To that end, we do not specifically focus on competency improvement. Instead, we also focus on developing soft skills and managerial skills for leaders in organizations. This effort is our initiative to maximize the capabilities of our leaders, optimize performance, and strengthen effective and inclusive teamwork in each division. [\[GRI 404-1\]](#)



In addition to facilitating employees to develop career-supporting competencies, Sampoerna Kayoe also provides them with opportunities to develop useful skills in retirement. Sampoerna Kayoe has established a Hobbist Club that assists employees in choosing useful skills in retirement and invites instructors who are experts in their field to provide training and education. We also provide old-age security benefits to our employees in the form of pension funds, insurance, Government Health Insurance (BPJS Kesehatan), and Government National Social Security (BPJS Ketenagakerjaan).

Sampoerna Kayoe uses performance review as a significant component in assessing employee performance, which then serves as the basis for making decisions regarding compensation, rotation or transfer of employees. We consistently manage employee performance appraisals to identify relevant training to improve employee performance. Employee performance reviews are carried out for all our employees, both male and female, at every position level. [GRI 404-3]

### Number of Employees Receiving Performance Evaluation

	2022	2021	2020
Directorate Head	8	8	9
Division Head	33	28	28
Department Head	159	145	137
Area Head	364	350	372
Team Leader	1,252	1,188	1,063
Non-Staff	-	10,262	11,267
<b>Number of employees receiving evaluation</b>	<b>1,816</b>	<b>11,981</b>	<b>12,876</b>
<b>Number of Total Employees</b>	<b>11,507</b>	<b>11,981</b>	<b>12,876</b>
<b>Percentage</b>	<b>15.78%</b>	<b>100%</b>	<b>100%</b>



## OAP Program 2021-2022

Since early 2018, the company's Occupational Acceleration Program (OAP) has supported the realization of a sustainable plywood production business. Through the implementation of this program, we create human resources that are strong, highly competitive, and have good leadership, loyalty and dedication in contributing to realizing quality and efficient production so as to improve the company's performance and achieve its goals. In 2022, we organized the 7th batch of the OAP, which was attended by our employees from all Sampoerna Kayoe operational areas. [GRI 404-3]

The pandemic situation in 2022 improved after more than two years the pandemic affected every aspect of the world and brought challenges to all business sectors. The main challenge for the participants of transitioning from offline activities to online activities was properly addressed. The programs that have been designed online as a form of adaptation to the pandemic created an opportunity for us and the participants. Class training activities and annual project evaluations designed to measure and observe the abilities and progress of trainees at every level of the program are becoming more effective and efficient.

As part of the efforts to continue developing plywood production business properly and sustainably, the management has continuously made various ways of developing the training participants to form the best talents in various aspects that support their careers and the company's sustainable performance.

## Occupational Health and Safety

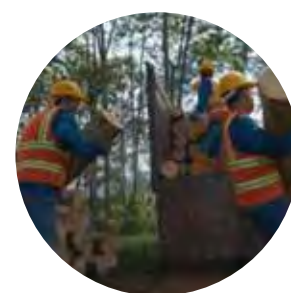
Providing a safe, conducive and proper workplace by ensuring the fulfillment of safety and health aspects is one of our social responsibilities towards employees. To that end, we have an Occupational Health and Safety Management System (SMK3) that refers to the prevailing laws and regulations, including: [GRI 3-3, 403-1]

1. Law Number 1 of 19709 on Work Safety
2. Regulation of Minister of Manpower Number 4 of 1987 on Occupational Safety and Health Advisory Committee (P2K3)
3. Regulation of Minister of Manpower Number 5 of 1996 on Occupational Health and Safety
4. Law Number 13 of 2003 on Manpower

Application of the Occupational Health and Safety Management System is a form of implementing the SMK3 in companies in accordance with the requirements set out in Government Regulation Number 50 of 2012. This is a concrete effort to ensure employee safety, eliminate hazards, and minimize the risk of work accident incidents and work-related illnesses for employees and parties involved in the work process in the company. [GRI 3-3, 403-1]

As stated in the Collective Labor Agreement, the Occupational Health and Safety practices are a shared responsibility to achieve zero accidents and zero fatality targets in every Sampoerna Kayoe operation. We are committed to implementing the SMK3, which covers health, safety and environmental (HSE) management through the implementation of SOPs set by management. The SOPs include: [GRI 3-3, 403-1]

- Procedures for Occupational Safety and Health;
- Procedures for Hazard Source Identification, Risk Assessment, and Contract Review;
- Procedures for Emergency Preparedness and Response;
- Procedures for Fire Handling;
- Procedures for Monitoring and Measurement;
- Procedures for Material Processing dan Transfer;
- Procedures for Communication and Consultation; and
- Procedures for Design Review.



Our SMK3 covers all workers, activities, and work areas within the scope of the company including other parties with an interest in the company. As part of this system, we strive to ensure the implementation of occupational safety and health procedures by providing routine occupational safety and health procedures briefings at the start of work and disseminating them, both weekly and monthly. We also provide guests and contractor workers with an introduction to the factory area which includes hazards and facilities related to occupational safety and health procedures provided while in the company's compound, in addition to equipping the entire factory with visual banners and posters regarding occupational safety and health procedures appeals, SOPs and work instructions in each factory area. [GRI 3-3, 403-1, 403-7]

We also provide personal protective equipment (PPE) in accordance with occupational safety and health standards as a form of implementing occupational safety and health procedures. The PPE that we provide includes masks, gloves, and protective goggles, which are routinely checked for appropriateness and the availability of PPE in each subsidiary. In addition, we also carry out compliance checks for all employees working in high-risk areas to wear PPE. [GRI 403-7]

**The following is the number of employees covered by our occupational health and safety management system. [403-8]**

Description	2022	2021	2020
Employee	15,442	11,507	12,118
Outsourcing Employee	9,360	4,058	3,279
<b>Total</b>	<b>24,802</b>	<b>15,565</b>	<b>15,397</b>

We realize that the process of identifying work-related hazards and assessing risks, both regularly and non-routinely, is an important and major step in implementing OSH at the workplace. Through the implementation of SOPs that are part of the SMK3 implementation, we carry out hazard source identification and risk and control studies to determine appropriate goals, objectives and occupational safety and health programs. We also carry out the work equipment inspection work instructions, which are carried out every week and every year as well as work instructions for monitoring hazardous places, which are carried out periodically. The results of our process of identifying hazards, risk assessments, and incident investigations related to our work serve as a basis for consideration in implementing a hierarchy of controls to eliminate hazards and minimize risks of work accidents and occupational diseases.

[GRI 403-2]

To optimize the results of the process of identifying hazards and risks related to work, we encourage all employees to contribute to identifying risks and hazards by reporting any findings, input, or complaints related to work and hazardous situations. Employees can immediately report hazards in their work areas directly to supervisors or indirectly through the hazard identification application. Afterwards, the supervisor immediately temporarily stops the work and takes steps to eliminate the reported hazards. [GRI 403-2]

Sampoerna Kayoe respects the right of employees to refuse and leave work situations that are believed to pose a risk to safety and health. This condition is permissible as long as it is reported to superiors, work supervisors, or the occupational health and safety unit. We guarantee confidentiality and provide protection for employees who report risky and dangerous conditions according to procedures so that they avoid pressure or retaliation resulting from the report.

Every report or input from employees related to occupational health and safety procedures to incidents of work accidents or near misses that occur will be followed up with an investigative process to find the root of the problem. Through an investigative process, we make recommendations for short-term (corrective action) and long-term (system improvement) corrective actions. [GRI 403-2]

One form of implementing SMK3 is providing health services and providing health insurance to all employees. Sampoerna Kayoe provides health services in the form of clinics at each of its main factories, such as Luwu Factory, Jombang Factory, Jambi Factory and Balaraja Factory. Clinics are also available at several affiliated factories such as East Luwu Factory. We also work closely with hospitals around the operational area. Apart from being one of the measures to deal with work accidents and work-related illnesses, the health facilities we provide function as an initial health check for new workers before work and regular health surveillance every year. These measures are part of the process of identifying and eliminating hazards and minimizing risks related to occupational health and safety. [GRI 403-3]

Meanwhile, the health insurance provided to employees is in the form of health insurance provided by the government's BPJS Kesehatan and a health insurance program in collaboration with private health insurance. The health insurance that we provide can be used by the employees to stay healthy as a mitigation measure and eliminate risks of work-related diseases and improve quality of employee health to address health risks that are not related to work. Every employee can also take medication privately at the hospital designated by the company and the costs will be borne by the company. We collaborate with the government through BPJS Kesehatan and private health insurance to ensure the quality of the facilities we provide for all of our employees. [GRI 403-3, 403-6]

To build a safe, conducive and proper workplace by ensuring the fulfillment of safety and health aspects, Sampoerna Kayoe continues to develop, implement and evaluate the applied SMK3. It also involves participation and consultation with workers in operational areas through participation and consultation procedures. [GRI 403-4]

Participation and consultation procedures are one of the basic requirements in implementing SMK3 that emphasizes companies to develop, implement and maintain participation procedures for workers, contractors and other third parties that are closely related to the implementation of occupational health and safety procedures in the company. In general, the participation and consultation procedures discuss the scope, procedures, documentation, and follow-up of occupational health and safety participation and consultation. [GRI 403-4]

Based on Regulation of Manpower Number 4 of 1987 on the Occupational Safety and Health Advisory Committee (P2K3) and procedures for appointing general occupational health and safety experts, Sampoerna Kayoe has a P2K3 structure whose task is to provide advice and considerations, whether requested or not, to management or administrators regarding occupational health and safety issues with the aim of developing occupational health and safety procedures. In addition, P2K3 is also responsible for implementing occupational health and safety procedures in the company as well as being a means of communication and cooperation between management and employees in increasing effective communication and participation in implementing occupational health and safety procedures. [GRI 403-4]

The P2K3 structure consists of P2K3 chairperson, P2K3 secretary, and P2K3 members, each of whom has the following duties and responsibilities:

Duties and responsibilities of chairperson of P2K3:	Duties and responsibilities of P2K3 secretary:	Duties and responsibilities of P2K3 members
<ul style="list-style-type: none"> <li>a. Leading all P2K3 plenary meetings or appointing members to lead plenary meetings;</li> <li>b. Determining steps and policies to achieve the implementation of P2K3 programs.</li> <li>c. Being responsible for the implementation of occupational health and safety procedure in the company to the local district/city manpower and transmigration office through the company leadership;</li> <li>d. Being responsible for the P2K3 programs and their implementation to the Board of Directors; and</li> <li>e. Supervising and evaluating the implementation of occupational health and safety procedure in the company.</li> </ul>	<ul style="list-style-type: none"> <li>a. Formulating meeting invitations and minutes;</li> <li>b. Managing the administration of P2K3 letters;</li> <li>c. Recording data related to occupational health and safety procedure;</li> <li>d. Providing assistance/suggestions needed by sections for the success of occupational health and safety programs; and</li> <li>e. Making a report to the local Manpower and Transmigration Office or other agencies concerned with hazardous conditions and actions in the workplace.</li> </ul>	<ul style="list-style-type: none"> <li>a. Implementing programs that have been determined in accordance with each section; and</li> <li>b. Reporting to the chairperson on the activities that have been carried out.</li> </ul>

We realize the maintenance and development of occupational Health and safety management at all Sampoerna Kayoe factories by organizing regular training and seminars, both internally and externally on occupational health and safety management at all of our factories. Occupational health and safety briefings at the beginning of the work time (shift) are always carried out for all workers, with the aim of identifying hazards and risks at work. We also implement health promotion strategies regarding the importance of occupational health and safety for employees and their families at home. This activity also serves as our means to educate employees to avoid and prevent work accidents and work-related diseases so that they stay healthy and safe wherever they are, especially in the workplace. [GRI 403-5]

Basically, the hazards and the risks inherent in every operational activity of the company have been identified and mitigated based on the hazard control hierarchy and the level of risk has been reduced to a level tolerated by management based on the company's policy. However, Sampoerna Kayoe continues to record and calculate incidents of work accidents and occupational diseases using procedures regarding occupational health and safety performance reporting and the results are used as evaluation material for improving the quality of occupational health and safety aspects in the company.

Table of Occupational Health and Safety Performance Related to Work Accidents  
[GRI 403-9]

Description	2022		2021		2020	
	Number of Cases	Number of Working Hours Lost	Number of Cases	Number of Working Hours Lost	Number of Cases	Number of Working Hours Lost
Minor Injury	441	-	479	-	593	-
Moderate Injury	127	3,048	68	1,632	75	1,800
Serious Injury	26	1,456	17	952	14	784
Fatality	2	-	-	-	-	-
<b>Total</b>	596	4,506	564	2,584	682	2,584
Available Hours	102,000		102,000		102,000	
% Hour Lost	4.42%		2.53%		0.67%	

The total number of hours lost in 2022 recorded at 4,506 hours or 4.42% of the total available working hours.

We define work-related hazards that pose a risk of work-related accidents with a high degree of consequence based on the identification and assessment of work-related hazards and risks. The process of determining a hazard can be done based on the possibility and impact of that hazard on workers, tools and goods, and the amount of costs incurred to mitigate it.

[GRI 403-9]





After determining the level of risk, the medium and high categories are prioritized for the occupational health and safety procedure work plan which constitutes the goals, objectives and occupational health and safety programs every year and at the end of the year an occupational health and safety procedure performance evaluation is carried out. Goals, objectives and occupational and safety programs to eliminate hazards and minimize risks include scheduled occupational and safety training, pre-work safety briefings, installing occupational and safety signs according to potential hazards in the workplace, maximizing monitoring of work tools/machines that are at high risk, and carrying out hazard identification patrols to eliminate identified hazards in the work area. [GRI 403-9]



Types of work-related hazards with a high degree of consequence are chemical hazards, physical hazards, and mechanical hazards. Chemical hazards are hazards caused by chemicals which, if inhaled or in contact with the skin, may cause harmful or harmful effects. For example, combustion smoke, liquid or gas chemicals, and so on. Physical hazards are hazards caused by dangerous temperatures, namely too cold or too hot, insufficient or excessive lighting that can interfere with vision, and noisy equipment that can interfere with hearing. Last, mechanical hazard is a potential hazard that comes from moving objects or processes that can cause impacts such as collisions, cuts, punctures, cuts, scratches, falls, or pinches. [GRI 403-9]

Table of Operational Health and Safety Procedure Performance Related to Occupational Diseases [GRI 403-10]

Description	2022	2021	2020
Number and rate of fatality as a result of occupational diseases	0	0	0
Number and rate of occupational diseases that can be recorded	0	0	0
Main types of occupational diseases	0	0	0

We also carry out identification and assessment of work-related hazards and risks in the process of determining work-related hazards that pose risks of health problems. Determination of hazards to worker health is based on the number of workers who are indicated to experience health problems as a result of the work process. The hazard that can cause health problems in the work area is noise which can be seen from the level of exposure, while the level of impact on health can be measured by noise <85 dB or how many hours of exposure work. In addition, there is a danger posed by dust in the factory environment that carries the risk of causing respiratory disorders. [GRI 403-10]

We consistently take concrete steps to eliminate hazards and minimize the risk of causing health problems due to work. For noise hazards, we optimize machine maintenance, provide an operator station that can be isolated from the machine, and provide PPE in the form of ear muffs or ear plugs by adjusting the noise level. For dust-related hazards, we routinely carry out cleaning of the machine and factory environment and maximize the suction function of the blower to the powder storage, and equip workers with masks while working. [GRI 403-10]



## Community Engagement

Sampoerna Kayoe recognized the process of working collaboratively with the surrounding communities as a powerful vehicle for a sustainable outcome. Our strategic method is to shift the focus from the individual to mutual interest, and it is to ensure the diversity in the communities makes equitable decision-making. Thus, SAMKO adopts an external outlook and understands the issues in the communities that are most relevant to our business. [GRI 3-3]



As a form of our support and contribution to sustainable development in Indonesia and to achieve our target in increasing the welfare of local communities and in-kind investment, we design programs that reflect economic, environmental, educational, health, and social interdependencies by recognizing our operational areas. The program is based on our strategic method of shifting focus from the individual to the common good and ensuring that diversity in the society plays a role in fair decision-making.

## Agroforestry

The agroforestry program is our commitment in emerging sustainable efforts. SAMKO implemented this program, collaborating and fully involved with local farmers and communities within our operational areas in Sumatera and Java. The program aim to increase economic improvement, that also maintain a healthy forest ecosystem in surrounding environment. One of our focus is planting various types of seeds that increase trees productivity and has multipotential benefits in the long term, not only produce fruits that can be additional source of income for communities welfare, but also to protect river bodies from erosion and landslides.

## Economic Development [GRI 413-1]

In line with the 2030 Sustainability Vision, Sampoerna Kayoe is fully committed to fostering and assisting smallholders to manage their forests in a sustainable manner, not only in accordance with national standards but also improving the level by meeting international certification requirements. We believe that with this green system, our forest will stay green, while the quality of life of farmers can improve. Through our vision, we hope to continue involving farming communities on a wider scale to jointly maintain and protect forests in a sustainable and responsible manner. [GRI 3-3]



## Supporting Local Business

We support improvement and growth of the local communities' economies while providing education regarding the principles of sustainable development. As part of our commitment to sustainable forest management, we have set a target to promote the adoption of sustainable forest management international standards among smallholders in all regions within our operation area. We realize this support through community forest farmers program and smallholders certification that aims to equip farmers with sustainable and long-lasting agricultural practices.

As a member of the economic chamber of the Forest Stewardship Council (FSC), Sampoerna Kayoe directly contributes to FSC standards and is committed to shaping the future of responsible forestry. One of them is by expanding our support to smallholder farmers with the aim of building a wider family of suppliers whose raw materials are FSC certified. We also engage small farmers to diversify their non-timber forest products, such as coffee and red ginger, and cardamom. Sampoerna Kayoe offers premium prices for FSC certified raw materials thereby enabling farmers to earn additional income.



## Social Welfare

Our support for community economic growth is not only in the agricultural and forestry sectors, but we also involve the communities directly in our business. This is based on our business model which consists of various local operations that are widely found throughout Indonesia. This model aims to facilitate collaboration with local communities and government. We make endeavors for each of our factories to become a fundamental part of the local economy.

In addition to prioritizing raw materials from local communities, we also prioritize recruitment of local staff to work in our factories through the Return to Village Program (RBK). This program aims to outsource several manufacturing processes from home businesses and unqualified part-time workers to full-time jobs. We employ them formally with the necessary vocational training and insurance coverage.

The communities and the environment surrounding each operation provide different social and economic opportunities to which we can contribute. Our Environmental Development and Sustainability Department is working with relevant stakeholders to develop local social partnership programs in each business area. Further developments are reported in our annual sustainability report.

[GRI 413-2]

In 2022, we organized training and education for employees that includes topics such as managerial skills, technical skills and functional skills. Technical skills training was held according to site specific needs based on ISO regulations and mandatory professional licenses, such as HSE Training and Certification, Education and Training of Forest Management Technical Personnel (GANISPH), and Internal HSE Induction. [\[GRI 404-2\]](#)

Table of Employee Training Held During the Reporting Period

Name of Training	Date of Training
<b>Listed Entity Directors Program</b>	
Listed Entity Directors (LED) – Environmental, Social and Governance Essential Programme	14 July 2022
	7 September 2022
	25 October 2022
	8 November 2022
<b>HSE Training</b>	
FSC CoC Trademark Training (Business Unit Team and Marketing Team)	7 February 2022
In-House Training CoC FSC Ver 3-1 (Business Unit Team and Marketing Team)	8-9 February 2022
General Occupational Health and Safety Expert (Luwu SGS)	11-23 April 2022
Proper: PLB3 (B3 Waste Management) Muaro Jambi SGS	19-20 July 2023
POPA : In Charge of Wastewater Treatment Operations (Luwu SGS)	9-10 August 2022
PPPA : In Charge of Water Pollution Control (Luwu SGS)	11 - 12 August 2022
Ergonomics and Health and Paramedical Company Hygiene Training (Luwu SGS)	3 - 4 October 2022
<b>GANIS</b>	
GANIS PHPL Training (SGS Muaro Jambi)	7 - 11 February 2022
GANIS Exam and Certification (Butuh SGS)	16 - 18 November 2022
GANIS Exam and Certification (Purbalingga SGS)	16 - 18 November 2022
GANIS Exam and Certification (Gringsing SGS)	16 - 18 November 2022
GANIS Exam and Certification (Banyuputih SGS)	16 - 18 November 2022
GANIS Exam and Certification (Wangon SGS)	16 - 18 November 2022
<b>HSE Internal</b>	
Safety Campaign (ToT)	10 February 2022
Safety Campaign SGS Muaro Jambi	March - June 2022
Safety Campaign SGS Balaraja	March - June 2022
Safety Campaign SGS Purbalingga	March - June 2022
Safety Campaign SGS Butuh	March - June 2022
Safety Campaign SGS Jombang	March - June 2022
Safety Campaign SGS Luwu	March - June 2022

In support of the social welfare of the local community, Sampoerna Kayoe regularly implements corporate social responsibility (CSR) programs as our effort to provide benefits to the local community in enhancing their social welfare. The following are the realization of CSR programs and some flagship activities that were carried out during the year 2022. [GRI 413-1]

### The Implementation of CSR Programs In 2022

Environment			
Branch	Program	Activity	Impact
SGS Jombang, Jember, Butuh, Luwu, Banyumas, and Banyuputih	Rehabilitation and non-timber forest product program	As a form of responsibility in maintaining the natural environment, SAMKO distributed 210,000 seedlings to support planting activities, rehabilitation programs, and non-timber forest product generation for the local communities surrounding the operational areas of SGS Jombang, Jember, Butuh, Luwu, Banyumas, and Banyuputih.	This program aims to increase oxygen levels and reduce emissions in the air, which can mitigate climate change. Moreover, this program can enhance the potential of community forests for the local communities and support sustainable forest growth.
Health			
Branch	Program	Activity	Impact
SGS Jombang and Luwu	Community health assistance	SAMKO organizes a community health assistance program through blood donation activities and free health check-ups for the local communities surrounding the operational areas of SGS Jombang and Luwu.	This program aims to increase awareness and improve the quality of community health in the operational areas of SAMKO, as well as support the Indonesian Red Cross (PMI) in collecting blood donors from among employees and the surrounding communities.
SGS Banyuwangi, Gringsing, Luwu, Banyumas, Banyuputih, and Way Kanan	Distribution of food aid and gift packages	SAMKO distributed 638 packages of food aid and gift packages to the needy communities surrounding the operational areas of SGS Banyuwangi, Gringsing, Luwu, Banyumas, Banyuputih, and Way Kanan.	This program aims to assist in fulfilling the basic needs of the communities in order to improve their quality of life.



## GRI CONTENT INDEX

Statement of Use	Sampoerna Kayoe has reported the information cited in this GRI content index for the period January 1 until December 31, 2022 with reference to the GRI Standards.
GRI 1 Used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location	Omission	
			Reason	
General Disclosures				
GRI 2: General Disclosures 2021	2-1	Organizational details	7	
	2-2	Entities included in the organization's sustainability reporting	15	
	2-3	Reporting period, frequency and contact point	15	
	2-4	Restatement of information	15	
	2-5	External assurance	15	
	2-6	Activities, value chain, and other business relationship	7	
	2-7	Employees	62-63	
	2-8	Workers who are not employees	64	
	2-9	Governance structure and composition	28-30	
	2-10	Nomination and selection of the highest governance body	30-31	
	2-11	Chair of the highest governance body	28, 30-31	
	2-12	Role of the highest governance body in overseeing the management of impacts	28	
	2-13	Delegation of responsibility for managing impacts	28	
	2-14	Role of the highest governance body in sustainability reporting	28	
	2-15	Conflict of interest	30-31	
	2-16	Communication of critical concerns	10-11, 31	
	2-17	Collective knowledge of the highest governance body	32	
	2-18	Evaluation of the performance of the highest governance body	33	
	2-19	Remuneration policies	34-36	
	2-20	Process to determine remuneration	34-36	
	2-21	Annual total compensation ratio	34-36	
	2-22	Statement on sustainable development strategy	3-5	
	2-23	Policy commitments	3-5, 7	
	2-24	Embedding policy commitments	3-5	
	2-25	Processes to remediate negative impacts	44	
	2-26	Mechanisms for seeking advice and raising concerns	10-11	
	2-27	Compliance with laws and regulations	47	
	2-28	Membership associations	47	
	2-29	Approach to stakeholder engagement	16-17	
	2-30	Collective bargaining agreements	65	

GRI Standard	Disclosure		Location	Omission
				Reason
<b>Material Topics</b>				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	16-18	
	3-2	List of material topics	18-19	
<b>Anti-corruption</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	10	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	10-11	
	205-2	Communication and training about anti-corruption policies and procedures	10-11	
	205-3	Confirmed incidents of corruption and actions taken	10-11	
<b>Energy</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	51	
GRI 302: Energy 2016	302-1	Energy Consumption Within the Organization	51	
	302-2	Energy consumption outside of the organization	51	
	302-3	Energy intensity	51	
	302-4	Reduction of energy consumption	51	
	302-5	Reductions in energy requirements of products and services	51	
<b>Water</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	53	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	53-54	
	303-2	Management of water discharged-related impacts	55-56	
	303-3	Water withdrawal	53-54	
	303-4	Water discharge	55-56	
	303-5	Water consumption	53-54	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	55-56	
<b>Biodiversity</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	43-46	
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	43-46	
	304-2	Significant impacts of activities, products, and services on biodiversity	43-46	
	304-3	Habitats protected or restored	43-46	

GRI Standard	Disclosure		Location	Omission
				Reason
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	43-46	
<b>Emissions</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	52	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	52	
	305-2	Energy indirect (Scope 2) GHG emissions	52	
	305-3	Other indirect (Scope 3) GHG emissions	52	
	305-4	GHG emissions intensity	52	
	305-5	Reduction of GHG emissions	52	
	305-6	Emissions of ozone-depleting substances (ODS)	52	
<b>Waste and Effluents</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	55-57	
GRI 306: Waste 2020	306-2	Management of significant waste-related impacts	55-57	
	306-3	Waste generated	55-57	
	306-4	Waste diverted from disposal	55-57	
	306-5	Waste directed to disposal	55-57	
<b>Employment</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	62	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	65	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	64	
	401-3	Parental leave	64	
<b>Occupational Health and Safety</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	68	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	68-69	
	403-2	Hazard identification, risk assessment, and incident investigation	70	
	403-3	Occupational health services	70	
	403-4	Worker participation, consultation, and communication on occupational health and safety	72	
	403-5	Worker training on occupational health and safety	72	
	403-6	Promotion of worker health	70	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	69	
	403-8	Workers covered by an occupational health and safety	69	
	403-9	Work-related injuries	72-73	
	403-10	Work-related ill health	74	



GRI Standard	Disclosure		Location	Omission
				Reason
<b>Training and Education</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	66	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	66-67	
	404-2	Programs for upgrading employee skills and transition assistance programs	76	
	404-3	Percentage of employees receiving regular performance and career development reviews	67-68	
<b>Diversity and Equal Opportunity</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	62	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	62	
	405-2	Ratio of basic salary and remuneration of women to men	64	
<b>Child Labor and Forced Labor</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	65	
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	65	
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	65	
<b>Local Community</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	74	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	74-75, 77	
	413-2	Operations with significant actual and potential negative impacts on local communities	268-275	
<b>Procurement Practices</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	60-61	
GRI 414: Supplier Social Assessment 2016	414-1	New supplier that were screened using social criteria	61	
	414-2	Negative social impacts in the supply chain and actions taken	61	
<b>Marketing and Labeling</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	49-50, 57	
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	49-50, 57	
	417-2	Incidents of non-compliance concerning products and service information and labeling	49-50	
	417-3	Incidents of non-compliance concerning marketing communications	152-153	



Code	Disclosure	Page
<b>Governance</b>		
a	Describes board oversight of climate-related risks and opportunities	22
b	Describe the role of management in assessing and managing climate-related risks and opportunities	22
<b>Strategy</b>		
a	Explain the climate-related risks and opportunities the organization has identified in the shorter, medium, and longer terms	23-26
b	Explain the impact of climate-related risks and opportunities on an organization's business, strategy and financial planning	23-26
c	Describe the resilience of the organization's strategy, taking into account scenarios related to different climates, including 2°C or lower scenarios	23-26
<b>Risk Management</b>		
a	Describe the organization's processes for identifying and assessing climate-related risks	23-26
b	Describe organizational processes for managing climate-related risks.	23-26
c	Describe processes for identifying, assessing, and managing climate-related risks integrated into the organization's overall risk management	23-26
<b>Metrics and Targets</b>		
a	Disclose metrics used by the organization to assess climate-related risks and opportunities in line with their strategy and risk management processes	27
b	Disclose Scope 1, Scope 2, and, where appropriate, Scope 3 greenhouse gases (GHG) and related risks	27,52
c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	27



# SAMPOERNA KAYOE

## **PT SUMBER GRAHA SEJAHTERA**

HEAD OFFICE Sampoerna Strategic Square, North Tower, 21 Floor  
Jl. Jenderal Sudirman Kav.45-46, Jakarta Selatan, 12930, Indonesia  
T (62 21)576 1138 (Hunting) | F (62 21)576 1152 | T (62 21)576 1158 (Marketing)

## **SAMKO TIMBER LIMITED**

7500A Beach Road, #08-305/307 The Plaza, Singapore 199591  
T (65)6298 2189 | F (65)6298 2187

[www.sampoernakayoe.co.id](http://www.sampoernakayoe.co.id)



@sampoernakayoe



Sampoerna Kayoe