

SUSTAINABILITY REPORT 2021

FOR SUSTAINABLE TOMORROWS



SAMPOERNA KAYOE

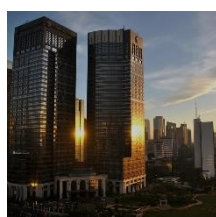


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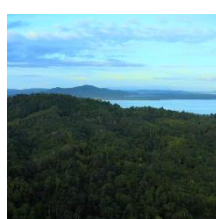
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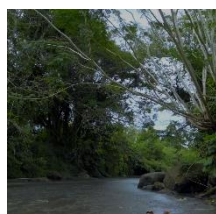
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Message from our CEO

GRI: 102-14, 102-16

Sampoerna Kayoe is motivated to become a leading and respected global timber manufacturer. We aim to rejuvenate Indonesia's natural resources industry and fully contribute to solving global sustainability problems by adopting a relentless sustainability strategy as a superior value for all stakeholders.

Clearly, sustainable entrepreneurship and profitable growth are mutually interdependent. Therefore, we embed sustainability as an essential element of our corporate strategy in the previous year. The sustainability framework allows us to build new opportunities for robust business models in response to the rapidly changing environment. We are also setting the 2030 Vision for Sustainability at the same time to be integrated into all of our value chains, in line with the United Nations Sustainable Development Goals (SDGs). In this context, we focus on the areas in which our business operations make the most impact.

The Group continues to grow positively determined by various transformation efforts in several aspects of business operations. The Group also continues to improve capabilities on an ongoing basis. Sustainability is a journey for us, so every step counts. We can learn from our past and use insights to refocus and improve our actions. This is an ongoing process that we must continue to accelerate.

With the fast-paced and ever-changing business environment, we pursue the next stage of sustainable brand transformation under the "Sampoerna Kayoe". We will continue to strengthen our corporate branding by increasing efficiency,

reducing operational costs, and improving business performance through innovative and sustainable solutions that enable us to achieve our sustainability targets faster. Nurtured with Sampoerna's values and philosophy, we adhere to "Anggarda Paramita", which means "Towards Excellence", as a way of life and live the "Three Hands" philosophy to work with business partners, employees, and society, as we strive towards a more sustainable business model.

The Board of Directors guide and oversee the identification, management, and monitor the relevant sustainability topics that we disclose in this report. We recognize the importance of adopting sustainable practices and how they can enhance our business operations and performance. We believe that sustainability is the only way for us to succeed in the future. Therefore, a holistic approach along the value chain is needed, whether through our brand, processes, or people. We are motivated by the progress we have made in 2021 and look forward to expanding the programs and activities for sustainable development in the coming year.

From where Sampoerna Kayoe now stands, a bright future is ahead of us. Now is the time to give our leadership, join forces to create preferable businesses for a better world with our comprehensive transformation strategy and sustainability roadmap. Our sustainable development requires us to boldly develop our business model further, enhancing our operations, sustainability, and environmental excellence as we move closer to becoming the world's leading producer of preferred timber.

“

Sustainability is a journey for us, so every step counts. We can learn from our past and use insights to refocus and improve our actions. This is an ongoing process that we must continue to accelerate.

Riko Setyabudhy Handoko

Executive Director and Chief Executive Officer

Message from Head of Sustainability

Sampoerna Kayoe recognizes that sustainability must be embedded in the way we do business to succeed in today's global marketplace. Our vision is to integrate the environmental, social, and economic dimensions of sustainability into our core business strategy, to ensure that throughout our business we have a deep understanding of this approach that will affect not only for the company but also our existing life on earth for the next several decades. We also recognize that our response to this method must be integrated into the fabric of our business's processes, tools, and priorities.

Our sustainability strategy is an integral part of our corporate strategy, enabling bright outcomes. We realized that there are no simple solutions to address society's environmental, social, and economic needs. Consequently, we must re-examine our achievements and challenges regularly. For this reason, we describe sustainability as a journey for our business that requires continuous learning, adaptation, improvement of our fundamental business processes, 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.

We have officially included the Triple Bottom Line as a pillar in our corporate strategy over the past year. Accordingly, we agreed last year to make sustainability the cornerstone of future growth and

innovation in our long-term business model and launched Sampoerna Kayoe Vision 2030. We emphasize an overall ambition statement for each pillar. Furthermore, we updated our sustainability framework in part to unite the changes we have experienced during the rapid environmental and global economic instability. Under this framework, our four sustainability priority areas are People, Sustainable Forest Management, Production, and Conservation.

This year's report builds off the baseline environmental data from last year and integrates new sustainability targets for sustainable forest management and carbon emissions. We developed strategies that put forward our approach to increasing the efficiency of our operations, enabling our customers' sustainability ambitions, and collaborating with all stakeholders.

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. Moreover, we are dedicated to growing responsibly as we partner closely with our farmers, suppliers, employees, customers, community, and stakeholders to make the world safer, more sustainable, and environmentally sound.

This report will discover many other insights into how Sampoerna Kayoe created long-term sustainable value in 2021. We will continue to raise the bar together with our committed team and stakeholders.

Caroline Rosa Wijaya
Head of Sustainability



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 2021 Sustainability Report “For Sustainable Tomorrows” reflects its commitment to monitoring and reporting on its sustainability programs.

The 2020 Sustainability Report, our latest report, was published in May 2021. Previous Sustainability Reports are archived at: <https://www.sampoernakayoe.co.id/sustainability-reports/>



Scope

The 2021 Sustainability Report covers the sustainability performance of Sampoerna Kayoe’s 6 primary processing plants (units). The content and quality of this report are guided by the latest Global Reporting Initiative Standards (GRI Standards). The application of the guidelines and associated indicators ensures that we report against our relevant economic, social, and environmental impacts.

We welcome your views on this report as an essential 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)



SAMPOERNA KAYOE



OVERVIEW

Map of Operations

GRI: 102-4, 102-8



About Us

GRI: 102-1, 102-2, 102-3, 102-6, 102-7, 102-10, 401-1



Listed on the Mainboard of the Singapore Exchange on February 25, 2008, Samko Timber Limited ("STL" or "the Company") is a public limited liability company incorporated under the laws of the Republic of Singapore on December 26, 2005. STL presently has more than 10 subsidiary companies that form 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, and Malaysia through either direct or indirect shareholding ownership, which form the Samko Timber Group and are also known as Sampoerna Kayoe Group of companies ("SAMKO" or "Sampoerna Kayoe" or "the Group"). SAMKO is domiciled in Singapore, and our head office is located at Sampoerna Strategic Square, Jakarta, Indonesia.

We are aware of the vital role of our employees and workers in our success and sustainability. Thus, we strive to be a fair and responsible employer to them. The decrease of **6.9%** of SAMKO's employees from 12,876 in 2020 to 11,981 employees in 2021 involves several plants' current modernization and optimization project. Most of our plants are located in Java, and several others are situated in Sumatra and Sulawesi.

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

With nearly 40 years of experience in the industry in primary and secondary processed timber products, Sampoerna Kayoe's products are found in residential, commercial, and industrial applications such as plywood, wood-decking, wood doors, wood-flooring, piano, and truck parts. Sampoerna Kayoe's products dominate the market share in Indonesia. They are also distributed in **33 countries** worldwide, including the Asia Pacific region, Europe, the Middle East, 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 of lawful business conduct practices over the years to generate significant and profitable impacts for all shareholders and stakeholders. Our management and employees fully understand and apply this standard in building work relationships with other employees, customers, suppliers, shareholders, the government, and the general public. It also governs the improvement mechanism for sanctions of misconduct and violations



In addition, we consistently maintained zero litigation regarding corruption against the Company in our operations during 2021. Violations (non-compliance) of prevailing laws and regulations that raise any legal or litigation cases against the Company and/or any revocation cases of its licenses only occurred in 2021.

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

The file and record of the Company's legal division indicate no pending, outstanding, and/or ongoing legal cases or litigation involving the Company and/or its officers and/or employees, relates to any violation (non-compliance) of prevailing laws and regulations by the Company, raises any legal cases or litigation cases against the Company and/or any revocation cases of its licenses throughout 2021.

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.

Furthermore, intensive socialization and communication processes are expected to build a good mutual relationship between SAMKO and its employees and work together for the same objectives. Each employee is encouraged to behave and act as the corporate values and culture, and it ensures 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 when they become aware and to ensure:

- Administrative, disciplinary, civil, and/or criminal actions initiated following the completion of investigations are appropriately balanced and fair while reassuring 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 harm 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 or condone obstructive action against any

- Independent investigations are carried out in an appropriate and timely manner.
- Appropriate action is taken to correct the weaknesses in internal controls and policies that perpetuate fraud and/or misconduct and prevent a recurrence.

employee who wishes or intends to, or who is filing a complaint, and/or retaliatory action against 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 to implement Good Corporate Governance (GCG), the Board of Directors (BOD) from all companies within the Samko Timber Group has 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 has been regulated under Company's Standard Operating Procedure (SOP) titled "Law and Business Ethics Violation Reporting Procedure", managed by the Violation Reporting Procedure", managed by the Violation Reporting Team (Tim Khusus Pelaporan Pelanggaran) that appointed by the management and formed under SAMKO.





SAMPOERNA KAYOE

SUSTAINABILITY & GOVERNANCE

Manulife Financial

Sustainability Strategy

GRI: Precautionary Principle or approach, 102-11

Sampoerna Kayoe's vision is to become a leading and respected global timber manufacturer, adopting relentless sustainability strategy as superior value to all stakeholders. The Company aims to rejuvenate Indonesia's natural source industry and contribute to solving global sustainability issues.

Among those efforts to fulfill the vision, Sampoerna Kayoe launched a new sustainability framework to replace the old agenda in 2021. The new framework supports us in building new opportunities of a prolonged business model to respond to the rapid environmental changes.

Our framework defined strong principles of responsible business method. We are driven to invest in shared values for our stakeholders,

implement forestry best management practices, continuously innovate production efficiency and preserve biodiversity values across ecological areas. Sampoerna Kayoe contributes to Indonesia's growth and will continue to support economic development in Indonesia.

On top of that, the United Nation (UN) Sustainable Development Goals (SDGs) have become our objectives in developing our framework, which SAMKO can align its business strategies and priorities to ensure our most significant contributions. Our mapping activity resulted in Sampoerna Kayoe's Sustainability Agenda: Sustainability Vision 2030. SAMKO will focus on four aspects that allow our business operations to make the most impactful contribution: People, Production, Sustainable Forest Management, and Conservation.

SUSTAINABLE DEVELOPMENT GOALS











SAMPOERNA KAYOE SUSTAINABLE VISION 2030










This year, Sampoerna Kayoe laid out various sustainability programs to achieve vision 2030. Our immediate strategic initiatives are ramped up in activities as follows:





- ❖ **Expand our support to smallholder farmers** to build a broader family of the raw material suppliers that Forest Stewardship Council (FSC) certified by adding 347 hectares respectively in Jambi and Jombang, with total of 225 community forest farmers under our forestry program.
- ❖ Preparing to obtain an **international sustainable forest management certification** for our timber plantation in Mangole Island, North Maluku. Simultaneously, we are also developing and constructing infrastructure, public facilities, and ensuring forest development partnership to create jobs and grow our business.
- ❖ Conducting **High Conservation Value Forest (HCVF) Assessment and Social Impact Assessment (SIA)** within and around our immediate concession and community forests areas by the eligible parties and escalating our conservation efforts to protect endangered species.
- ❖ **Renewable energy** source facility installations of 1.7 MWp capacity Solar Power Plant (PLTS) at two factories in Jombang Regency (East Java).
- ❖ Awarded as the most successful Indonesian exporters in **Primaniyarta Awards 2021** and promoting an integrated sustainable business approach.
- ❖ Participated in **Conference of the Parties 26 (COP26)** at Glasgow. It is part of our contribution to aligning and strengthening our sustainability efforts to the global climate change mitigation issues. The Group is the pioneer of plywood factories in Indonesia that contributes as one of the **Indonesia Pavilion's speakers** to promote an Integrated Sustainable Business Approach for Indonesia's Timber Industry in Community Forestry and Decarbonization.

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	Across our scope of main operation	Increase welfare of local communities and in-kind community investment	
 Employee Welfare		0	Zero fatalities and injury rate in all of our factories

Sustainable Forest Management			
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 with sustainable forest management certification scheme	

Conservation			
Strategic Focus	2030	Target	SDG Focus
 Biodiversity	Net loss of conservation areas	Increase welfare of local communities and in-kind community investment	
 Protection of High Conservation Value Forest (HCVF) areas			
 Protection of Endangered Species*			

* Undertaking High Conservation Value Forest (HCVF) baseline assessment in North Maluku

Primaniyarta Award 2021



Sampoerna Kayoe (PT Sumber Graha Sejahtera) won the Primaniyarta Award for the Global Brand Development Category from the Indonesian Ministry of Trade. In this most fabulous award given by the Government of the Republic of Indonesia to the most successful Indonesian exporters and role models for other Indonesian exporters, Sampoerna Kayoe was selected for its success in building a local brand into a global brand and developing export markets.

Joko Widodo, in his virtual remarks at the opening of the 36th Indonesian Trade Expo – Digital Edition in Jakarta, Thursday (21/10/2021), "I congratulate the Indonesian exporters who received the Primaniyarta award. The participants have helped accelerate the recovery and economic growth for a more advanced and prosperous Indonesia," said Indonesian President.

The 36th Indonesian Trade Expo- Digital Edition themed "Reviving Global Trade" was mentioned by The Indonesian Minister of Trade Muhammad Lutfi as Indonesia's strategic effort to stimulate global trade amid improving trade balance performance. "Therefore, we must continue to encourage Indonesia's trade competitiveness and increase value-added exports.

We also appreciate the recipients of the Primaniyarta and Primaduta awards as Indonesia's 20 best exporters who have proven to be able to maintain their performance during the COVID-19 pandemic," said Trade Minister Lutfi.

Sampoerna Kayoe is expected to be able to maintain export values and contribute to the country's foreign exchange amid the COVID-19 pandemic of its well-known reputation as one of the leading processed wood producers in Indonesia.

"We are pleased and proud of Sampoerna Kayoe for its commitment to promoting indigenous domestic products and brands in the export market and contributing to the recovery of the Indonesian economy," said Riko Setyabudhy Handoko, CEO of Sampoerna Kayoe, receiving the Primaniyarta Cup

at the opening of the 2021 TradeXpo Exhibition at the Pullman Hotel Jakarta.

The assessment of the 23rd Primaniyarta Award in 2021 was developed into seven categories: the Global Brand Development Category, Non-Traditional Market Pioneers, New Market Pioneers, Sustainable Products, High Technology Products, Digital Marketing Exporters, and Young Exporters.



"One form of our sustainability commitment is a collaboration with community forest farmers in Indonesia which is integrated into the Sampoerna Kayoe Sustainability Business Approach, starting from seed nurseries, distribution of quality seeds, training on sustainable forest management, guiding community forest farmers to obtain world-recognized certification for sustainable forest management, such as Small and Low Intensity Managed Forests (SLIMF), to become a standby buyer for these forest products," said Sampoerna Kayoe Commercial Director Edward Tombokan at this event.



Sampoerna Kayoe is not only the first plywood company in Indonesia but also one of the pioneer companies in using renewable energy. We are trying to make a concrete contribution to reducing world carbon emissions.

The Primaniyarta Award has motivated Sampoerna Kayoe to keep advancing the competitiveness of leading-quality indigenous domestic products, ensure (High-quality) renewable sources of energy, and support nature preservation and the environment for the international community.

Sampoerna Kayoe at COP 26

As a vast archipelagic country, Indonesia understands that the country is vulnerable to climate change. Therefore, Indonesia needs to seriously improve on tackling climate change. This goal can be achieved from the collaborative actions of the involved parties. Indonesia is one of the parties that signed the Paris Agreement, which aims to reduce Green House Gas emissions and initiate various steps toward sustainable development.

Main goals COP26

Sampoerna Kayoe took part in Indonesia's mission to mitigate climate change. One of the ways was by participating in the Conference of the Parties (COP) 26 event held in Glasgow and Jakarta. It's the first time for Sampoerna Kayoe to participate in an inter-country climate change event held annually.

Mr. Edward Tombokan, as Commercial Director of Sampoerna Kayoe, presented Promoting an Integrated Sustainable Business Approach for Indonesia's Timber Industry: Community Forestry and Decarbonization. In his presentation,.

Mr. Edward explained various achievements and commitments of Sampoerna Kayoe to the management of community forest farmers in Indonesia in tackling climate change and improving the quality of farmers' life.

This program is expected to inspire the wood industry sector and all stakeholders from various parties to work together and head toward sustainability, in line with national goals for climate change mitigation.

Additionally, Sampoerna Kayoe also supports the younger generation to voice the movement and programs to save the earth. One of the youths we support is Ms. Emma Handoko. At the time, Emma presented material on the theme of Gender Norms and Climate Action in Indonesia. Sampoerna Kayoe will continue supporting the younger generation to uphold the nation's sustainable development in the future.



Sampoerna Kayoe at ICC Virtual Expo & Forum 2021

In the event of Climate Change Virtual Expo & COP 26 in late October 2021, H.E. Minister of Environment and Forestry of Indonesia, Siti Nurbaya, has mentioned: to have a unified vision among the community, the business world, and the government in order to implement climate change agendas, must be viewed not only in terms of national interests but also the global interests.

Additionally, H.E. President Joko Widodo emphasized, among other things, Indonesia is targeting a net carbon sink in the forestry and land use (FoLU) sector by 2030, in his speeches at COP26 and G20. This is not merely a pledge, but one of the country's legally binding targets that is signed by President Joko Widodo as parts of a landmark presidential regulation.

Sampoerna Kayoe, the largest engineered wood manufacturer in Southeast Asia, supports the government's program to move along with sustainable goals in harmony with the environment and nature in its operations.

Sampoerna Kayoe joined Indonesia Climate Change Virtual Expo & Forum 2021 (ICCVF) to honor the company's commitment. Through this virtual expo, visitors get information about Sampoerna Kayoe's operations integrated into business development, sustainability, and responsibility.

Sampoerna Kayoe Environmental and Sustainability Development Team promotes the said, "Think Global, Act Local" – as our starting point. We will

maintain our commitment to contributing to sustainable development starting from where we operate and its surroundings with the guidance of Sustainable Development Goals, which are the UN's global agenda. We hope that with our program, Sampoerna Kayoe can initiate small changes that will have a global impact in the future."

In the virtual expo exhibition, Sampoerna Kayoe also provided material relevant to Empowerment Actions Toward a New Adaptation Phase. In this case, the Environmental and Sustainability Development team presented the material "Integrated Climate Change Empowerment:

Sustainable Forest Management & Community Forests." The presentation explained Sampoerna Kayoe's achievements in tackling climate change

using sustainable forest management methods and community forests.






Sampoerna Kayoe's substantial contribution includes the use of responsible sources of raw materials, production chains and community engagement training program. All these activities are relevant to forestry management practices in line with the Forest Stewardship Council (FSC), such as optimal planting and harvesting, prevention of premature felling of trees, distribution of free seeds to the community, and managing of High Conservation Value Forest (HCVF) areas to fight global warming



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 respond to them optimally. We are committed to pursuing sustainability, and we believe that a sustainable business is a better business not only for ourselves and our stakeholders but also for the country and 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 in the importance of material topics that can help us focus on specific areas to grow our business and align future sustainability efforts.

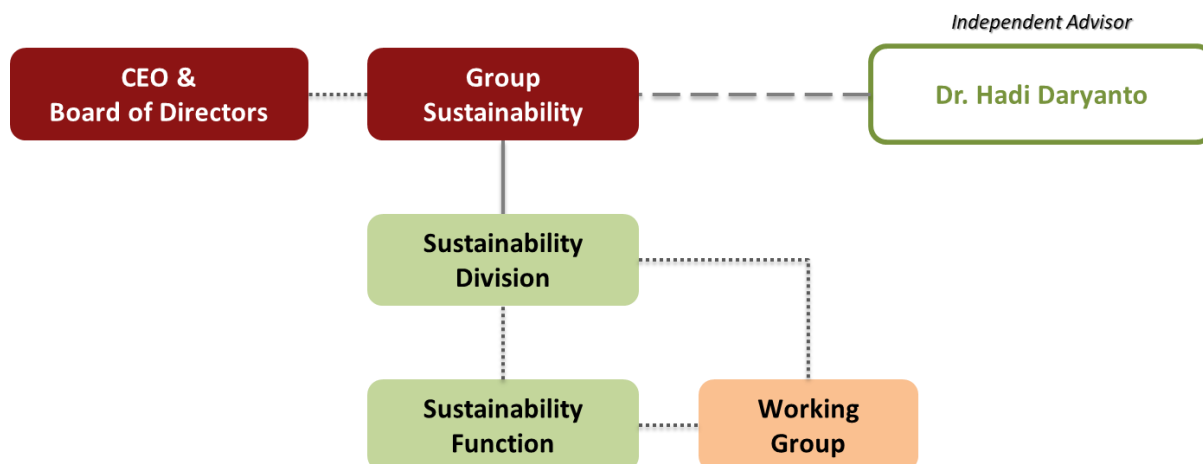
We have conducted a materiality assessment: identifying a list of potential material topics by reviewing material topics reported by other similar industry players to consider the sustainability context of the plywood industry. Furthermore, interviewing Senior Management can help us understand their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



Governance

GRI: Governance structure, 102-18

Sampoerna Kayoe Sustainability Governance Structure



The Group continuously channels all efforts into developing a solid business and operating model, and it helps us continuously expand our processing capacity while maintaining sustainability in production. The Group emphasizes our unwavering commitment to Environmental, Social and Corporate Governance (ESG), instilling these values as a shared responsibility and vision in the organization.

SAMKO's sustainability performance for the period January 1st to December 31st 2021 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 has been either sourced centrally from the enterprise resource planning system or directly from the facilities. We have not sought external assurance for this inaugural report. Moreover, it 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. We welcome your views on this report as an important input to help us improve our sustainability practices and reporting.

Please direct your comments, responses, and feedback about this report to:

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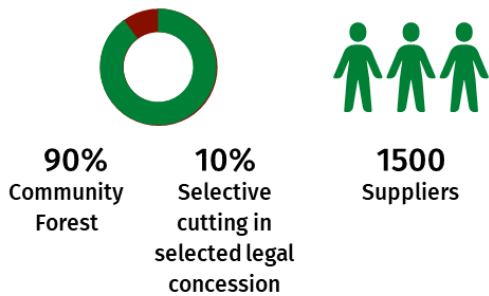
SAMPOERNA KAYOE

SUSTAINABLE FOREST MANAGEMENT

SUSTAINABLE FOREST MANAGEMENT

Sourcing

Log sourced from legal area



Forest Revitalization

On going forestry best management practices

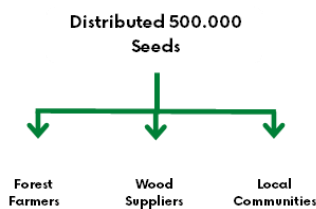
North Maluku

±11.780 Ha*
*Phase 1: One Unit Management

Conducted High Conservation Value Assessment and Social Impact Assessment by eligible parties

Replanting Program

We are distributed seeds in Jambi, Central Java, and East Java



Community Forest

Sustainable Forest Management Practices



Jambi

589 Hectares

6 Farmer Groups

178 Farmers

Jombang

147 Hectares

11 Farmer Groups

172 Farmers

Nursery

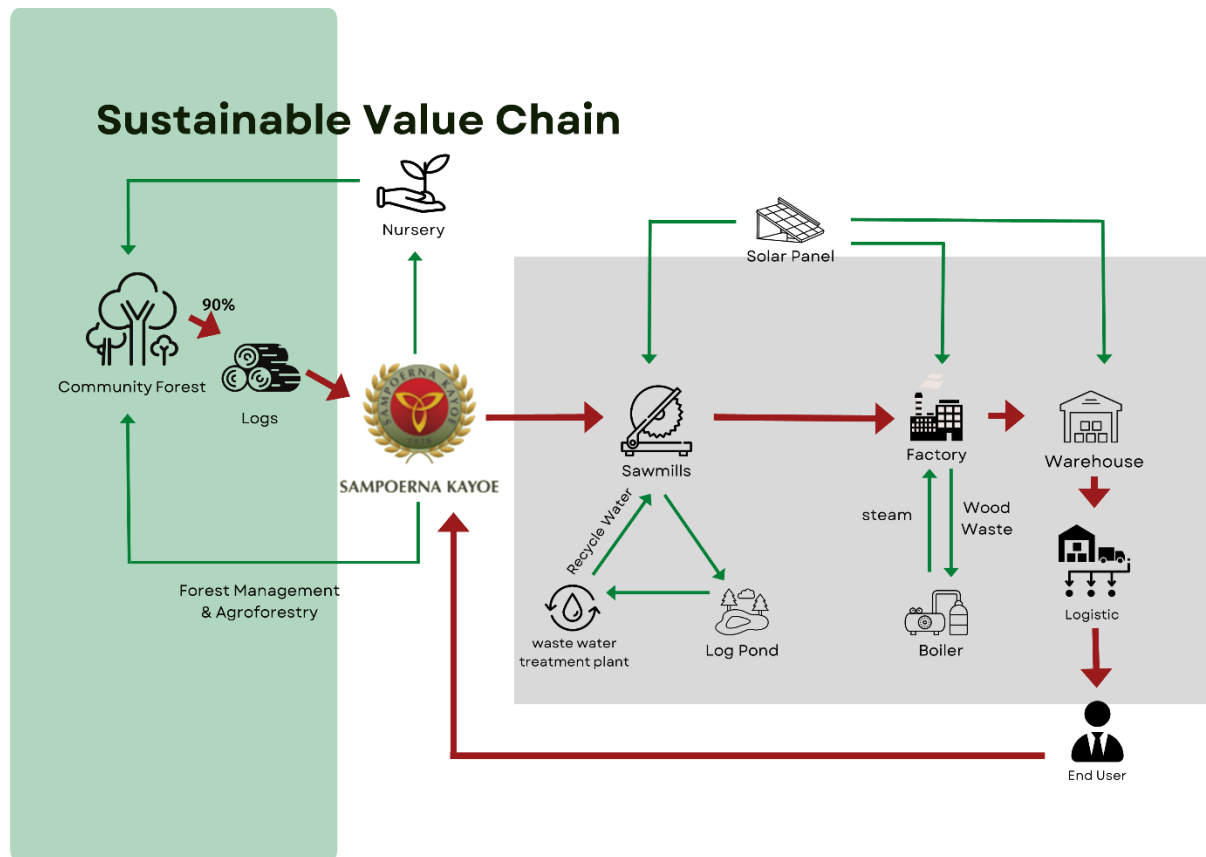
Number of Seeds Cultivated

±400.000
Pandeglang
Public Nursery

±30.000
Jambi
Nursery

Sustainable Value Chain

GRI: 102-9, 414-2



Sampoerna Kayoe aims to be a leading and respected global timber manufacturer. It adopts a relentless sustainability strategy as superior value to all stakeholders. Moreover, it focuses on rejuvenating Indonesia’s natural source industry and contributing to solving global sustainability issues.

Our commitment to sustainable development is reflected in our Corporate Values and Code of Ethics.

As one of Indonesia's largest groups of timber companies, we require an extensive and varied supply of logs. We strictly rely on raw materials supplied by vendors who have met the requisite operating and technical standards imposed by the various governmental and non-governmental organizations.

SAMKO requires the suppliers to comply with the national Sustainable Production Forest Management – Timber Legality Verification System (SVLK-PHPL) standards. Compliance with this

standard means that all logs are legally and sustainably sourced. On top of that, 90% of SAMKO’s logs are from community forests and the rest are from selective cutting in selected legal concession areas in Indonesia.

We source our woods from approximately 1,500 suppliers. The Groups believe farmers and suppliers are actively involved and play an important role in developing and shaping the plywood industry. Therefore, by integrating a sustainable business approach, SAMKO also consistently held an annual seeds distribution program to farmers, suppliers and local communities as part of our involvement in maintaining forest regeneration and its sustainability.

SAMKO’s recent joint venture to manage a forest plantation in North Maluku, with concession rights of about 59,000 hectares is become our new sustainability journey. The Groups are also in the process of reaching an international sustainable forest management certification for its timber plantation.

Plantation

Forest Revitalization



SAMKO acquired forest concession rights of about 59,000 hectares in North Maluku, Indonesia, in late 2019. We aspire to revitalize the abandoned forests to their full potential, responsibly utilize its multifunctional resources, and make positive changes to benefit the ecosystem and all stakeholders. This has allowed SAMKO to expand the sustainable business strategy upstream in the management and industrial forest plantations operation to deliver valuable result for both people and the planet.

Currently, SAMKO is in the process of obtaining international sustainable forest management certification in one unit management of our timber plantation for 11.780 hectares. We have also conducted a High Conservation Value Forest (HCVF)

assessment and Social Impact Assessment (SIA) within and around its concession areas by eligible parties. Simultaneously, to achieve its business sustainability, we are also developing infrastructure, building public facilities and creating jobs to improve lives and grow our business by engaging and collaborating with the local community every step of the way.

This helps SAMKO to develop a comprehensive conservation and social programs strategy.

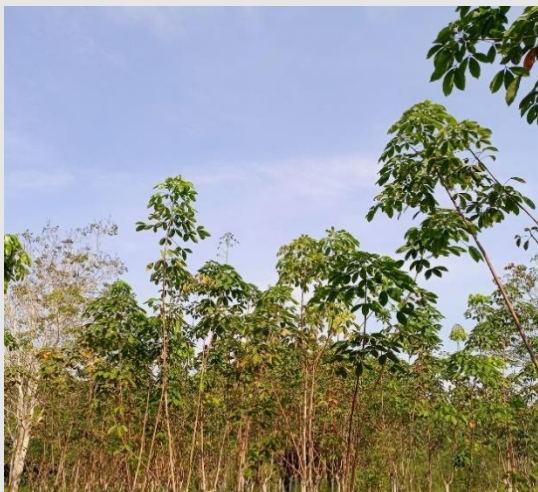
The new venture is another journey for SAMKO to practice its commitment to sustainability. Consequently, further progress can be seen from this venture and the start of the production. We look forward to creating lasting value within and around our immediate operational areas.

Nursery



SAMKO is committed to developing sustainable forest management through the nursery program. The program aims to create a temporary place so that plant seeds can adapt to actual conditions, producing the best quality seeds. We have contributed approximately ±430,000 seeds per year, and we divided them into two sites, Jambi and Pandeglang.

Our Nursery in Jambi



We produced about ±30,000 of rubber seeds as a form of implementing sustainable rubber tree planting in Jambi through Research and Development. Furthermore, the prepared seeds will be distributed to rubber farmers and the surrounding community to educate them about the importance of sustainable tree planting. Therefore, farmers and the community can continue implementing sustainable forest management.

Public Nursery in Pandeglang



We promote nursery activities by developing Sengon nursery (*Albizia Chinensis*, a legume species) in Pandeglang, Banten. It is part of our commitment to implementing long-term and sustainable forest management principles.

The signing ceremony of the Memorandum of Understanding (MoU) on Sengon seeds distribution between Sampoerna Kayoe and farmers in the Pandeglang Regency on September 3, 2021, was carried out by the CEO of Sampoerna Kayoe, Riko Handoko, and the Regent of Pandeglang, Irna Narulita Dimiyati.

Sampoerna Kayoe provides around ±400,000 Sengon seedlings annually for free in this collaboration. In addition to the signing of the cooperation, an inaugural planting ceremony was also held.

This program aims to develop the cultivation of Sengon trees, starting from planting, maintaining, harvesting, to marketing. Thus, the farmers just need to prepare the land, while the company provide the seeds, forest management assistance, and in the end will fully utilize the yields. SAMKO tries to make use of vacant land and maintain sustainability forests growth, which is expected to increase the economic potential of community forests and the livelihoods of local communities.

Community Forest

Smallholder Program



As one of the biggest timber companies in Indonesia, our dream is to inspire timber business players to implement best management practices for community forests that have important roles in the industry.

All of SAMKO's logs are legally sourced, with 90% of our wood sourced from community forests. We have approximately 1,500 suppliers who are actively involved in developing and shaping the plywood industry. Thus, Sampoerna Kayoe are fully committed to nurturing and assisting community farmers in managing their forests sustainably, following national standards and up to international certification procedures.

SAMKO launched the Forest Stewardship Council (FSC) Certification Program in 2018 to support smallholder cooperatives to obtain Small and Low-Intensity Managed Forest (SLIMF) - FSC certification. As a member of the FSC economic chamber, SAMKO directly contributes to FSC standards and is committed to shaping the future of responsible forestry. Expanding our support to smallholder farmers, we can build a wider family of suppliers to provide FSC- certified raw materials. By this year, in continuing our sustainability journey, we have added 225 farmers after 125 farmers in 2020. Currently we have managed a total **350 community forest farmers** under our forestry program in Jambi and Jombang.

Forestry Best Management Practices	Farmers Group Programs
<ul style="list-style-type: none">➤ Ensuring crops are planted optimally➤ Prevent premature harvesting➤ Provide proper management of high conservation value areas➤ Seeds distribution, replanting program and pest and disease prevention➤ Forest fire prevention training➤ Financial planning to support farmers income continuity	<ul style="list-style-type: none">➤ Enabling new access to potential resources that can be used directly by the community as an alternative source of income to improve the community welfare;➤ Managing resources, facilities, and infrastructure to increase production, social, and environmental activities, or other components agreed by the community.➤ Upgrading technical and managerial skills to support new business opportunities➤ Facilitating aspirations and initiatives of the community;➤ Building a network of cooperation with external parties to strengthen the community welfare programs➤ Implementing sustainable community forest management with production, social and environmental benefits➤ Expanding sustainable forest management programs and increasing the members' capacity of community forest farmers to have a responsible forest management

We believe this green system will help the forests to remain healthy while also improving the farmers' life quality. Through our vision, we hope to continue engaging a broader scale of community farmers to responsibly maintain and protect forests in a sustainable way.

❖ Gapoktan Sari Mulyo, Jambi



The Sari Mulyo Farmers Group Association or Gabungan Kelompok Tani (Gapoktan), located in Suka Damai Village, Rimbo Ulu District, Tebo Regency, Jambi Province, is a rubber community forest farmers institution that interested to implement the sustainable forest management consistently. The Sari Mulyo Gapoktan was established on August 5, 2016, in Tebo Regency, Jambi Province. Most of the Gapoktan, located in Suka Damai Village, Rimbo Ulu District, are migrants from Central Java who joined the transmigration program under the Rimbo Bujang People's Core Company (PIR) III program. They have resided in the Rimbo Ulu area since 1978.

Rubberwood is the top product of Gapoktan Sari Mulyo after rubber latex. Under the supervision and training assistance of SAMKO's sustainable forests management program, Gapoktan Sari Mulyo has been implementing sustainable approach and successfully obtained international sustainable forest management certification, Small and Low Intensity Managed Forests (SLIMF) certification by Forest Stewardship Council (FSC).

One of the coaching courses include nurturing farmers about the importance of maintaining rubber trees during their productive period in order to maximize the output of sap for sales. Besides, the Group remain committed to support farmers in purchasing their unproductive rubber logs to increase their source of income. Through this approach, our logging plan must also comply to the allowed annual cutting allotment in accordance with FSC principles that enable us to maintain the wood production remain sustainable. This year is the fourth year that SAMKO together with Gapoktan Sari Mulyo succeeded and continue maintain the certification. The Group expected through this program will not only improve the value of forestry functions but also upsurge the community welfare.

We have fostered **178 farmer members** from 6 farmer groups, including Sari Mulyo, Abadi, Hamparan I, Hamparan II, Bahagia, and Tunas Harapan, with a total area of **±589 hectares**. In addition, this area also includes **±60 hectares** of protected and conservation areas.

Testimony of Jambi's Farmer

"My name is Suhardi. For about 32 years, I have managed rubber trees in Suka Damai Village, Tebo Regency, Jambi. As a rubber farmer, my main sales come from rubber sap and rubber woods itself. Later, I will sell the products to a rubber shop near my neighborhood. Thus, I feel the real impact from this community forest. From my point of view, the forest provides life and necessities to us whether for food, shelter or daily needs all come from the forest.



The earth is currently growing and many aspects need to be considered to maintain its function and I am very fortunate to be a part of the Sampoerna Kayoe FSC program. Through this program, I am able to directly contribute on how to keep the forest healthy, utilize vacant land for planting activities and make good use of forest products. The planting activities also include non-timber forest products that are naturally produced in forests and can be harvested for human use without cutting down trees. This practice is very useful to my children and grandchildren in the future.

I am so grateful for Sampoerna Kayoe. The company's sustainability program benefited farmers directly by providing rubber seeds. As well, Sampoerna Kayoe also distributed bamboo seeds, vegetables and fruit seeds, to increase our source of income. With this collaboration, we are looking forward to maintaining the sustainability of the forest".



❖ KPHR Sumber Sejahtera, East Java



In developing their sustainability journey, Sampoerna Kayoe formed a farmer group namely Kelompok Pengelola Hutan Rakyat Sumber Sejahtera (KPHRSS). The farmer group legally established on May 24, 2019, aims to support community forest farmers in sustainable forest management practices.



The Company composed the forestry program aligned with international sustainable forest management certification, Small and Low Intensity Managed Forests (SLIMF) certification by Forest Stewardship Council (FSC). The training programs include how to maximize the Sengon growth sustainably by using organic fertilizer, overcome pest and disease, planting schedules to maintain



ecological environment and logging plan in accordance with FSC principles. Additionally in implementing their sustainable business strategy, SAMKO remain committed to support farmers in purchasing certified logs, not only to increase farmers source of income but also to maintain the wood production remain sustainable.

SAMKO enlarged their forestry program to include community engagement by collaborating with local societies. The Group initiated the program by supporting one of farmers local business in form of capital and product innovation for coffee. This program not only enable farmers to diversify income but also encouraged them to utilized the non-timber forest product that is naturally produced in forests without cutting down trees.

In 2021, KPHRSS successfully expanded its forestry best management practices to surrounding areas such as Jombang, Jember, and Malang Districts with an area of **±147 hectares**. This total area includes **±17 hectares** of protected and conservation areas. We have fostered **11 farmer groups** consisting of **172 farmers** who have been FSC-SLIMF certified.

We will continuously expand our certification program for smallholder farmers across Indonesia, extending beyond the immediate regions around our leading factories

Testimony of East Java's Farmer



"My name is Supardi and I am a Sengon tree farmer in Sambirejo Village, Trenggalek Regency, East Java for more than 15 years.

As a community forest farmer, I have been relying on the produce from agriculture and livestock to sustain my livelihood. While farming Sengon trees, we had difficulties with our sales, and the crops were not grown optimally. However, after joining Sampoerna Kayoe's forestry program scheme, KPHRSS farmers received various benefits. We are provided with free annual distribution of seeds, sustainable forest management intensive program and training to develop farmers entrepreneurship skills. Hopefully, farmers who have joined would be able to feel these benefits, that is good for the earth and improve the quality of farmers life in the future."

Replanting Program

Sampoerna Kayoe has supported the replanting program for more than **70 million** trees all over Indonesia to foster a green culture since 2001. Replanting plays an important part in our sustainable log sourcing process. It encourages the community farmers to plant falcata timber, and it has also put us in synergy with the Indonesian government's program to boost the economic potential of the nation's community forest.

Our program includes:

- Encouraging smallholder farmers to plant trees, not only as a form of synergy with Indonesian government programs but also to increase the economic potential of community forests.
- Providing advanced planting training to community forest farmers to improve their capabilities and business opportunities.
- Distributing best quality fertilizers and certified seeds.
- Ensuring sustainable forest growth and forest regeneration.

Our distribution approach is carried out evenly and in line with the annual distribution target plan for community forest farmers, wood suppliers, and local communities.





SAMPOERNA KAYOE

CONSERVATION

High Conservation Value

GRI: 304-1, 304-3

We believe that all life on earth is solely dependent on a healthy nature and by that when we work to save nature, we are really working to save ourselves. SAMKO carries out its commitment in maintaining healthy ecosystem by preserving forest biodiversity and conservation values within and around our immediate concession and community forests.

We conceptualized a strategy to help farmers and forest managers in their efforts to manage forests sustainably and create a good environmental impact using two methods:

1. Identifying areas within or near our factories that contain fundamental social, cultural, and/or ecological values,
2. Implementing a management and monitoring system to ensure these values' enhancement.



When a species becomes endangered, it is a sign that the ecosystem is slowly falling apart. Sampoerna Kayoe expanding their conservation efforts to include the protection of endangered species that will contribute to a significant role in the ecosystem.

SAMKO believes a well-balanced ecosystem will keep the environment healthy, ensuring all living creatures have access to fresh air, clean water, and fertile land to remain healthy. In order to maintain the ecological values, we will continue to preserve the diversity of life in this planet.

We have also conducted a High Conservation Value Forest (HCVF) assessment and Social Impact Assessment (SIA) within and around our immediate concession areas by eligible parties. These assessment results help us in developing comprehensive conservation and social programs.

SAMKO will continue ensuring the zero net loss of conservation value and zero raw materials sourced from High Conservation Value Forest (HCVF) areas.

Natural Water Source Treatment 'Resik Kali'



'Adat Segunung' Village has become one of the tourism icons in Wonosalam District, which represents authentic Javanese culture, traditional food and Wonosalam coffee. The village actively participates in social and environmental activities, empowered us to collaborating with societies to implement our conservation and environmental program.

'Resik Kali' (Clean River) program was initiated to support the World Environment Day. SAMKO believes this program will increase awareness of local communities in maintaining natural water sources responsibly. In this event, KPHRSS successfully involved several parties such as the Jombang Regency Environmental Services, students, and the community surrounding 'Adat Segunung' Village to be participated in the activity surround the Segunung Village, Wonosalam District, Jombang Regency.

Gluguh Natural Water Source Cleaning and Merawan River Border Planting Program



In line with the Environmental Services program, KPHRSS participated in the Gluguh Natural Water Source Cleaning and Merawan River Border Planting activities in Gluguh Village, Silo District, Jember Regency.

The program was supported by Jember District Forestry Service Branch, Jember District Environmental Service, Karangharjo Village Government, Mandiri Community Forest Farmer Group, local students, and the surrounding community. Stakeholders also donating various of seedlings such as bamboo, petai, and jackfruit. In this event, SAMKO provided durian & avocado seeds to assist the program.

SAMKO alongside with the support of village government and stakeholders, will continue preserve the ecological environment through our programs towards sustainability.

Biodiversity Protection



As one of the leading Timber industry, SAMKO Timber is committed to maintaining the sustainability of wood in Indonesia. Our sustainability journey continues along with our responsibility to restored the ecosystem by implementing land rehabilitation as part of our conservation program.

SAMKO initiated the biodiversity program by distributing Multi-Purpose Tree Species (MPTS) seeds to farmer groups at the 2021 Indonesian Tree Planting Day (Hari Menanam Pohon Indonesia 2021) to support the rehabilitation of critical lands. Some of the seeds given include Kepel (*Stelechocarpus burahol*) and Damar (*Shorea javanica*). Kepel seedlings are in the conservation-dependent categorized as endangered plants.



Indonesian Tree Planting Day 2021

In line with the UN Agenda in the Sustainable Development Goals (SDGs), Sampoerna Kayoe held the first event in distributed variety of seedlings and conduct planting trees activities to support the rehabilitation of critical land. This “Indonesian Tree Planting Day” event was held in Polobogo, Salatiga, on November 30, 2021.



On this occasion, Sampoerna Kayoe distributed the seeds for free and handed over the seeds symbolically to the Regent of Semarang Regency and the Head of the Branch Office of the Forestry Service of Central Java Province Region III. The distribution of seeds consisted of 1,200 Multi-Purpose Tree Species (MPTS) seedlings and 312,500 of Sengon seeds to assist the Rehabilitation program in the Kuncen Agro Tourism areas. In addition, the event also attended by the Head of the Ministry of Environment and Forestry (KLHK) & Energy and Mineral Resources (ESDM) Division of the Central Java Infrastructure and Natural Resource (ISDA) Bureau, the Head of the Branch of the Forestry Service of Central Java Province Region III, and the Head of the Boga Tani Farmer Group.



Moreover, Sampoerna Kayoe donated 10 sets of agricultural tools to community forest farmer group and appreciated 15 outstanding students from 8 surrounding schools with scholarships. This program is expected to encourage young talents in the nation’s sustainable development progress. SAMKO believes the program aims not only to promotes sustainable forest growth but also upsurge the economic potential of community forests and local

Fish Seed Restocking Program



The Group has been contributed in the Fish Seed Restocking Program, total ±50,000 in the High Conservation Value Forest (HCVF) area of the Sari Mulyo Farmer Group Association (Gapoktan) on October 12, 2021, a collaboration program between Sampoerna Kayoe and the Sari Mulyo Gapoktan with the Jambi Province Maritime Affairs and Fisheries Service.

Our community forest farmers group of Sari Mulyo, Bahagia, and Tunas Harapan received three types of fish seeds spread in rivers and swamps such as Gourami, Kissing Gourami, and Hoven’s Carps.



SAMPOERNA KAYOE

PRODUCTION

Production

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

The total production capacity in 2021 was 714.037 m³, and the capacity has increased by 9.99% compared to 2020. Our operation in North Maluku is not included in this report section due to its early phase.

We provide third-party certified labels and certifications in our factories and products to ensure customers' high-quality products from sustainable sources.

	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	ISO 9001	None	None	None
Environmental Management System	None	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	None	None	None
PROPER	None	BLUE	BLUE	BLUE	BLUE	BLUE	None	None	None
Product Quality	JAS OP	None	JAS CP SP OP	JAS LVL		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 Marking – (Structural Plywood)	None	CE Marking – (Structural Plywood)	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	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	FSC-COC	None	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

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

The Timber Legality Verification System (SVLK) is an Indonesian's national timber legality assurance system applied to all of our facilities. According to the Indonesian Law, SVLK certification and related documents (export license such as V-Legal Documents) are required to go through due diligence process under EU Timber Regulation (EUTR) to meet the European Union (EU) import product requirements for plywood-based products. We are proud that all of our facilities comply with this approach. As well, 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 widely known as a sustainable forest management certification that promotes responsible forest management. Therefore, we are pleased to be one of the FSC's economic chamber members since it allows us to directly contribute to the organization's standards and the future of responsible forestry. In 2021, we have obtained the FSC Chain of Custody certification (FSC-CoC) certification for our facility in Semarang and keep expanding the Small or Low Intensity Managed Forests (FSC-SLIMF) FSC-certification for our raw materials in Jambi and Jombang.

Subsequently, we participated in the Indonesian Government's Program for Pollution Control, Evaluation, and Rating ("PROPER") for our assembly plants in Balaraja and Jambi which the Indonesian Government constantly monitors. We proudly received the Blue rating PROPER awards in 2020, and this award indicates compliance with government standards and guidance regarding environmental management.

Furthermore, 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 processes comply with global quality and environmental management standards.



Environmental Performance

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

Water Management

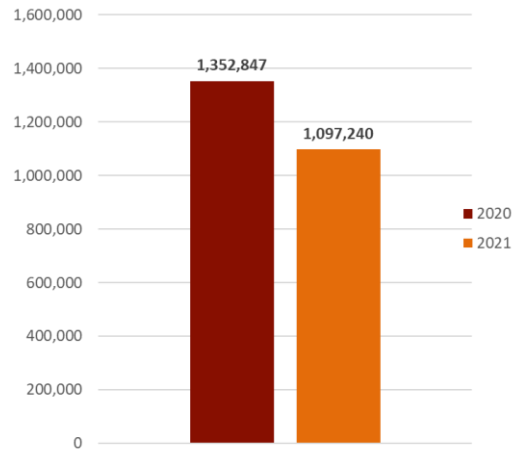
SAMKO realizes that water is one of the most important resources in all aspects of life and business. As a result, water management is crucial in ensuring sustainable use of resources and keeping our business running.

In 2021, the total water consumption of our production facilities was 1.097.240 m³, and it's 18.89% lower than water consumption in 2020.

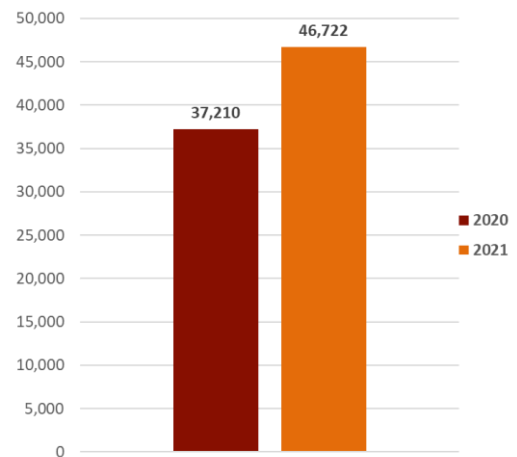
In addition, we also reuse water to reduce our freshwater consumption. We reused 46,722 m³ of water, which is a 25.56% increase from last year.

We strive to improve water efficiency by taking several actions. We increase the water recycling rate by reusing water to support our operational activities, such as in the log pond area. We remain committed to continuously enhancing our production process efficiency, encouraging our employees to take water usage into their account responsibly, and measuring our water consumption. We also strengthen our data collection process subsequently to implement more robust systems to monitor our performance.

Water Use (m3)



Recycled Water Use (m3)



Waste Management

As waste management is an integral part of the Triple Bottom line of sustainability, SAMKO believes that waste management should be taken seriously. Establishing a responsible and better waste management system does not only help companies to reduce their environmental impact but also underlying the concept of reusing, recycling, and recovering materials to achieve sustainable outcomes.

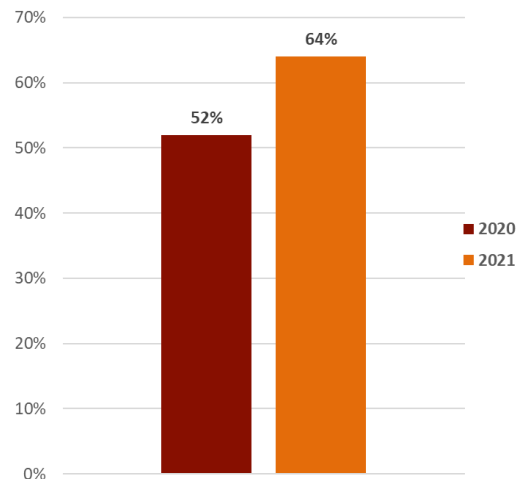
We are mindful of handling different types of waste carefully to prevent pollution and safety hazards and comply with the relevant prevailing regulation. We continuously enhance efficiency in our production process to increase our recovery rate to minimize waste. We proudly achieved a rise in our recovery rate of 64% in 2021.

The waste from manufacturing process of Sampoerna Kayoe consists of two types, B3 (hazardous) and non - B3. According to government regulation No. 101 the year 2014, Hazardous waste can be defined as substances, energy, and/or other components that, due to their nature, concentration and/or amount, either directly or indirectly, can pollute and/or amount damage the environment.

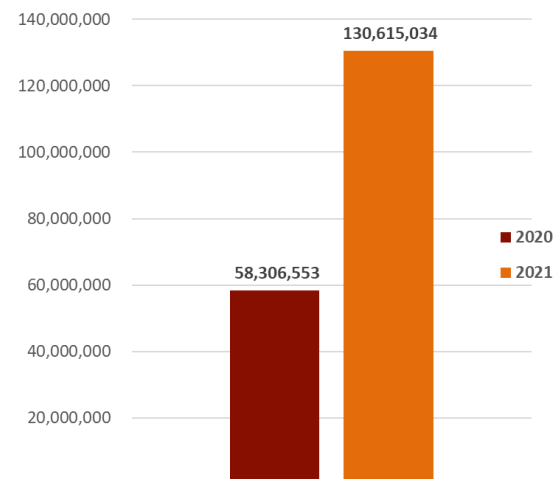
Several solid wastes categorized as hazardous waste are used glue, contaminated packaging, fluorescent lamp, used drums, and leftover rotary grinders. This year, our total solid waste is 130,615,034 kg, an increase in 2021 due to adding Luwu branch and two affiliated factories in our calculation as a new baseline and increase in the total production compared to 2020.

We also recycled a total of 1,036,082 m³ of used glue to reduce waste, as our initiative to support our low-grade plywood materials.

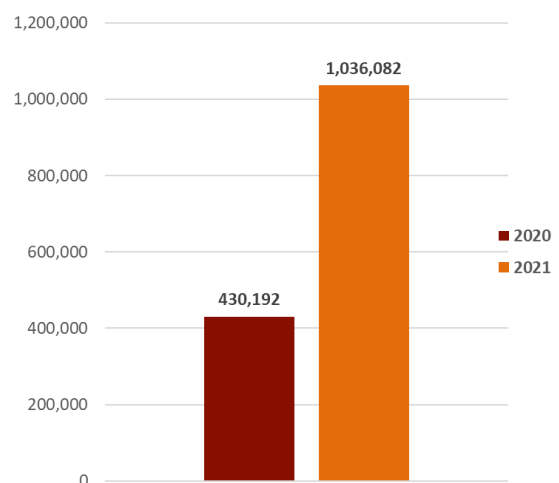
Recovery Rate (%)



Solid Waste (Kg)



Recycled Waste Glue Use (m3)



According to government regulations, B3 waste that cannot be recycled must be destroyed, such as wastewater treatment, used glue, used forklifts engine oil, contaminated packaging such as jerry can and air filters. Waste oil produced from our production machinery is stored in a temporary shelter for hazardous waste before our licensed third-party waste processors handle it. We tightly monitor our hazardous waste disposal in accordance with relevant prevailing government regulations.

Meanwhile, non-B3 waste can be wood, plastics, metal, strapping band rope, and organic or inorganic waste from human-used. Non-B3 waste is usually not disposed of immediately but reused in other forms. We reused our wood waste as a pallet, and if the wood waste is damaged, it will be used as firewood. Moreover, our metal waste is usually used to manufacture other equipment such as patchwork and roofs.

Waste Management Initiative

We are dedicated to minimizing waste and reusing waste materials. Because of that, we implement the waste management system as seen in our Semarang Factory, and it is one of our efforts in comprehending the solution.

Wood Waste to Generate Boiler

Raising the energy efficiency, we turn wood wastes—such as wet and dry tree barks and many other kinds—from the production process into substitutes for fossil fuel in the factory. We put wet wastes and dry wastes into the boiler. Wet wastes are left in an open field during rainy seasons or damp weather. On the other hand, in dry seasons or sunny weather, wet wastes that are already left in the open air will dry and be ready to be put inside the boiler. This method results in the overall wood waste as fuel for the boiler.

Wood Ash Fertilizer

On top of that, the Semarang factory also stored all organic ashes produced by the boiler and utilized them as fertilizers, which has proven to succeed in nourishing the growth of Napier grasses (Rumput Gajah). These composts are distributed free to farmers around and within the factory areas.

Waste Water Reuse

Additionally, the Semarang factory also owns a Water Waste Processing Installation (IPAL) that usefully filters out water wastes from the boiler to be used again for production. usefully filters out water wastes from the boiler to be used again for production.

Sampoerna Kayoe also pays attention to the surrounding environment. It can be seen from the factory in Banyumas, which utilizes bamboo as durable material in making pallets. This method allows the factory to avoid spending on building supplies. Our operations also use wastewater mechanism systems, ensuring that our waste is safe for the environment.

In carrying out the waste management system, destroying B3 waste is very costly. Therefore, it is necessary to minimize the amount of B3 waste in the first place. One of the solutions is to turn the hardened glue waste into flour for the glue-making components, reducing the cost of disposal/destruction.

SAMKO is committed to use material resources efficiently by cutting down on the amount of waste produced and where waste is generated. We will actively be dealing with it in a way that is impactful to the social, economic and environmental goals of sustainable development.

Farmer Testimony



Sampoerna Kayoe tries to implement more sustainable waste management by distributing wood ash fertilizer to farmers. This wood ash fertilizer is from our factory's non-B3 (organic) boiler ash. One of the recipients of the wood ash fertilizer was Mr. Yatno. He works as a banana and elephant grass farmer who has been raising livestock for about 20 years. For elephant grass farmers, the grass is beneficial for livestock feed.

"I have always planted using fertilizers that contain chemicals until Sampoerna Kayoe gave us organic wood ash fertilizer for free as a substitute. After using the wood ash fertilizer, the elephant grass that I planted grew faster and thicker. I hope Sampoerna Kayoe can continue such efforts in the future."

Emissions & Energy

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



SAMKO believes that efficient energy use contributes to less energy consumption and the reduction of greenhouse gases released to the environment, thus, improving environmental sustainability. For this reason, together with the UN Climate agenda and national Nationally Determined Contribution (NDC), the Group targets to increase the use of renewable energy that comply with government emission regulations and standards.

As part of the implementation of compliance in environmental management, we regularly manage and monitor the emissions with certified third-party under government regulations, such as:

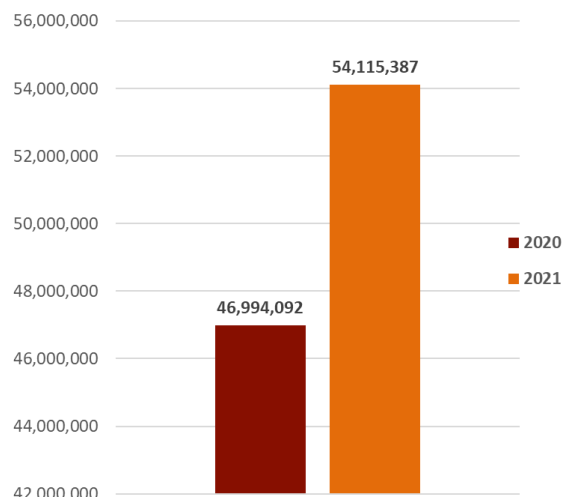
1. Air Emission Control
2. Control of hazardous (B3) waste management
3. Liquid Waste Control

The use of our electricity across all operations in 2021 was 54,115,387 kWh, an increase of 15.6%. It was mainly because the production capacity has risen compared to 2020.

In the year 2021, SAMKO pioneered the largest installation of solar panels in one of our factories in East Java with the CO² emissions reduction for 1,103 tCO²e in Tanon and 491 tCO²e in Pundong yearly, as a form of our contribution to sustainable energy sources.

Currently, we continue our climate agenda by expanding the implementation of solar panel system in the other seven main factories. Sampoerna Kayoe will remain committed to driving the change for a cleaner world. We thrive in reducing the risk of air pollution and promoting innovations for sustainable solutions.

Electricity Use (kWh)



Solar Panel in Jombang



(Sampoerna Kayoe Inaugurates 1.7 MWp Surya Solar Panel)

Sampoerna Kayoe (PT Sumber Graha Sejahtera) inaugurated a 1.7 MWp capacity Solar Power Plant (PLTS) facility at two factories in Jombang Regency, East Java. ATW Group realized the provision and construction of these facilities. As a result, it made Sampoerna Kayoe the first plywood company in Indonesia to transition using renewable energy. It is a concrete step to contribute to reducing world carbon emissions.

“Real climate change is happening right before our eyes. We believe that business as one of the driving forces of development must take a greater role in ensuring the development of human living standards in line with the sustainability of the earth. This PLTS project is our commitment to this belief, as well as a form of the company’s participation in achieving the new and renewable energy (EBT) target of the Government of the Republic of Indonesia of 23 percent by 2025,” said Sampoerna Kayoe President Director Riko Setyabudhy Handoko.



Solar energy is a logical choice for businesses in tropical countries, such as Indonesia, because the amount is unlimited and lasts throughout the year regardless of the season. Additionally, Sampoerna Kayoe is currently improving operational efficiency, including reducing its carbon footprint.

“With the solar power system, we see an opportunity to transform energy in five main factories, ten veneer factories, and one Sampoerna Kayoe chemical plant. The only limitation of solar power is our ability to convert it to electricity efficiently and cost-effectively. That is why the selection of partners who have expertise in this field is crucial,” explained Sampoerna Kayoe Operations Director Rudiyanto Tan.



Sampoerna Kayoe is collaborating with ATW Group through its subsidiary PT ATW Investasi Hijau, a local partner of Shizen Energy Inc and Alampont Inc. ATW Group is an integrated company engaged in the engineering, procurement, and construction of rooftop solar power plants to achieve this plan. It supplies affordable renewable clean energy to save electricity costs. In addition, ATW Group also provides solar panel rental, and it helps potential customers to have an initial investment.

“Solar panels at SGS Tanon Sampoerna Kayoe produce 1.8 GWh of energy, equivalent to a reduction of 1,500 tons of carbon dioxide annually. Meanwhile, at SGS Pundong, the installed solar panels generate 0.8 GWh of energy, or equivalent to a reduction of 970 tons of carbon dioxide annually,” said ATW Group President Commissioner Eddie Widiono.

Sampoerna Kayoe’s commitment to sustainability started from the beginning, from the supply chain of raw wood logs with a certification program to ensuring product traceability. Operational transformation using renewable energy is expected to provide Sampoerna Kayoe products with a competitive advantage in a global market. Furthermore, responsible production processes are increasingly important.

“Sustainability efforts like this are not the first time Sampoerna Kayoe has undertaken. Our first sustainability commitment is to work with smallholders across Indonesia to obtain Forest Stewardship Council (FSC) certification, to ensure sustainable forest management practices and supply chain traceability,” said Sampoerna Kayoe Commercial Director Edward Tombokan.

According to the International Energy Agency, the share of renewable energy is expected to reach 30 percent by 2024, and it will continue to increase in the next decade. On the other hand, the use of renewable energy strengthens Sampoerna Kayoe’s rationale for contributing to reducing world carbon emissions.

“The depletion of fossil energy stocks and the increasing impact of the climate crisis is causing the whole world to move towards a more sustainable development direction. We hope that with this initiative, more company and industry partners will be moved to start the transition towards using energy that is more environmentally friendly,” concluded Alvin Puspowidjono, Head of the Strategic and Performance Management Division.

Research and Development



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

Cooperating with Research and Development (R&D), Sampoerna Kayoe protects its market share and expands to new markets. Through its cooperation, Sampoerna Kayoe could always be prepared, both in response to today's challenges and anticipating future risks and opportunities. Moreover, R&D enables Sampoerna Kayoe to deliver higher-quality products out of process improvement and new raw and supporting materials, securing our business's economic and environmental sustainability.

Our research in 2021 focused on three functions as follows:

- ❖ Developing and engineering the right usage of **Supporting Materials** such as glue, preservative, coating, and other materials for balancing the requested quality with reasonable cost;
- ❖ Focusing on alternative **New Raw Materials** for timber species beyond the main current (silk tree and rubberwood) for the source of veneer;
- ❖ **Process Engineering**, by evaluating and improving our production process for more efficient methods without compromising its quality.

We had completed most of the R&D projects initiated by 90% achievement during 2021. One of our innovative breakthroughs is developing the existing glue mix formula as a plywood adhesive material. We formulated the use of regular urea-formaldehyde resin as a substitute for low emission urea-formaldehyde resin, which is known to be more expensive to reduce the cost of producing plywood. It is widely known that the price of resin as the basic plywood glue material keeps increasing. The innovation spurred at the SGS Balaraja Plant is believed to save production costs of Rp. 2.579/Kg glue mix. If we convert it to the quantity of SGS Balaraja Plant production in 2021, as much as 68,515 m³, it can produce savings of ±Rp. 12 billion/Year. It was implemented in SGS Balaraja in 2021. Additionally, it will be the platform in 2022 for another Plant at all Sampoerna Kayoe to substitute the low emission urea formaldehyde with the regular urea-formaldehyde resin to reduce the glue mix cost to anticipate the increase of the glue resin price.



SAMPOERNA KAYOE

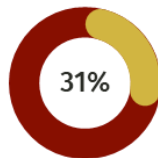


PEOPLE

PEOPLE

Employee Welfare

Professional Development



Employee Trained

OAP 2021



Person

OHS



0 Fatalities in All Our Operations



0,63 Sick Leave Rate Days per 100 Employees



0,04 Injury Rate Cases per 200 Employees

Occupational Health and Safety

- Health Insurance
- BPJS Kesehatan (Government Health Security)
- BPJS Ketenagakerjaan (Government National Social Security)
- The pension fund for permanent employees,
- Maternity leave and childbirth benefit
- Routine or seminar about Kesehatan dan Keselamatan Kerja (K3)

Community Engagement

Economic Empowerment



Agroforestry



Support Local Business



Creating Job Opportunities

Social Welfare

Health



Free Medical Check Up



Blood Donation



Donating Oxygen Tubes



Blood Donation



Distributing Staples Food

Social Events



Supporting Various Social Activities

Environmental



Distributing Variety of Seedlings



Forestry Best Management Practices

Construction



Distributing Wood Waste as Building Materials for Public Facilities

Education



Subsidized School Fees



Offering Scholarship to Best Performing Students

Employee Welfare

GRI: 102-41, 405-1, 408-1, 409-1



We believe the well-being of our employees is crucial to achieve business sustainability. SAMKO understand the need of providing the best work experience is important element to deliver the feel of being valued, safe, comfortable and treated fairly.

In upholding the principles of human rights, justice, and equality, the Groups oppose discrimination in any form regardless of their background, ethnicity, religion, race and remain promoting gender equality across our organization. All company policies, rules and guidelines apply universally to all management levels, empowering the business development based on integrity, transparency and professional behaviour according to government regulation.

The Group conducts the business in a fair and equal manner which places people at the core of what we do. As a labour-intensive company operating in developing and remote regions, forced labour and child labour are prominent risks in our industry. SAMKO has a strict policy against forced labour and child labour of any form in all of our operations. In regards to occupational health and safety, the company reinforces the importance of compliance with standard working procedure for all employees in the organization. We comply with national manpower laws, government regulations and also provide benefits such as: health insurance, Government Health Security (BPJS Kesehatan), Government National Social Security (BPJS Ketenagakerjaan), pension fund for permanent employees, maternity leave and childbirth supports.

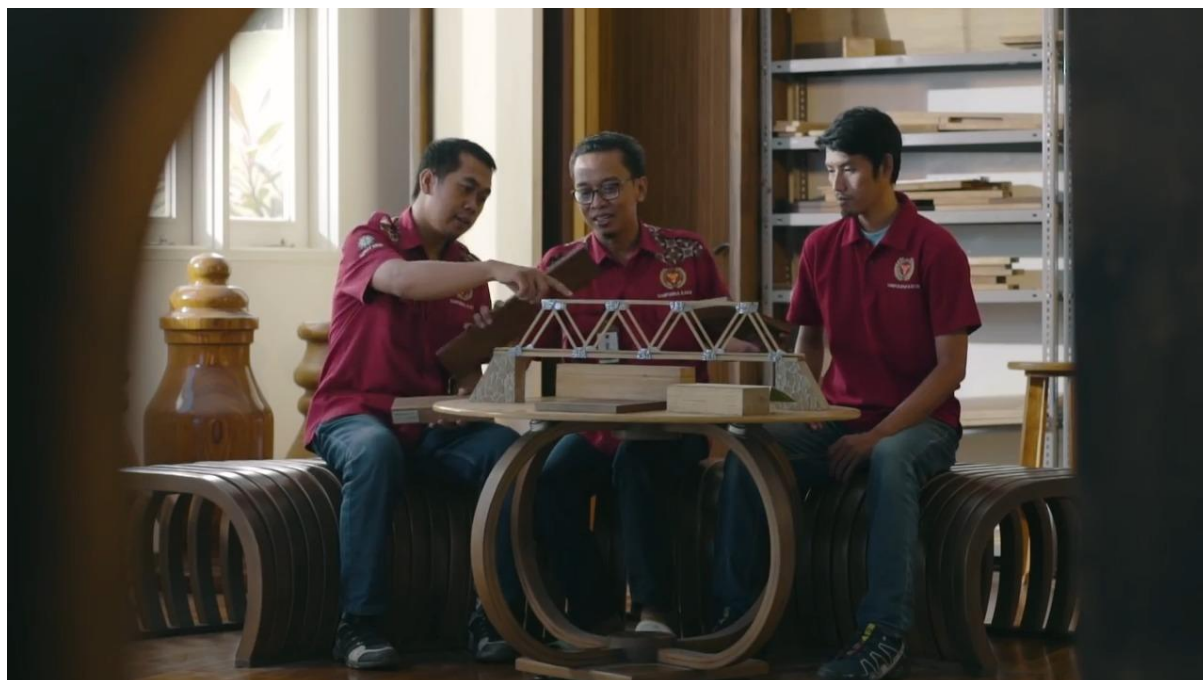
We ensure that wages are paid according to government regulations. In Indonesia, minimum wages are determined by the respective provincial governments, who then stipulate requirements of minimum wages by province and industry sector. We uphold human rights and the principle of equality in determining employee remunerations. According to applicable laws and regulations, the working hours in Indonesia are 40 hours per week or seven hours per day of six workdays, and it is equal to eight hours per day for five workdays in a week. On top of that, the company does not employ individuals below 18, in line with International Labour Organization (ILO) and Indonesian Laws.

The Company guarantees the Freedom of Association and Collective Labour Agreement, and any employee is free to join as a member of the labour union. This Collective Labour Agreement regulates employee relations. In 2021, 21.5% of our workers will be registered members of local labour unions across our assembly plants. Significant changes in the Company's organizational and operational structure are communicated to all employees by emails, letters, and memos placed on bulletin boards.

We are committed to ensure all employees get their rights in the acquisition of allowances and compensation, health and safety, adequate working environment, career advancement, and training and development to build their potential. SAMKO defines itself as a workplace of great diversity and always strive to create a workplace that truly suits employees' aspirations.

Professional Development

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 that empowers our employees. We also 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 to provide employees with important skills. Therefore, they can achieve their career goals and help us achieve our goals as a company.

We recognize that character and competency are factors to drive business growth. This year, we are particularly focusing on soft skills and managerial skills for leaders in the organization as an initiative to strengthen our leaders' capabilities, produce optimal results, and enhance effective teamwork in all divisions.

Training and educational programs conducted throughout 2021 included managerial skills, technical skills, and functional skills. According to ISO regulations and mandatory professional licenses, training on technical skills is held according to site-specific needs. In 2021, we conducted training sessions for 31% of the total employees.

Respond to the Covid-19 Pandemic

We strive to maintain the safety of our employees and the surrounding community regardless of the COVID-19 Pandemic. The most significant impact of COVID-19 is still uncertain, and it will take a long time for things to return to normal. However, our commitment to sustainability will continue.

SGS Luwu Oxygen Gas Cylinder Assistance

The impact of the delta variant attack has made the world, especially Indonesia, experiences a shortage of oxygen gas cylinders. The need for oxygen cylinders increases along with the increasing number of COVID-19 patients who need them.

Luwu Police Chief AKBP Fajar Dani Susanto sent a letter requesting participation to SGS Luwu to help donate Oxygen Cylinders to Batara Guru Belopa Hospital in response to the scarcity and fulfillment of special Oxygen Cylinder needs in the Luwu Regency area. Therefore, SGS Luwu responded well and quickly after receiving the request letter.



On September 13, 2021, PAM Coordinator Anton Makmur, Associate Clinic Iskurniati, accompanied by the Head of the Pospol Aiptu Sainal, SGS Luwu handed over oxygen cylinders and the regulators to the Luwu Police Office. The Head of Traffic AKP Muh. Ali represented the Luwu Police Office to receive the donation will then be handed over to the Batara Guru Belopa Hospital.

The Oxygen Gas Cylinder submitted has a capacity of 1 m³, 12 Kg of weight, and it can last for four hours using 4 liters/minute.

The participation of SGS Luwu indeed cannot be separated from the initiatives of Sampoerna Kayoe's priority to play an active role in dealing with the COVID-19 pandemic.

Vaccination

Many countries strongly recommend that people be vaccinated to prevent and get protection from COVID-19. Not much different in Indonesia since the government promotes the COVID-19 Vaccination Program. The aim is to create herd immunity so that people become more productive but worry-free from the pandemic.



The vaccination program becomes the main focus, recognized by the world health agency / World Health Organization (WHO) as the best step in dealing with a pandemic. Direct instructions were handed down to hold a Covid-19 vaccination program in each unit. The process and progress were directly supervised by Management at the Sampoerna Kayoe Group Head Office.

As a quick response, Human Resource and Business Partner (HRBP) and the entire Covid-19 Cluster team in each unit immediately searched for information and explored all opportunities to "bring in" vaccination programs in each area after receiving instruction.

This Covid-19 vaccination program activity was attended by employees of the Semarang branch of SGS and the general public living around the factory area. The vaccination program is a sign that the company is trying to create a sense of security and comfort for workers in their activities during the pandemic. Health and safety insurance for workers has always been a priority that determines and drives the company's business.

Moreover, all employees inside and outside the factory are ensured to always follow the implementation of Health Protocols by always wearing a mask, keeping a distance, and washing hands regularly. With the implementation of vaccination efforts and the performance of Health Protocols, it is expected that they will be able to provide extra protection for all employees of the Sampoerna Kayoe group.

OAP Program 2021-2022

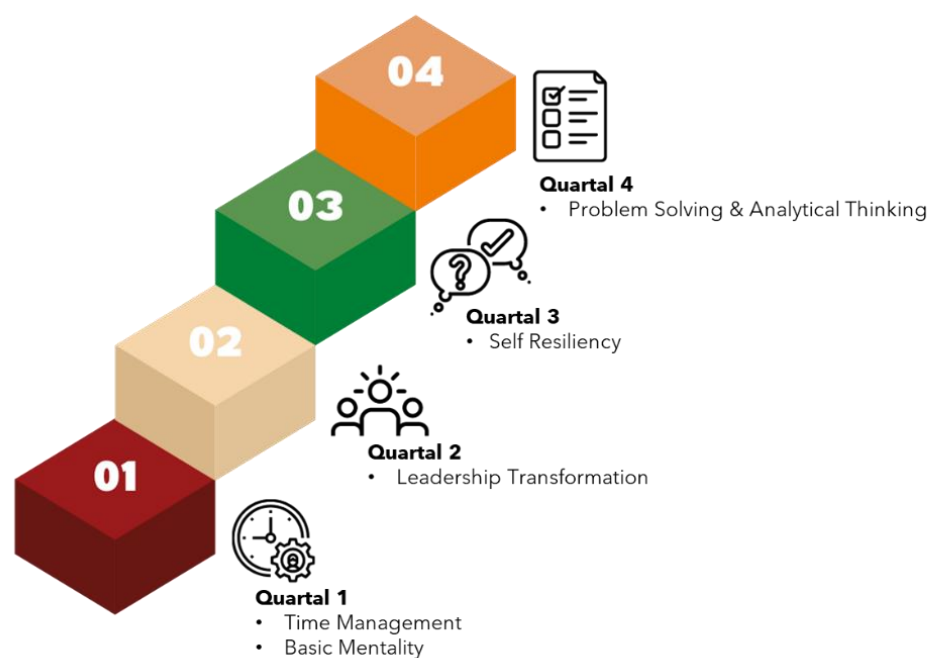
Occupational Acceleration Program (OAP) Program of Sampoerna Kayoe initially started in early 2018 to be one of the contributors to creating strong, highly competitive human resources with good leadership and fighting spirit to realize a good quality and useful production. As a result, OAP Program has also supported the realization of a sustainable plywood production business.

As we all know, the pandemic has started hitting every aspect of this world in 2020 and creates challenges. Trainees in the program must adapt to changes because of the pandemic quickly. Most of the challenges the trainees have to face are in the process of transitioning activities. Everything was previously done offline, and now it continues to be carried out according to programs that have been designed online. Classroom training activities and annual project evaluations are designed to measure and observe the abilities and development of trainees at every level of the program.

The management continuously carries out all development efforts from various aspects for the trainees to produce talents who can support the plywood production business process properly and continuously.



TRAINING TIMELINE 2021



Testimonials from Our Trainees



Rendy Silva Renata

OAP as Dept. Head Floor Base – SGS Jombang

“The knowledge we learned is worth the time and effort spent”

In brief, all I could say is that the Operational Acceleration Program (OAP) is such an eye-opening experience. I really appreciate how the program encourages us as trainees to study all the basics first thoroughly.

We need to know about many departments from the labor works, manufacturing, planning, and costing. However, regardless of short-time orientation, we were urged to learn the manufacturing process directly and engage in department- related projects.

It takes quite some time to learn every department, but our knowledge is worth the time and effort spent. Furthermore, the training and seminars given were great for our self- development. Overall, it is a fun and excellent program.



Emma Tampi

OAP as Dept. Head - SGS LUWU

“I also realized that I have experienced growth in many aspects”

I joined and became part of the OAP program in March 2019. From my experience as an OAP, one of the most important points I learned is how to manage things. Not just hard work but smart work. I learned a lot about emotional management, time management, priority list setting, socializing with people, etc.

When I started working, I felt my work was very difficult, but I tried to persevere because I thought maybe this was just the beginning. It turns out that the longer I work, the more difficult the work becomes. However, I also realized that I had

experienced growth in many aspects behind the difficulties that I went through. From my mentality, my way of thinking, my way of solving problems, my way of communication, and many other things.

There are many more things I need to learn, but I am optimistic that all the forgings that I am going through while working here will make me stronger as a person.

Occupational Health and Safety

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



The Company reinforces the importance of compliance with standard working procedures for all employees to improve health and safety. We comply with national human resources laws and government regulations and provide health insurance, Government Health Security (BPJS Kesehatan), Government National Social Security (BPJS Ketenagakerjaan), and 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.

We implement occupational safety, health, and environmental protection policies in factory activities. These policies aim to maintain the health and safety of all Sampoerna Kayoe employees, maintain their health and safety at work, and avoid the diseases caused by work. We provide Government Health Security and the Health

Insurance Program for the Health program in collaboration with Avris Health Insurance.

Occupational Health and Safety (OHS) procedures are implemented in each plant. The appropriate implementation of the OHS practices ensures the best possible performance of the employees. To ensure workers' 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. Moreover, regular checks are done to ensure PPE adequacy 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 meet OHS standards or require PPE.

Beginning of work, we execute and recommend briefings regarding delivering hazards to prevent accidents and occupational health for all our employees. It helps encourage the employees to work thoughtfully and carefully in the workplace. Aside from that, we render OHS and COVID-19 safety tips during the pandemic a regular briefing agenda in all factories every early month. Moreover, field patrols throughout the factory area are designed to identify perils and employee behaviors at work to prevent work accidents. They are also expected PPE, such as gloves and masks distributed every month as an addition to other PPE supplied by the Occupational Health & Safety Committee team throughout the Sampoerna Kayoe factory.

The tools and equipment are always kept in good condition. Moreover, our supervisor or team leader always performs patrols or inspections throughout

the area. The team leader will provide a briefing or safety talk to all employees in each work area before the work starts.

We take all possible precautions to prevent potential work accidents and occupational diseases as part of our commitment. The effort is noticeable as we label Work Instructions or Standards of Procedures (SOPs) on all machines used in the factory area and set up visual banners and posters about the use of OHS. On top of that, PPE is also provided up to OHS standards. We ensure that Sampoerna Kayoe respects employees' rights if there is PPE that is no longer appropriate/unfit for use according to OHS standards.

We regularly conduct internal and external training and seminars on OHS throughout our factories. We also carry out promotional strategies about the importance of OHS for all of them, the companies, and their families at home. Our initiatives and goals are to maintain and develop OHS management in all Sampoerna Kayoe factories. We educate the employees on avoiding work accidents and occupational diseases to stay healthy and safe at work. The services are also provided to achieve Zero Accidents and Zero Fatality throughout the Sampoerna Kayoe factories.



We always encourage Health Protocols throughout the Sampoerna Kayoe factory during this pandemic to implement; washing hands, wearing masks, keeping a distance, avoid crowds, restricting mobility/traveling. By the government regulations that rule the health and safety of the employees, we refer to the Collective Labor Agreement Commitment (PKB), which contains the occupational health and safety explanation for employees as fought in the Labour Law No. 1 of 1970.



We proffer catchy employee benefits such as Health Insurance, Government Health Security, Government National Social Security, Pension Fund for Permanent Employees, Maternity Leave, and Maternity Allowances. In addition, to improve employees' compliance with OHS practices, we provide clinics in the main factory areas such as the Luwu Factory, Jombang Factory, Jambi Factory, and Balaraja Factory. Clinics are also available in several affiliated factories such as in the East Luwu Factory. Sampoerna Kayoe distributed masks, and financed disinfection sprays to surrounding communities to aid the government's efforts to alleviate the COVID-19 pandemic. Additionally, Sampoerna Kayoe donated PPE and plywood products to the regional hospitals.

Community Engagement

GRI: 413-1, 413-2

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.

Our programs reflect the interdependence of economic, environmental, education, health, and social matters by acknowledging our operational areas. The engagement involves how we work to strengthen our relationship with individuals, groups, and organizations affected by our business directly and indirectly. SAMKO believes that the right adjustment, deep connection, and trust between communities and organizations will develop a new path to a long-term and well-function democracy relevant to all stakeholders.

The Group is committed to supporting community-orientated activities which are in line with our business objectives and Sustainability Vision 2030 roadmap and beneficial to the societies in various voluntary activities throughout the year.

Economic Empowerment

Agroforestry

One of the goals of agroforestry is to optimize land, and it is relevant to our program to develop and participate in preserving nature. Our agroforestry is implemented at the Sari Mulyo Farmers' Community, Rimbo Ulu, Jambi. Our Smallholder farmers group grows livestock maize on their rubber plantations. Furthermore, we distribute the results of this activity to the surrounding community and farmers.



Support Local Business

The Smallholder certification program aims to provide the farmers with sustainable farming and best practices and 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.

The FSC community forest smallholder program supports the farmers to manage long-lasting and sustainable agriculture. The program includes:

- Diversify non-timber forest products (bananas, coffee, red ginger, and cardamom) that can be used as sources of income.
- Offering premium prices for FSC-certified raw materials as an additional source of income.

Forestani Coffee

Develop a product innovation for farmers to increase individual farmer income.



Wonosalam is not only famous for its durian but also its most renowned coffee producers. The types of coffee produced also vary. KPHRSS tries to explore the genuine coffee market from KPHRSS member farmers. We have nothing to lose by buying coffee from KPHRSS because it is from farmers and part of forest preservation. By purchasing KPHRSS products, people contribute to the sustainable forest management program. Sampoerna Kayoe and the farmer's group hope to help the farmers' economy through this program. It is in line with the Indonesian government's program to boost the people's economy.

Social Welfare

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

We prioritize recruiting local staffs to work at our factories. Through the Repair Back Kampung (RBK) Program, we outsource some manufacturing processes to home businesses and part-time workers that do not qualify for full-time, formal employment these individuals with the necessary vocational training as well as insurance coverage.

The following is a list of various social activities that have been held this year in some of our operational areas:

Health		
Branch	Activity	Description
<p>SGS Jombang, Banyuwangi, and Luwu</p>	<p>Health</p>	<ul style="list-style-type: none"> ➤ Free medical check up ➤ Blood donors ➤ Medical workforce support <p>To improve public health.</p>
<p>SGS Muaro Jambi and Butuh</p>	<p>Covid-19</p>	<ul style="list-style-type: none"> ➤ 7 pack basic necessities ➤ Parcels ➤ Free vaccination program <p>In tackling the pandemic.</p>
<p>SGS Waykanan</p>	<p>Food</p>	<ul style="list-style-type: none"> ➤ 217 basic necessities ➤ 6 goats <p>To improve the social welfare in surrounding communities.</p>

Social Event		
Branch	Activity	Description
<p>SGS Luwu, Waykanan and Banyuputih</p>	<p>Education</p>	<ul style="list-style-type: none"> ➤ Scholarships to outstanding students around Pundong, Jombang, and Diwek Village <p>To encouraged young talents to give actions in the nation's sustainable development progress.</p>
<p>SGS Jombang, Jember, Banyuwangi, Purbalingga, Muaro Jambi, East Luwu, Waykanan, Banyuputih, Butuh, Patemon, Kediri and Karanganyar</p>	<p>Ceremonial Event</p>	<ul style="list-style-type: none"> ➤ 52 livestock such as goats and cows distributed to mosque and communities

Construction		
Branch	Activity	Description
<p>SGS Jombang, Jember, Banyuwangi, Purbalingga, Muaro Jambi, Balaraja, Waykanan, Banyumas, Banyuputih, Gringsing, Butuh, and Patemon</p>	<p>Cash Assistance</p>	<ul style="list-style-type: none"> ➤ Program development to support fostered farmers ➤ Teaching activities for Islamic boarding schools ➤ Supporting local sports activities ➤ Writing competitions for local students ➤ Financial aid to Indonesian Red Cross Society, Regional Police, and foundations <p>To improve the community welfare.</p>
<p>SGS Jombang, Jember, Banyuwangi, Purbalingga, and Muaro Jambi</p>	<p>Plywood</p>	<p>2,955 plywood to support construction of public facilities such as prayer rooms, mosques, police stations, regional military command, arts buildings, and schools.</p>
<p>SGS Banyuwangi</p>	<p>Ampules (building materials from wood waste)</p>	<p>150 ampules in the form of wood waste to build houses and facilities for surrounding communities in Krajan Village.</p>

Environmental		
Branch	Activity	Description
<p>SGS Luwu, Butuh, and Waykanan</p>	<p>Seeds Distribution</p>	<ul style="list-style-type: none"> ➤ Distributed 200,000 variety of seedlings to support planting activities, rehabilitation program and non-timber forest product ➤ Distributed 10 sets of agricultural tools <p>To increase the economic potential of community forests for local communities and support sustainable forest growth.</p>

The communities and environments surrounding each operation provide different social and economic opportunities that we can contribute to. Our Environmental Development and Sustainability department is currently working with relevant stakeholders to develop localized social partnership programs in each business area. Further developments are reported on in our annual sustainability report.



SAMPOERNA KAYOE

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