



SAMPOERNA KAYOE



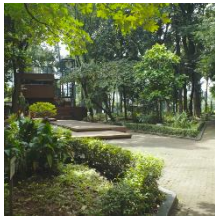


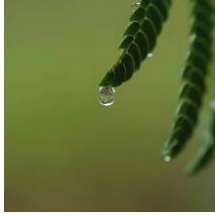

2020 SUSTAINABILITY REPORT

Grow Today, Build Tomorrow



UNLIMIT POSSIBILITIES

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SAMPOERNA KAYOE

Introduction



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CEO Statement

GRI: 102-14, 102-16

We continue to grow positively driven by various transformation effort in several aspects of our business operations, and also continue to improve capabilities on an ongoing basis. For us, sustainability is a journey in which every step is important. We get learnings from our past and leverage on the insights to refocus and improve our action. It is a continuing process and one which we must keep accelerating. We also continue to strengthen our corporate branding, improve efficiency, reduce operational costs as well as enhance business performance. On the business front, we aim to continue being one of the leading industry players through our innovative and sustainable solutions.

We are committed to adopt an integrated approach in achieving business development and responsible environmental management. Our commitment to sustainable development is reflected in our Corporate Values and Code of Ethics. In the process of converting raw materials into finished products, we adopt a fundamental principle: “Satisfying the present needs without compromising on the future”. As a trusted timber-processing company, we are committed to our mission and corporate values to ensure long-term sustainability of business, community, and environment.

With the fast-paced and ever-changing business environment, we continue to the next stage of our brand transformation and rebranded our products under the “Sampoerna Kayoe” brand. At Sampoerna Kayoe, we believe in possibilities and the need to break the limitations that surrounds them. Our key brand identity is clearly defined by our tagline, “Unlimit Possibilities”, as we strive to unlimit possibilities for our wood solutions in our journey to grow and expand internationally. Nurtured with Sampoerna’s value and philosophy, we embrace “Anggarda Paramita”, which means “Towards Excellence”, as a way of life and live the “Three Hands” philosophy of working alongside our business partners, employees, and the community, as we strive towards a more sustainable business model.

The Board of Director guides and oversees the identification, management and monitoring of relevant sustainability topics that we disclose in this report. We recognize the importance of adopting sustainable practices and how it can enhance our business operations and performance. We believe that sustainability is the only way for us to be successful in the future, and therefore, an end-to-end approach along the value chains required, whether through our brands, our processes and our people.

Our Vision

Champion enabler that inspires sustainable future for all



SAMPOERNA KAYOE

Our Mission

Sustainable Sourcing

Engrained commitment to only source from sustainable and eco-forest suppliers with building a better future in mind

People Empowerment

Engage, collaborate and empower the most important asset to the company to ensure a sustainable future for all stakeholder

Championing Economic Value

As the industry leader through innovative and sustainable solution in any market we are present

About this Report

GRI: 102-5, 102-46, 102-47, 102-50, 102-51, 102-52, 102-53, 102-54, 401-1

Sampoerna Kayoe’s 2020 Sustainability Report “**Grow Today, Build Tomorrow**” reflects the company’s commitment to monitoring and reporting its sustainability programs. Our most recent report, the 2019 Sustainability Report, was published in May 2020. Previous Sustainability Reports are archived at <https://www.sampoernakayoe.co.id/sustainability-reports/>

Scope

The 2020 Sustainability Report covers the sustainability performance of Sampoerna Kayoe’s 6 main processing plants (units). The content and quality of this report is guided by the latest Global Reporting Initiative Standards (GRI Standards). We apply the guidelines and associated indicators to ensure we report against our relevant economic, social and environmental impacts.

We welcome your views on this report as an important input to help us improve our sustainability practices and reporting.

The following operational facilities are within the scope of this report:

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



Jombang factory



SAMPOERNA KAYOE

Company Overview

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Map of Operations

GRI: Location of operations, 102-4



2020 Highlights

Business



33

Markets Served



12.876

Employees



1.500

Suppliers



650.000 m3

Production Volume

Certifications



FSC-CoC

Jombang Factory

FSC-SLIMF

Smallholder Farmers in East Java

Green Building

PT. Anugrah Karunia Alam

Environmental



1.000.000

Seeds Distribution



52% =

Recovery Rate



29.5% ↓

Solid Waste

Sourcing



90%

Hutan Tanaman Rakyat (HTR) &
Hutan Tanaman Industri (HTI)

85.000 ha

Forest Concession in North
Maluku and Bangka Belitung

About Us

GRI: 102-1, 102-3, 102-7, 401-1



Listed on the Mainboard of the Singapore Exchange on 25 February 2008, Samko Timber Limited (“STL”) is a publicly listed company, in the form of a limited liability company, which was established under the law of the Republic of Singapore on 26 December 2005. STL presently has more than 10 subsidiary companies which forms a leading vertically integrated wood resources processor engaging in the primary and secondary processed timber businesses. The subsidiary Companies are established and located in various countries including Singapore, Indonesia, Malaysia, and United States through either direct or indirect shareholding ownership which all together form the Samko group and also known as Sampoerna Kayoe Group of companies (“SAMKO”). SAMKO is domiciled in Singapore. Our head-office is located at Sampoerna Strategic Square, Jakarta, Indonesia.

We are cognizant of the vital role that our employees and workers play in our success and sustainability, and we strive to be a fair and responsible employer to them. In 2020, SAMKO has 12,876 employees, a decrease of **19.5%** compared to 16,003 employees in 2019. The reduction involving the closing down of our veneer plant in Madiun, reduction of capacity at some plants and current on-going modernization & optimization project occurring in several plants. Our plants are located mainly in Java, with several others situated in Sumatra and Sulawesi.

Our Company

GRI: 102-2, 102-6, 102-10



Sampoerna Kayoe

A Leading Engineered Wood Solution Provider in the World



Annual 2020 Production Capacity **650,000 m3**



6 main processing plants in Java, Sumatera, Sulawesi



11 satellite veneer plants and 1 chemical glue producer in Java and Sumatera

With unrelenting focus on excellence at every stage of its supply chain, Sampoerna Kayoe has garnered international environmental accreditations as a testament of its long term commitment to quality and sustainability. The Research and Development department is tasked with ongoing process improvement, wood maximisation and product innovation, setting the stage for value creation and growth.

With close to 40 years of experience and industry knowledge condensed into its primary and secondary processed timber products, Sampoerna Kayoe’s products are found in residential, commercial and industrial applications in the form of plywood, wood-decking, wood-doors, wood-flooring, piano and truck parts. Sampoerna Kayoe’s products enjoy a dominant market share in Indonesia, and are distributed in **33 countries** across the world, including the Asia Pacific region, Europe, the Middle East, the South East Asia, Australia and the United States of America.



Ethical Business Conduct

GRI: Operations assessed for risk related to corruption, 205-1

SAMKO continuously improves the implementation of the highest possible standards lawful business conduct practices from year to year in order to generate significant and profitable impacts for all shareholders and stakeholders. Our management and employees must fully understand and apply this standard when building work relationship with other employees, customers, suppliers, shareholders, the government and the general public. It also governs the improvement mechanism for sanctions of misconduct and violations.

We are consistently maintaining zero litigation regarding corruption against the company in our operations during 2020. violations (non-compliance) of prevailing laws and regulations that raises any legal or litigation cases against the Company and/or any revocation cases of it licenses occurred in 2020.

Pursuant to the Company's standard operating procedure (SOP), any legal cases, lawsuit, and/or court cases (litigation cases) which involves the Company and/or its officers and/or employees, must be notified to and consulted with the Company's legal division.

Throughout 2020, according to the file and record of the Company's legal division, there is no pending, outstanding, and/or ongoing legal cases or litigation involving the Company and/or its officers and/or employees, which relates to any violation (non-compliance) of prevailing laws and regulations by the Company, that raises any legal cases or litigation cases against the Company and/or any revocation cases of it licenses.

SAMKO conducted cross-section and cross-company communication processes to maintain the effectiveness of work relationships by utilizing various digital and physical media such as email, e-news, flyer-blasts, and bulletin boards.

By conducting intensive socialization and communication processes, SAMKO and its employees have a good mutual relationship and work together for the same objectives. Each employee is encouraged to behave and act in accordance with corporate values and culture, to ensure that SAMKO's reputation is always reflected through the quality of its people.

In particular, SAMKO has a commitment to open communication and good corporate governance, by implementing a whistle-blowing policy since 2008. This policy aims to provide an avenue for employees to raise concerns about possible improprieties and obstructive action within the Company and SAMKO Group, when they become aware and to ensure:

- Independent investigations are carried out in an appropriate and timely manner.
- Appropriate action is taken to correct the weaknesses in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence.
- Administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate balanced and fair, while providing reassurance that the employees will be protected from reprisals or victimization for whistle-blowing in good faith and without malice.

This policy is intended to cover serious concerns that could have an adverse impact on the company, such as actions that may lead to incorrect financial reporting, are unlawful, are not in line with a legal obligation or a policy of our company, deliberately conceal serious wrongdoings or malpractices, may pose serious breach of fundamental internal controls, otherwise amount to serious improper conduct, or deliberately conceal information tending to show any of the above.

All complaints shall be reported to the Audit Committee either in person or in writing by e-mail or in a sealed envelope, marked "Private and Strictly Confidential". Every effort will be made to protect the complainant's identity. We do not tolerate nor condone obstructive action against any employee who wishes or intends to, or who is in the process of filing a complaint, and/or retaliatory action any employee who has filed a complaint alleging possible improprieties.

The procedure to raise concerns about possible improprieties was updated and implemented in 2017. As part of our effort in implementing Good Corporate

Governance (GCG), the Board of Directors (BOD) from all companies within the Samko Timber Group have composed the procedures for reporting irregularities and violations of ethical business conduct and/or applied laws and regulations, Articles of Association, contract/agreement made under Company's name and other acts that could be detrimental to the company. The reporting procedure have been regulated under Company's Standard Operating Procedure (SOP) titled "Law and Business Ethics Violation Reporting Procedure", managed by the Violation Reporting Team (Tim Khusus Pelaporan Pelanggaran) that was formally elected and formed under Samko Timber Group.





SAMPOERNA KAYOE

Sustainability Approach & Governance

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Sustainability Strategy

At Sampoerna Kayoe, we are governed by a fundamental principle: "Satisfying the present needs without compromising the future". We are committed to being a sustainable business; adopting an integrated approach in achieving business development and responsible environmental management.

We keep this commitment by investing in our people, empowering the local communities in which we operate in, sourcing from sustainable suppliers, and implementing continuous improvement programs.

We contribute to Indonesia's growth and continue to be a vehicle for economic growth in the regions we operate in.

Our vision is to be a company that inspires a sustainable future for all.

In 2015, the United Nations (UN) launched their 2030 Agenda for Sustainable Development, which provides a blueprint to achieve peace and prosperity for people and the planet. At its core are 17 Sustainable Development Goals (SDGs) to achieve their targets by 2030.

The SDGs serve as a guideline to align our commitments and strategy to the global agenda. Sampoerna Kayoe is committed to supporting the UNSDGs. We have utilised the UNSDGs in developing our Sustainability Vision and map how we can directly contribute to supporting the UN's Agenda for Sustainable Development.

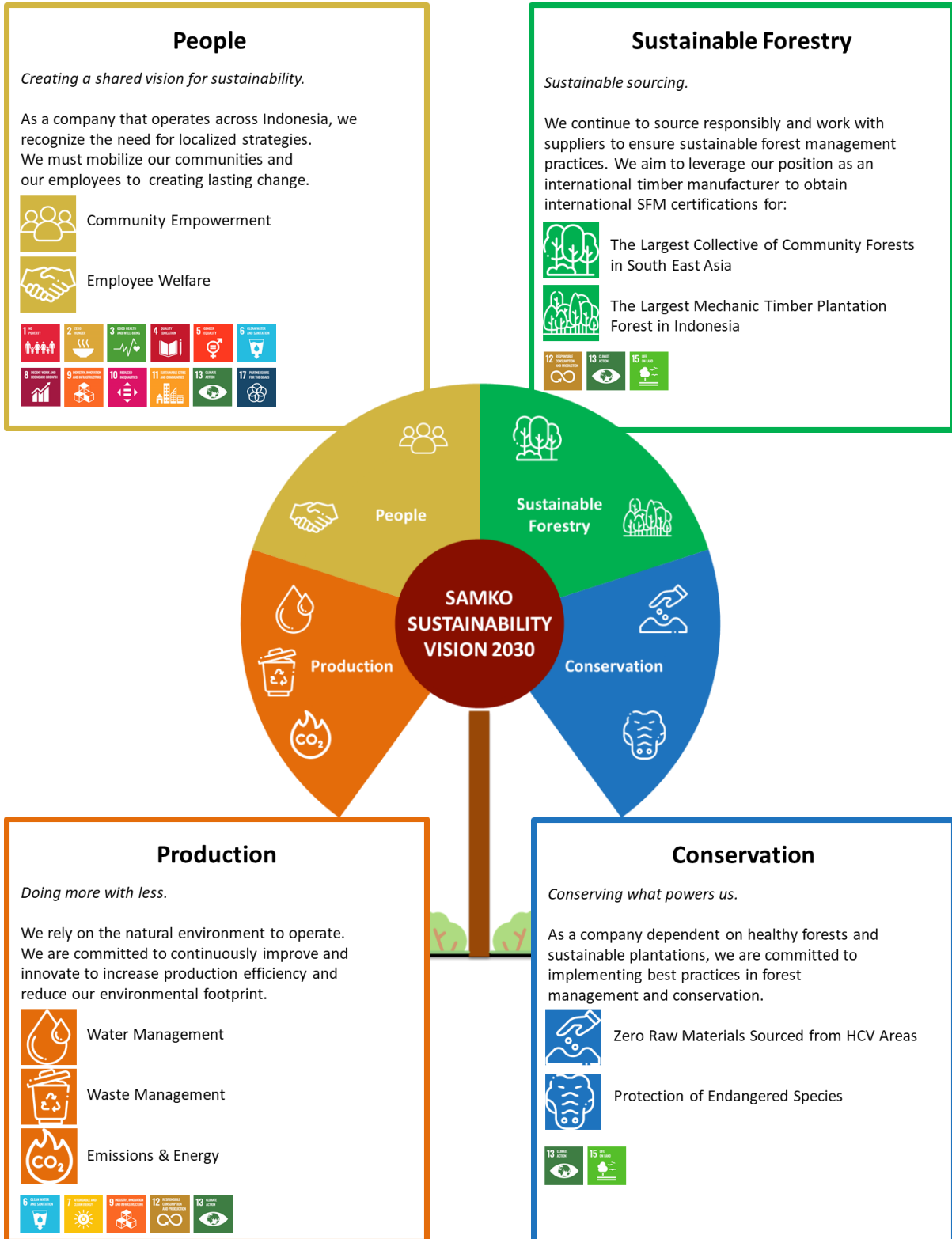
SUSTAINABLE DEVELOPMENT GOALS











Vision 2030 & Targets





GRI: Precautionary Principle or approach, 102-11





This year, Sampoerna Kayoe launched **Sustainability Vision 2030** - laying out various environmental and social targets to achieve by 2030. 2021 will see ramping up of data collection and laying foundations on which we will begin to build and further our sustainability efforts.







Sustainability Targets

Production			
Strategic Focus	2030	Target	SDG Focus
 Water Management	30%	Reduction in water intensity per saleable volume (m3/m3)	
 Waste Management		Reduction in waste to landfill per saleable volume (m3/m3)	
 Energy	15%	Reduction in electricity consumption per saleable volume (kWh/m3)	
 Emission	Currently undergoing baseline assessment		

People			
Strategic Focus	2030	Target	SDG Focus
 Community Engagement		Increase welfare of local communities and in-kind community investment	
 Employee Welfare	0	Zero fatalities and injury rate in all of our factories	

Sustainable Forestry			
Strategic Focus	2030	Target	SDG Focus
 Smallholder Farmers	10.000 ha	Smallholder plantations with sustainable forest management certification scheme	
 Concession Area	100%	North Maluku plantation forest covered by sustainable forest management certification scheme	






Conservation			
Strategic Focus	2030	Target	SDG Focus
 Biodiversity		Support national target to preserve designated protected and conservation areas	
 Protection of High Conservation Value Area (HCV)			
 Protection of Endangered Species*			

* Undertaking HCV baseline assessment in North Maluku

Stakeholder Engagement

GRI: 102-12, 102-13, 102-40, 102-42, 102-43, 102-44

We believe effective engagement with our stakeholders allows us to understand their concerns and how we can best respond to them. We are committed to pursuing sustainability because we believe that a sustainable business is a better business: for ourselves and our stakeholders, for the country and for the environment.

Stakeholder Group	Engagement Mechanism	Frequency	Areas of Interest
 Shareholders	Annual Report Sustainability Report	Annually	Financial Health Transparency Business Ethics
 Customers	Direct Engagement with Sales Teams	As Necessary	Product Quality, Product Certifications, Product Specifications, Sustainable Forest Management
 Local Communities	Direct engagement with the Environmental and Sustainability Division	As Necessary	Employment Opportunities, Community Engagement
 Employees	Performance Management System	Per Semester	Health and Safety, Professional Training and Development Business Ethics
 Suppliers	Direct Engagement with Procurement Teams	As Necessary	Supplier Assessments Third Party Certification

Materiality Assessment

GRI: 102-46, 102-47

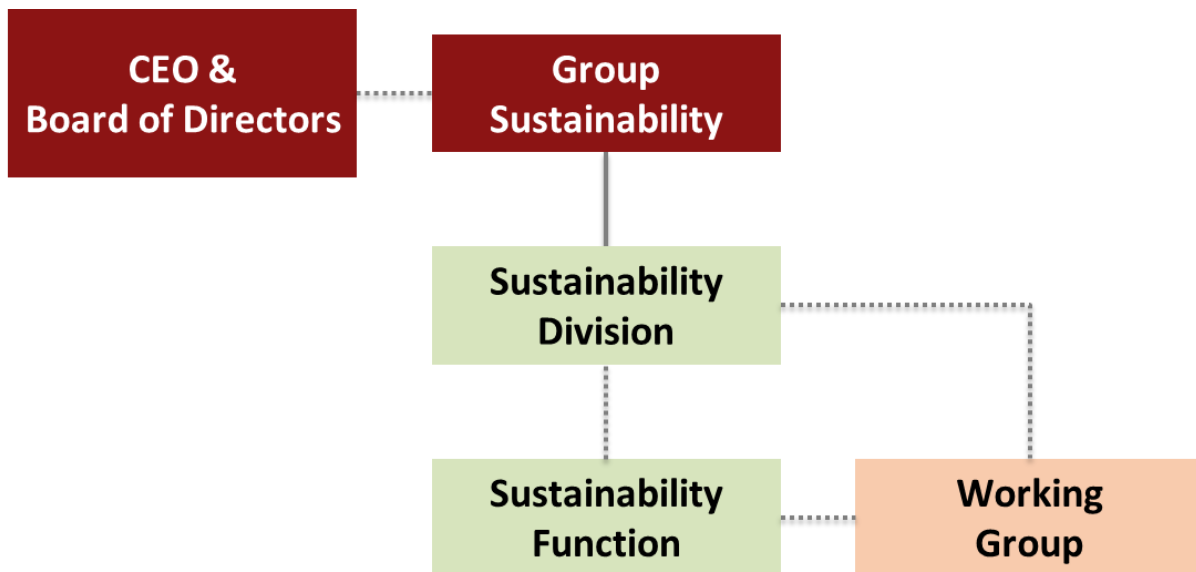
At Sampoerna Kayoe, we understand that sustainability is a journey. As will be clear in the following sections, we are currently still in the early phase of embracing sustainability as an integral part of our business operations and corporate functions. Thus far, we have identified material sustainability topics that may affect, and be affected by, our business operations. We believe the importance of material topics to focus on specific areas to grow our business and align future sustainability efforts.

We have conducted a materiality assessment as follows: identifying a list of potential material topics by reviewing material topics reported by other similar industry players, to consider the sustainability context of the plywood industry and interviewing Senior Management to understand their business environment, future plans and any concerns. We then refined and prioritized the materiality of each topic and the result was presented to Management for discussion and approval.

Importance to External Stakeholders	<ul style="list-style-type: none"> ➤ Ethical Business Conduct ➤ Protection of Endangered Species ➤ Zero Raw Materials from HCV Areas ➤ Diversity in the Workplace 	<ul style="list-style-type: none"> ➤ Community Empowerment and Engagement ➤ Sustainable Sourcing ➤ Sustainable Forest Management ➤ Sustainable Development Goals (SDG)
	<ul style="list-style-type: none"> ➤ Occupational Health and Safety ➤ Water Management ➤ Waste Management ➤ Air Emission ➤ Energy 	<ul style="list-style-type: none"> ➤ Corporate Governance ➤ Research and Development
	<ul style="list-style-type: none"> ➤ Employee Welfare 	
Importance to Internal Stakeholders		

Governance

GRI: Governance structure, 102-18



This report presents the SAMKO's sustainability performance for the period 1 January 2020 to 31 December 2020. This report covers material issues for SAMKO's facilities as shown earlier, unless specifically mentioned otherwise in other sections. This report excludes our trading offices in Indonesia, Singapore, Malaysia, and the United States.

Data presented in the Report have been either sourced centrally from our enterprise resource planning system or directly from the facilities. We have not sought external assurance for this inaugural report and this report does not contain revisions of previous

sustainability reports. The report is organized and presented following the Global Reporting Initiative (GRI) Standards 'Core Option'. We welcome your views on this report as an important input to help us improve our sustainability practices and reporting.

For any comments or response regarding the content of this report, please direct your feedback to:

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SAMPOERNA KAYOE

People

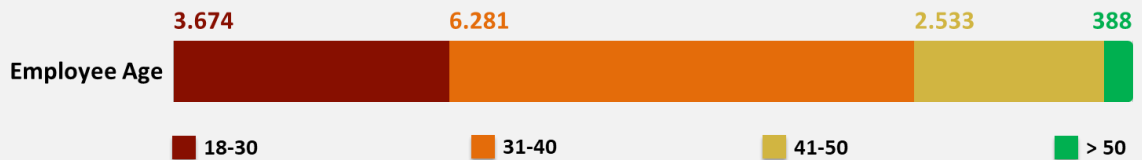


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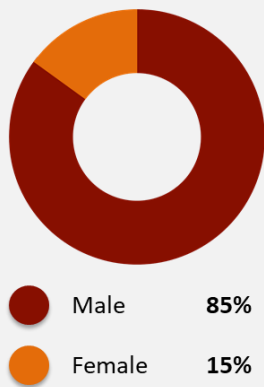
Employee Infographic 2020

GRI: Information on employees and other workers, 102-8

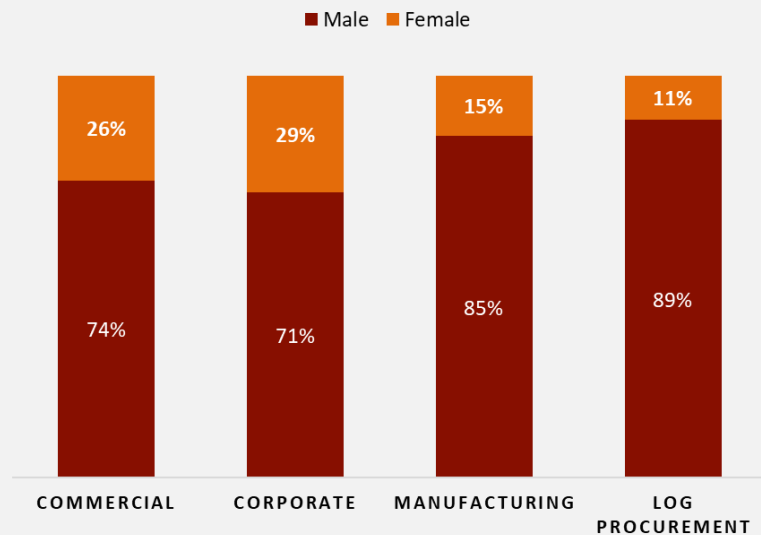
Employee Age



TOTAL GENDER COMPOSITION



GENDER COMPOSITION PER BUSINESS CLUSTER



Gender per Managerial Level



Our People

GRI: 102-41, 408-1, 409-1

As with the plywood industry in general, gender diversity remains a great challenge for Sampoerna Kayoe. The forestry and plywood industries are a traditionally widely male dominated sector.

Across the company, gender diversity increased slightly. Our composition of female employees increased by 3%; from 12% in 2019 to 15% in 2020.

We remain committed to improving gender diversity across our organization and will continue reporting on our progress in our annual Sustainability Report.

Sampoerna Kayoe is an equal opportunity employer. Employees are compensated in a fair and equal manner, according to individual merit and competency. All policies, guidelines and company rules are universally applicable to all position levels to facilitate building a corporation based on integrity, transparency, and professional behavior.

We ensure that wages are paid pursuant to the government regulations. In Indonesia, minimum wages are decided by the respective provincial governments whom

then stipulate requirements of minimum wages by province and industry sector. We uphold human rights and the principle of equality in determining remunerations for employees. According to applicable laws and regulations, the work hours in Indonesia are 40 per week or seven hours per day for six workdays in a week and eight hours per day for five workdays in a week. The company does not employ individuals below the age of 18, in line with International Labor Organization (ILO) and Indonesian national laws.

The Freedom of Association and Collective Labor Agreement is guaranteed by the Company and any employee is free to join as a member of the labor union. This Collective Labor Agreement regulates relations between employees and the Company. Overall, **41%** of our workers are registered members of local labor unions across our assembly plants. Any significant changes in the Company's organizational and operational structure are communicated to all employees by various means; namely: emails, letters, memo and placed on bulletin boards.



41%

Local labor union participation
company wide

Empowering People

GRI: Programs for upgrading employee skills and transition assistance programs, 404-2

Our workplace is the engine that keeps us running. We take pride in being the leading wood-engineering company who empowers our employees and provide them with a space to build their careers and be future leaders. Our employees are our most valuable assets, so we invest in training and development programs aimed at providing employees with important skills to achieve their career goals, and in turn, help us achieve our goals as a company.

We recognize that character and competency are factors that drive business growth.

This year in particular, we focused on soft skills and managerial skills for leaders in the organization as an initiative to strengthen our leaders' capabilities, to both produce optimal results and enhance effective teamwork across all divisions.

Training and educational programs conducted throughout 2020 included managerial skills, technical skills, and functional skills. Training on technical skills according to ISO regulations and mandatory professional licenses are held according to site-specific needs. In 2020, we conducted training sessions for 46% of total employees.

6 Leadership Qualities





Sampoerna Kayoe and Indonesia Construction Architecture Network Online Workshop

“Best Practice in Architectural Design & Application using sustainable engineered wood”

As with most businesses, our Company was impacted by the **COVID-19 pandemic**, which affected both our operations and finances. As a response to the pandemic, our Company developed online training classes to substitute physical ones. An average of **678 training hours** were deployed in 2020.

We also held an Online Workshop collaborated with the Indonesia Construction Architecture Network called “Best Practice in Architectural Design & Application using sustainable engineered wood” which was held in 3 periods on 16, 23 & 30 June 2020.

We regularly conduct employee performance assessments. Each employee has goals and performance indicators that are reviewed periodically.

The aim is to evaluate our employees’ performance, give feedback for self-development to set future goals, and to identify relevant training in order to improve employee performance.

Our management system covers several aspects such as excellent system recruitment; management of employee composition in accordance with business needs; HR programs such as awards, remuneration and sanctions; along with training and competency development on a regular basis.



Clean factories



Outbond team bonding

Operational Acceleration Program 2021



Training Timeline 2021

The Operational Acceleration Program (OAP) is a 4-year Management Trainee Program designed to mold our best talents into future Sampoerna Kayoe leaders, specifically in the operational side of the business.

Launched in 2018, the program focuses on building technical knowledge and core skills among trainees, helping them gain business depth and holistic skills. Candidates are placed in various roles throughout the company, including technical roles in our factories, focusing on engineering and operations; and corporate roles focusing on marketing and strategy. Classroom training activities and periodic evaluations are used to measure and monitor the development of trainees at each level of the program.

2020 has been challenging in many ways and our trainees were required to quickly adapt

to these changes. As a company with business activities throughout Indonesia, physical meetings are integral to our operations. Our trainees had to transition from activities that were previously done offline and come up with how it can be done online.

To ensure we retain the talent that are best suited to our company, rigorous evaluation standards are implemented. From total intake 61 Trainees at the beginning at the program, only 38 were able to pass year 2020 assessment. Ensuring that all management trainees are best fit for the required job roles.

The Company will launch a new batch of OAP Trainees, Batch V, in 2021. This batch will focus on the Company's expansion into the Plantation & Production sectors in North Maluku.

TESTIMONY

I joined the Operational Acceleration Program (OAP) in June 2019, and it has transformed the way I think, analyze, and approach problems.

As a large business, I believe Sampoerna Kayoe can help me grow and add to my experience, soft skills, and hard skills. The opportunities are endless here due to the immense scope of work - six main plants and ten affiliate plants; just imagine the breadth of learning opportunities - operations, strategy, and all while ensuring profits! Working with peers who have a wealth of experience and different perspectives has definitely challenged my way of thinking.

I had my doubts when I first joined the program, particularly due to the 4-year duration of the OAP, compared to the usual two years offered by other companies. However, my worries turned to excitement when I joined the Strategic Department and got involved in big projects, namely automation and emission reduction projects. When talking about a program that allows its trainees to eventually understand the product itself from end-to-end, across the value chain, a year or two like most other programs would not be sufficient. I didn't expect the impact I'd be able to make within the company, but I've been given ownership and the ability to perform and excel beyond what I thought I was capable of.

Adjusting to the global pandemic has been a steep learning curve. With projects across Indonesia, on-site visits were the norm. Restrictions in place required us to conduct almost all activities virtually and it definitely highlighted areas where in-person interaction was crucial and identified unnecessary practices. The past year has allowed me to devise new ways to adapt to the new working conditions and produced opportunities to streamline certain processes for future operations and. Despite the nation-wide lockdown, HR has done a great job in quickly shifting towards a virtual platform and ensuring we all receive necessary training.

But don't get me wrong, there are always two sides to a coin - the good and the bad. Perhaps one of the only cons amongst a whole list of pros is the workload. While I am given tasks and training from my 'parents' in the company (the Human Resources Department), I have to also juggle my day job within the Strategic Division. Nevertheless, it has taught me invaluable time management skills and has truly accelerated my learning process.

Ultimately, the OAP has been a great learning experience and I can't wait to see where else it would take me.

I.B. Deva Ardha Nareswara Santosa
OAP - Senior Strategic Analyst



Occupational Health and Safety

GRI: 401-2, 401-3, 403-1, 403-5, 403-8, 403-9

In regards to occupational health and safety, the company reinforces the importance of compliance with standard working procedures for all employees in the organization. We comply with national manpower laws and government regulations and provide health insurance, BPJS Kesehatan (Government Health Security), BPJS Ketenagakerjaan (Government National Social Security), the pension fund for permanent employees, maternity leave and childbirth benefits.

We implement a policy on Environment, Safety and Health at work through the implementation of **Kesehatan dan Keselamatan Kerja (K3)** programs as a concrete way to improve the safety of employees, prevent accidents in the workplace and work-related diseases for employees and parties involved in the work process in the company. This commitment is also presented in the Collective Labor Agreement by mentioning Safety and Health at Work. We comply with laws and government regulations on manpower by paying competitive wages to employees.

Occupational Health and Safety (OHS) procedures are implemented in each of our plants. The appropriate implementation of the OHS practices, in turn, ensures the best possible performance of the company's employees. To ensure worker safety in each unit and create a safe work environment, the company provides **Personal Protective Equipment (PPE)** that complies with OHS standards. PPE includes masks, gloves, and protective glasses. Regular checks are done to ensure the adequacy of PPE at each subsidiary, requiring all employees who work in high-risk areas to wear PPE. SAMKO respects the employees' right to refuse to perform particular work that does not come under OHS standards or no required PPE.



K3 socialization every early month

0

Zero Fatalities in All Our Operations



0.53

Sick Leave Rate Days per 100 Employees



0.04

Injury Rate Cases per 200 Employees



PPE implementation

We provide our employees with basic benefits such as Health Insurance, BPJS Kesehatan (Government Health Security), BPJS Ketenagakerjaan (Government National Social Security), the pension fund for permanent employees, maternity leave and childbirth benefit. To increase the obedience of K3, we held a routine **training/seminar** internally and externally to all our workers in all factories and apply promotion strategy to educate on the importance of K3. In 2020, we initiative to maintain and develop K3 management in all of our factories to prevent the worker from accident and disease from the job, so the worker when they work is in good health condition to achieve zero accident.

To aid the government's efforts to alleviate the **COVID-19 pandemic**, Sampoerna Kayoe distributed masks and financed disinfection sprays to surrounding communities. Sampoerna Kayoe also donated PPE and plywood products to the regional hospital.



K3 training in the factory



PPE donation to regional public hospital



Quarantine ward from plywood

Community Engagement

GRI: 413-1, 413-2



Our Sustainable Engineered Wood seminar with Universitas Sebelas Maret (UNS) in Solo

The welfare of the communities around the areas of the Company's operations and environmental sustainability forms a part of the Company's product development and business growth strategy. We recognize that growth and sustainability can only be achieved by working alongside the local communities in which we operate in.

Sampoerna Kayoe's community engagement programs are in alignment with our recently launched Sustainability Vision 2030 roadmap. Our community engagement strategy was inspired by the recognition that little differences can create a global effect - **Act Globally, Think Locally**. We understand the unique opportunity we have to foster sustainable independence of the local communities around us by improving living standards and technical skillsets. Our community engagement program was created with the UNSDGs in mind and rests on 2 pillars:

- **Economic Empowerment:** Replanting program, training for farmers
- **Social Welfare:** Vocational training, scholarships, outsource labor to communities.

Economic Empowerment

Replanting Program



Our FSC-Certified smallholder farmers receive certified seedlings to be replanted

Central Java

Since 2001, Sampoerna Kayoe has supported the replantation of more than seventy million trees all over Indonesia to foster a green culture. Replanting is an important part of our sustainable log sourcing process and encouraging community farmers to plant falcata timber has also put us in synergy with the Indonesian government's program to boost the economic potential of the nation's community forest. Beyond encouraging replanting and forest regeneration, our factories also distribute fertilizer and provide training to smallholder farms, enhancing their business capabilities and business opportunities. The recipients of our replanting program are targeted, with a rolling roster of smallholder farmers, log suppliers, and local communities. This year, Sampoerna Kayoe distributed over **1 million seeds** in Central and East Java.

FSC Smallholder Program

The FSC smallholder program works to equip the farmers with sustainable farming and best practices, as well as ways to diversify their non-timber forest products - such as coffee and red ginger and cardamom. Sampoerna Kayoe offers a premium price for the FSC-certified raw materials, thus allowing farmers to gain additional income.

My name is Jayadi and I live in Jenisgelaran, Jombang, East Java. I am primarily a sengon farmer, but I also plant banana trees. I have been a sengon farmer since the early 2000s and manage my farm in a traditional and manual way. My harvest hasn't always been optimal, and I recently faced challenges in trying to sell my harvest. I often had to go through a tengkolak (third-party), which further decreased my income. Since our smallholder group decided to partner with Sampoerna Kayoe, I have experienced many benefits. I received great quality seeds for replanting, obtained knowledge on how to best cultivate sengon trees, and was trained on how to manage and maximise the use of my farm. I'd like to thank Sampoerna Kayoe for forging a partnership with us to implement FSC's responsible forest management program. I hope we will continue to work together in the future to take care of our forests in a sustainable manner, for us and for future generations to enjoy.

Jayadi

Member of KPHR Sumber Sejahtera (KPHRSS) - Jombang, East Java



Social Welfare

Our business model comprises of numerous local operations that are widely dispersed around Indonesia. This model aims, among others, to facilitate collaboration with local communities and governments. Each factory is considered a local business and an integral part of the local economy.

We prioritize locals during staff recruitment to work at our factories. Through the RBK Program, we outsource some manufacturing processes to home businesses and part-time workers that do not qualify for full-time, formal employment. We provide these individuals with the necessary vocational training as well as insurance coverage.

The Group is also involved in the following activities:

- Providing scholarships to best performing students
- Offering subsidized school fees to surrounding communities
- Contributing to the construction of public facilities, including mosques, churches, health clinics, and roads in the vicinity of our factories
- Partnership with local communities to reuse and recycle wood wastes
- Distributing staple food items to underserved communities
- Supporting various social activities conducted surrounding our factories
- Donating medical equipment to local hospitals to combat the COVID-19 outbreak

Communities and environments surrounding each operation will have distinct social and economic opportunities that we will be able to contribute to. Our Environmental and Sustainability Development Division are currently working with relevant stakeholders to develop localized social partnership programs within each operation areas. Further progress will be reported in our annual Sustainability Report.



Medical equipment donation to the Falabisahaya Health Center in North Maluku



Distributing staple food items to the local community in Jambi



SAMPOERNA KAYOE

Operations

6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



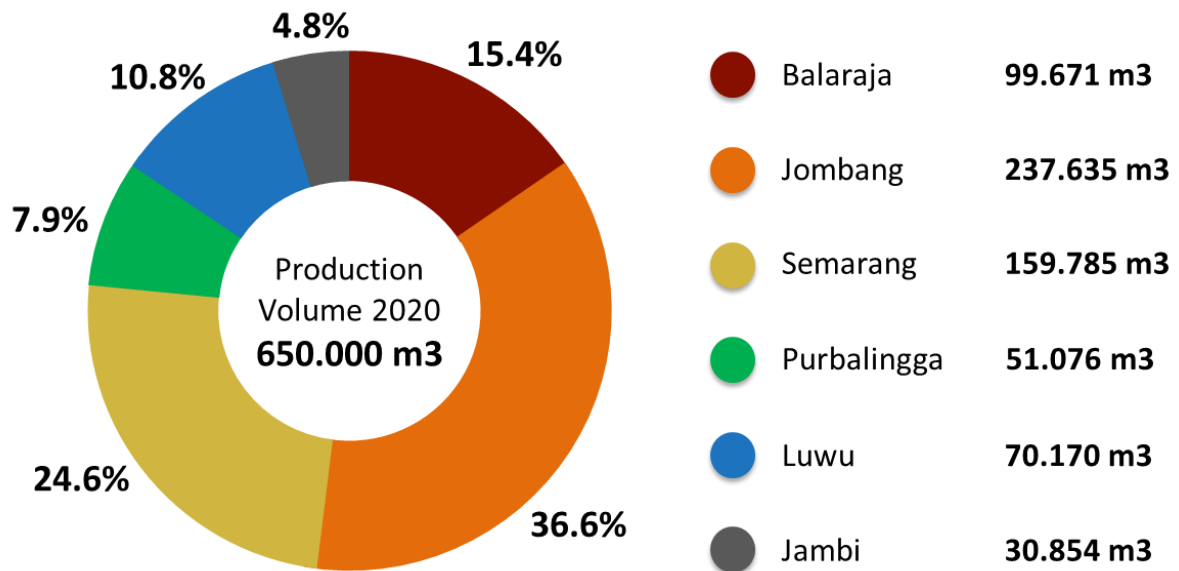
13 CLIMATE ACTION



UNLIMIT POSSIBILITIES

Production Volume

The total production capacity in 2020 was **650,000m3**. The capacity has decreased **27.78%** compared to 2019 due to the Covid-19 pandemic, which required us to reduce our production activities in all our factories. Our operations in North Maluku is still in its early phases, and hence not included in this section of the report.



Factory and Product Certification

GRI: Requirements for product and service information and labeling, 417-1

To ensure our customers that we produce a high-quality product from sustainable sources, we provide our factories and products with third-party certified labels and certifications.

	Luwu	Jambi	Balaraja	Semarang	Purbalingga	Jombang		
Brand	GMELINA	BIRCH	FORTUNA	HEVEA, HEVEAPLEX	BIRCH, PALEM	BIRCH, TUNAS	PALEM, TUNAS	BIRCH, PALEM, TUNAS
Quality Management System	None	ISO 9001	ISO 9001	ISO 9001	ISO 9001	None	None	None
Environmental Management System	None	ISO 14001	ISO 14001	ISO 14001	ISO 14001	None	None	None
PROPER	None	BLUE	BLUE	BLUE	BLUE	None	None	None
Product Quality	JAS	None	JAS	JAS	None	None	None	JAS
	CARB Phase 2	CARB Phase 2	None	None	CARB Phase 2	CARB Phase 2	CARB Phase 2	CARB Phase 2
	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI	None	None	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI	U.S. EPA TSCA Title VI
	None	None	CE	None	None	None	None	None
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
	None	Singapore Green Labelling Scheme	Singapore Green Labelling Scheme	Singapore Green Labelling Scheme	Singapore Green Labelling Scheme	None	None	None
Chain of Custody	None	None	FSC CoC	FSC CoC	None	None	None	FSC CoC
	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK
Key Products	Plywood	Plywood	Plywood	New Wood (LVL, Deck)	Plywood	Plywood	Plywood	Plywood

The integrity of our product chain of custody is assured using third-party certification. The process ultimately assures us that the materials used in our products are traceable back to a well-managed source. We understand the need of our stakeholders to ensure the legality of our products along the value chain. The integrity of our products are assured using third-party certification, ensuring materials used in our products are traceable back to a well-managed source. Our Certification can help customers who seek to meet certain responsible sourcing obligations and targets. We maintain zero breaches regarding legality certification requirements.



SVLK (Timber Legality Verification System) is an Indonesian scheme held by all of our facilities. In response to Forest Law Enforcement, Governance and Trade (FLEGT) licensing requirements, a new coding system has been developed to meet the requirements for imported plywood-based products into the European Union (EU) countries. We are proud to mention that all of our facilities comply with this scheme. SVLK is recognized in EU countries, and the Indonesian government is campaigning for its broader recognition in other markets.



The **Forest Stewardship Council (FSC)** is a sustainable forest management certification that promotes the responsible management of forests. We recently became members of the FSC’s economic chamber which allows us to directly contribute to the organization’s standards and to the future of responsible forestry. We have obtained the **FSC Chain of Custody certification (“FSC-CoC”)** certification for our facility in Jombang in 2020 and the **Small or Low Intensity Managed Forests (“FSC-SLIMF”)** FSC-certification for our raw materials in Jambi.



Our factory in Jombang certified FSC-CoC in 2020

We also have obtained certifications from 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 Label Singapore, Green Building Council Indonesia, and many more. We ensure that our products and process comply with the global standards for quality and environment management.



Environmental Performance

GRI: 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 303-5, 306-3

PROPER

For subsequent years, we have been participating in the Indonesian Government’s Program for Pollution Control, Evaluation, and Rating (“PROPER”) for our assembly plants in Balaraja and Jambi, who constantly monitored by the Indonesian Government. We continue to participate in the Indonesian Government’s Program for Pollution Control, Evaluation, and Rating (“PROPER”) for our assembly plants in Balaraja and Jambi. In 2020, we received the **Blue** rating PROPER awards, which indicates compliance with government standards and guidance regarding environmental management.

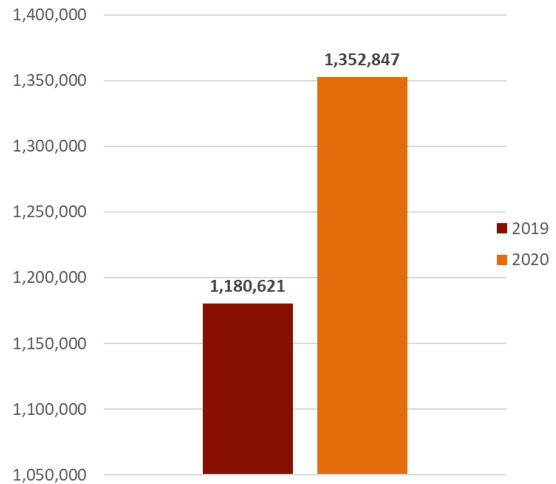
Water Management

Water is a vital aspect of our production line. In 2020, our total water consumption at all of our production facilities was accounted for 1,352,847 m3. There is an increase of **14.6%** from 2019. We also reuse water to reduce the amount of our fresh water consumption. We reused a total of 37,210 m3 of water, a **1.8%** increase from 2019. Most of that consumption is being reused to support our operational activities, such as washing log at the log pool area. We intend to continue measuring our water consumption and strengthen our data collection process in subsequent years to implement more robust systems to monitor our performance.

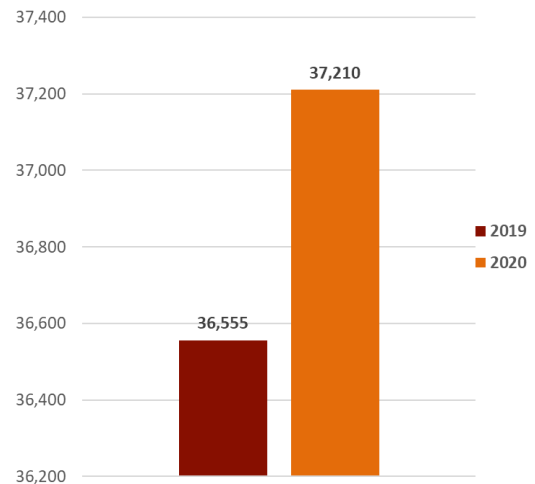
Electricity

In terms of our electricity use across all operations in 2020, we consumed a total of 46,994,092 kWh, a **23%** reduction compared to 2019.

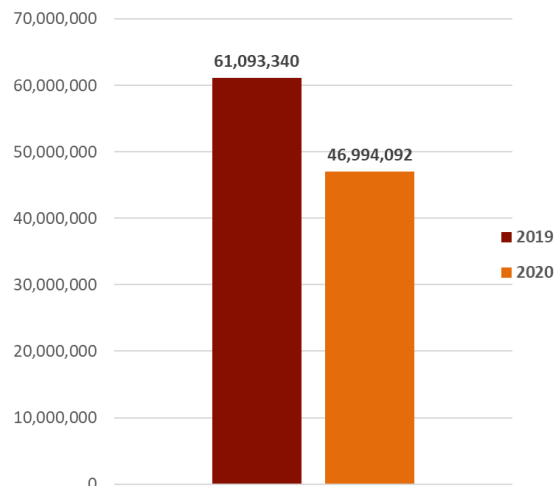
Water Use (m3)



Recycled Water Use (m3)



Electricity Use (kWh)



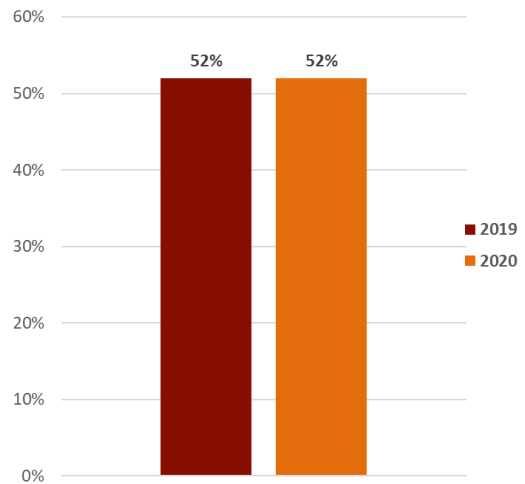
Waste Management

We remain committed to responsible waste management. Waste management is one of the key focus areas in our environmental management efforts. The underlying concept is to ‘reduce, reuse, and recycle’. We are mindful of handling different types of waste carefully to prevent pollution and safety hazards and comply with the relevant prevailing regulations in waste management. We continuously enhance efficiency in our production process to increase our recovery rate to minimize waste. Our recovery rate of **52%** in 2020 means no changes from the previous year.

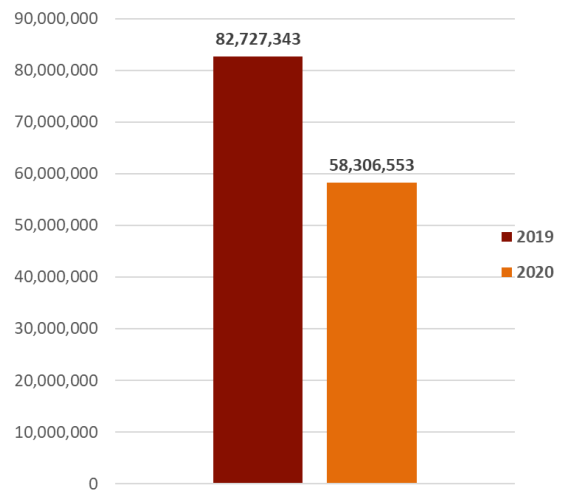
In 2020, we successfully reduced **29.5%** of our total solid waste compared to 2019. The most common types of waste generated during our production process are waste veneer and centre core log. We utilize most of that waste as feedstock for our boilers to power our plants and decompose the rest in several landfills. Waste oil produced from our production machinery is stored in a temporary shelter for hazardous waste before it is handled by our licensed third-party waste processors.

In 2020, we recycled a total of **430,192 m³** of waste glue to become our supporting materials for our low-grade plywood. We are also developing our unused waste to become alternative energy sources for other industries, such as wood pellet making and raw materials to be used by power plants. Our operations also have wastewater mechanism systems to manage and ensure our waste is safe to dispose of outside the factory. We tightly monitor our hazardous waste disposal in accordance with relevant prevailing government regulations.

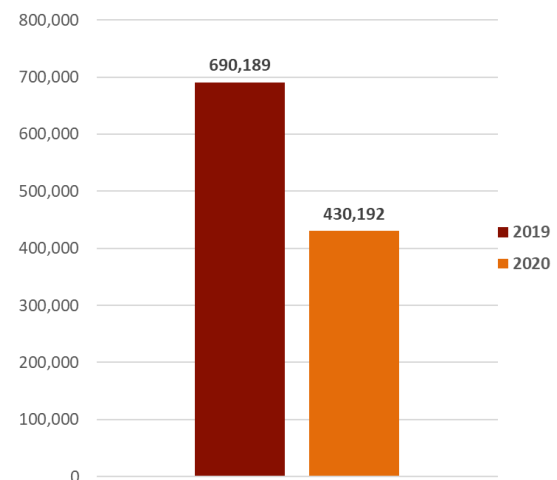
Recovery Rate (%)



Solid Waste (Kg)



Recycled Glue Waste Use (m³)



Emission

GRI: Direct (Scope 1) GHG emissions 305-1

As an implementation of compliance in environmental management, we regularly managing and monitoring in terms of emissions with certified third-party that required by the government according to the regulations provided:

1. Air Emission Control
2. Control of hazardous (B3) waste management
3. Liquid Waste Control



Air emission control



B3 hazard to be destroyed

Research and Development

As a prominent player in timber products' global market, SAMKO is aware of the need to stay competitive. Competition comes in various forms: the 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") helps SAMKO protect its market share and expand to new markets. Through R&D, SAMKO could always be prepared, both in response to today's challenges and anticipating future risks and opportunities. R&D enables SAMKO 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 focuses on five functions:

Research and Development 5 Functions



We are the first timber processing company in Indonesia to use plantation logs for veneer production. We strive to capture the maximum value of wood used at our production sites, especially in our strategy to increase the usage of smaller diameter plantation logs. The percentage of wood that is successfully extracted as sheets is referred to as recovery rate. We aim to achieve high recovery rates to capture a higher proportion of wood to be converted into higher value products which in turn reduces the amount of waste produced.

We pioneered the utilization of rubber plantation waste. At the end of its thirty-year lifespan, rubber trees have been traditionally regarded as waste. With our technology, we are able to transform this waste into high quality wood products.



In 2020, we accomplished most of the R&D projects which previously achieved **90%** during 2019. One of our innovation breakthroughs in 2020 that able to improve the economic value is treating veneer surfaces by formulating putty application and coloring to increase the usage of downgrade falcata veneers in high-quality plywood variants. Our innovation may become an alternative usage of downgrade veneers in the plywood industry. In this stage, we use these treated downgrade veneers as the core of interior decorated plywood (combined with birch veneer or other possible decorated veneers as its plywood face and back). We have completed the research and small-scale production trial and will continue it in 2021 to the next production scale.

Our Commitment

We contribute in some projects, as planned, to the latest research and technology development related to environment-friendly materials and techniques on a yearly basis.



Our Position in 2020

We have accomplished our projects as planned during 2019.



Collaboration with LIPI



The Indonesian Institute of Sciences or LIPI collaborates with Sampoerna Kayoe in the Research and Development of Process Technology and Laminated Veneer Lumber (LVL) & Plywood Products. In September 2020, Research and Development staff from Sampoerna Kayoe conducted a two-week internship at the LIPI Biomaterial Research Center to study and support the construction and installation of the **Wooden LVL Curve Bicycle** frame. The goal of this cooperation is to utilize plantation waste to create new high-quality wood products.

In November 2020, Sampoerna Kayoe participated in the Lignocellulose Seminar held by LIPI "Challenges and Opportunities for Industrialization of Lignocellulose-Based Products" where the collaborative wooden mountain bike and mini velo bike frame was exhibited. Prof. Dr. Ir. Wahyu Dwianto, M.Agr. as the Main Expert Researcher at the LIPI Biomaterials Research Center, said, "PT SGS is a private partner that has supported on the development of the LVL invention technology since 2015-2017 by providing its rubberwood veneer as raw material." "Furthermore, we hope that the continuation of this cooperation that has been fostered for a long time," he continued.





SAMPOERNA KAYOE



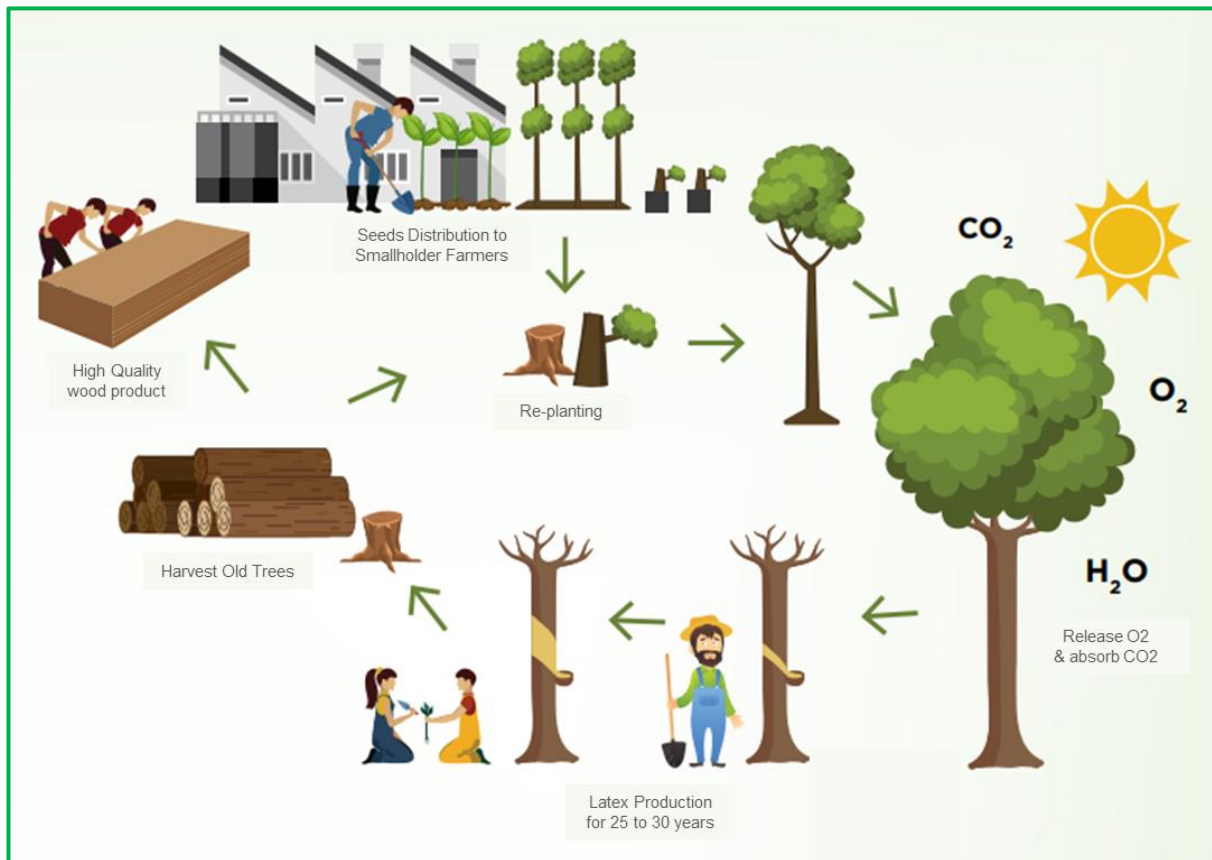
Sustainable Sourcing



UNLIMIT POSSIBILITIES

Sustainable Value Chain

GRI: Supply chain, 102-9



Sampoerna Kayoe is committed to adopt an integrated approach in achieving business development and responsible environmental management. Our commitment to sustainable development is reflected in our **Corporate Values** and **Code of Ethics**. In the process of converting raw materials into finished products, we adopt a fundamental principle: **“Satisfying the present needs without compromising on the future”**. As a trusted timber-processing company, we are committed to our mission and corporate values to ensure long-term sustainability of business, community, and environment.

Many projects have been initiated in order to achieve sustainable solution for natural resources, resulting in **two innovation breakthroughs**:

- Sampoerna Kayoe pioneered the use of alternative sustainable wood, such as **falcata timber**, in response to the limited availability of hardwood. Falcata is a fast-growing tree species that is abundantly available in Indonesia and is easily replanted to promote sustainability of our natural resources.
- Our latest innovation is **the utilization of rubber plantation waste**. Rubber trees (*Hevea Brasiliensis*) are planted for the production of latex and the economic life span is between 25 to 30 years. At the end of its life span, the trees are felled and the wood from the tree has been traditionally regarded as waste. With our technology, however, we are able to transform this waste into high-quality wood products such as wooden mountain bike and mini velo bike frame.

Sourcing

GRI: Negative social impacts in the supply chain and actions taken 414-2



Raw material availability and raw material prices remain as one of the key challenges of our business. As we are increasing our production volume to meet demand, we may face the risk of interrupted supplies of raw materials due to extreme weather condition in some parts of Indonesia.

As one of the largest group timber companies in Indonesia, we require an extensive and varied supply of logs. We are stringent in ensuring that our raw materials are supplied only by vendors who have met the requisite operating and technical standards imposed by the various governmental and nongovernmental organizations.

SAMKO requires all its suppliers to comply with the national PHPL-SVLK standards. Compliance to this standard means that all logs are legally and sustainably sourced. All of SAMKO's logs are sourced from legal concession areas in Indonesia,

with **90%** of our wood sourced from **community forests (Hutan Tanaman Rakyat)** and **plantation forests (Hutan Tanaman Industri)**.

We source our woods from approximately **1500 suppliers**, all who are actively involved in developing and shaping the plywood industry. We hold an annual seed distribution program that we distribute to both our suppliers and surrounding communities. This program secures SAMKO our raw materials, improves the livelihoods of local communities, and ensure forest regeneration.

SAMKO's recent joint venture to manage a forest plantation in North Maluku, with concession rights of approximately **59,000 hectares**, will also become a new source of logs for the company. We are currently in the process of obtaining FSC Forest Management certification, ensuring our concession areas are managed according to sustainable forestry standards.

90%

Source of wood from
"Hutan Rakyat" and
"Hutan Tanaman Industri"

1.500

Suppliers are actively in
developing and shaping
the industry

85.000

Hectares forest concession
rights in North Maluku and
Bangka Belitung

Foster a Tree



In 2020, we started a program called "Foster a Tree" where we regularly check and monitor its progress. We choose to protect sengon as our foster tree because we use it as our materials for production mostly. We hope by conducting this program will continue to maintain the tree's growth following to the sustainable forest management. In the next year's Sustainability Report, we will back report the development and growth of our foster tree.



Sengon planted in 2019



Sengon planted in late 2020

FSC Certification

GRI: 304-1, 304-3

SAMKO launched the Forest Stewardship Council (FSC) Certification Program in 2018, aimed to support smallholder cooperatives to obtain Small and Low Intensity Managed Forest (SLIMF) - FSC certification.

The program teaches the groups best farming and forestry management practices. This includes ensuring their crops are planted optimally and not harvested prematurely, proper conservation of high value areas, and financial planning to ensure income continuity instead of the widely used method of cutting whenever there is financial need.

Through this program, we ensure that our suppliers adhere to responsible management plans and in turn maintain healthy forests, while we receive a steady and sustainable supply of FSC-certified raw materials. These SLIMF-FSC certified logs are then be processed in our CoC-FSC certified facilities to produce FSC certified products.

After successfully obtaining certification for our first group of smallholder farmers in the Jambi and Jombang provinces, we have begun to expand the scope of the project, extending beyond the immediate regions around our main factories.



Sampoerna Kayoe has developed an ideal cooperation scheme in furthering the international sustainability agenda through their SLIMF-FSC program, with the industry as an initiator and farmer groups as a partner in providing sustainably sourced industrial raw materials. In creating a program that fosters direct interaction with smallholder farmers, Sampoerna Kayoe has provided many benefits for smallholder farmer groups: advance training and implementation of FSC’s sustainable forest management standards, increased conservation values, increased farmer income, assistance with planting materials; local health, education, and cultural preservation programs.

The potential to further build and implement the SLIMF-FSC program remains large and increasingly necessary. Sampoerna Kayoe’s approach to the increasing demand for responsible forestry, forging a direct partnership with smallholder farmers, is an excellent example of a sustainable business model in Indonesia, and a blueprint that can be adopted by all.

PT. IDEAS SEMESTA ENERGI
FSC Advisory Consultant - Bogor, West Java

Forest Management



In late 2019, SAMKO acquired forest concession rights of about **59,000 hectares** in **North Maluku, Indonesia**. This has allowed SAMKO to expand our business upstream in the management and operation of industrial forest plantations and forestry concession rights.

To achieve forest sustainability, we must balance responsible forestry operations and biodiversity conservation, while also supporting the communities around our concession areas. We have employed third-party auditors to conduct a **High Conservation Value (HCV)** assessment and **Social Impact Assessment (SIA)** within and around our immediate concession areas. The results of these assessments will inform our land use planning, and aid us in developing comprehensive for conservation and social programs.

The new venture is another avenue for SAMKO to put into practice its commitment to sustainability. We are currently preparing forestry operations according to international responsible forest management standards.

As we progress further into this venture and begin production, we look forward to creating lasting value within and around our immediate operational areas. Further progress will be reported in our annual Sustainability Report.



A 'Sulawesi Eagle', one of the protected species in North Maluku



SAMPOERNA KAYOE



GRI Index



UNLIMIT POSSIBILITIES

GRI Index

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