

Number PD-025/SMI/0622

**BOARD OF DIRECTORS REGULATION
PT SARANA MULTI INFRASTRUKTUR (PERSERO)
NUMBER PD-025/SMI/0622**

CONCERNING

**ENVIRONMENTAL AND SOSIAL SAFEGUARD PROCEDURES
BOARD OF DIRECTORS OF PT SARANA MULTI INFRASTRUKTUR (PERSERO)**

Considering : a. that PT Sarana Multi Infrastruktur (Persero) ("**the Company**") has Environmental and Social Safeguard Guidelines as outlined in Board of Directors Regulation Number PD-020/SMI/1020 dated 15 October 2020 ("**PD-020/2020**");

b. that there is a need to adjust the policy leveling structure and nomenclature of Environmental and Social Safeguard Procedures;

c. that based on the considerations as intended in letters a and b, it is necessary to form a Board of Directors Regulation on Environmental and Social Safeguard Procedures.

In view of : 1. Law of the Republic of Indonesia Number 32 of 2009 concerning Protection and Management of the Environment (State Gazette of the Republic of Indonesia of 2009 Number 140, Supplement to State Gazette of the Republic of Indonesia Number 5059) as amended by Law Number 11 of 2020 concerning Job Creation (State Gazette of the Republic Indonesia Year 2020 Number 245, Supplement to the State Gazette of the Republic of Indonesia Number 6573);

2. Regulation of Financial Services Authority of the Republic of Indonesia Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies (State Gazette of the Republic of Indonesia of 2017 Number 169);

3. Regulation of Financial Services Authority of the Republic of Indonesia Number 46/POJK.05/2020 concerning Infrastructure Financing Companies (State Gazette of the Republic of Indonesia of 2020 Number 249, Supplement to the State Gazette of the Republic of Indonesia Number 6576);

4. The Articles of Association of the Company as been amended by Deed Number 19 of 2020 dated 16th October 2020 that were drawn up before Ashoya Ratam, SH, M.Kn and have received a Letter of Acceptance of Notification of Amendment to Articles of Association Number AHU-AH.01.03-0399024 Year 2020 dated 16th October 2020, and Approval of Amendments to the Articles of Association Number AHU- 0071181.AH.01.02 Year 2020 dated 16th October 2020;
5. Joint Regulation of the Board of Commissioners and the Board of Directors Number PER-02/SMI/DK/1221 and Number PD-024/SMI/1221 concerning Business Ethics and Code of Conduct;
6. Joint Regulation of the Board of Commissioners and the Board of Directors Number PER-03/SMI/DK/1221 and Number PD-025/SMI/1221 concerning Code of Corporate Governance;
7. Decree of the Board of Directors Number SK-006/SMI/0422 concerning Financing Committee;
8. Regulation of the Board of Directors Number PD-12/SMI/0617 concerning Financing Guidelines Revision-I;
9. Regulation of the Board of Directors Number PD-15/SMI/0917 concerning Sustainable Financing Guidelines;
10. Regulation of the Board of Directors Number PD-026/SMI/1220 concerning The Company's Policy Establishment Guidelines Revision-II;
11. Regulation of the Board of Directors Number PD-006/SMI/0521 concerning General Policy on Provision of Financing;
12. Regulation of the Board of Directors Number PD-007/SMI/0521 concerning General Policy on Project Development and Advisory Services;
13. Regulation of the Board of Directors Number PD-015/SMI/1221 concerning Municipal Financing Procedures;
14. Regulation of the Board of Directors Number PD-021/SMI/1221 concerning Sharia Financing Procedures;
15. Regulation of the Board of Directors Number PD-002/SMI/0122 concerning Operational Risk Management Procedures;
16. Regulation of the Board of Directors Number PD-006/SMI/0222 concerning Main Duties and Functions of the Company Division;
17. Regulation of the Board of Directors Number PD-011/SMI/0322 concerning General Policy on Risk Management;
18. Regulation of the Board of Directors Number PD-012/SMI/0322 concerning Equity Investment in Infrastructure Financing Companies

Procedures;

19. Regulation of the Board of Directors Number PD-016/SMI/0422 concerning Equity Investment in Infrastructure Companies Procedures;
20. Regulation of the Board of Directors Number PD-018/SMI/0422 concerning Grievance Management of Affected Communities and Observing Groups Procedures;

In Regard to : Integrated Risk Management Division Head Approval Number FP-021/SMI/DMR/DMRT/0422 dated 4th April 2022 concerning Approval of Nomenclature Adjustments and Leveling Structures for Environmental and Social Safeguard Procedures;

HAS DECIDED

To Stipulate : **REGULATION OF THE BOARD OF DIRECTORS OF PT SARANA MULTI INFRASTRUKTUR (PERSERO) CONCERNING ENVIRONMENTAL AND SOCIAL SAFEGUARD PROCEDURES.**

Article 1

Stipulate the Environmental and Social Safeguard Procedures, as referred to the attachment of this Board of Directors Regulation

Article 2

When this Board of Directors Regulation comes into force, PD-020/2020 is revoked and declared no longer valid.

Article 3

This Board of Directors regulation shall come into effect on 1st March 2022.

Stipulated in Jakarta

On 20th June 2022

**PT SARANA MULTI INFRASTRUKTUR
(PERSERO)**

Signed in Bahasa Version



Edwin Syahrud

President Director

Remarks: This document is signed electronically.

Unofficial Translated Version

Annex to Directors Regulations


PT Sarana Multi Infrastruktur (Persero)

Number :


Date :




ENVIRONMENTAL AND SOCIAL SAFEGUARD PROCEDURES

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	INTRODUCTION	CHAPTER - I

1. Background


PT Sarana Multi Infrastruktur (Persero), hereinafter referred to as “the Company”, is a State-Owned Enterprise (SOE) under the Ministry of Finance of the Republic of Indonesia which was specifically established to accelerate the development of national infrastructure. As one of the Special Mission Vehicles (SMV) under the Ministry of Finance, the Company, in its function as a financial services institution, contributes to the acceleration of national infrastructure development through support in financing, investment, project development and advisory. In carrying out its functions, the Company continues to apply the best governance practices by implementing the basic principles of governance in every aspect. One form of governance application in the Company is risk management related to environmental and social aspects.

Based on Law of the Republic of Indonesia Number 32 of 2009 regarding Environmental Protection and Management, an environmentally friendly financial institution system is a system of financial institutions that implements environmental protection and management requirements in financing policies and system practices of bank and non-bank financial institutions.

Meanwhile, the Regulation of Financial Services Authority (Otoritas Jasa Keuangan - OJK) Number 51/POJK.03/2017 regarding the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies, explains that sustainable finance is the overall support from the financial services sector to create sustainable economic growth by harmonizing economic, social and environmental interests. Furthermore, the OJK Regulation explains that the implementation of sustainable finance is carried out using the principles of responsible investment, the principles of sustainable business strategies and practices, the principles of environmental and social risk management, the principles of governance, the principles of informative communication, the principles of inclusion, principle of development of priority leading sectors, and the principle of coordination and collaboration.

Based on the two laws and regulations above and driven by the Company's commitment to implementing best governance practices, the Company is committed to managing its business activities in an environmentally and socially friendly manner, avoiding or minimizing negative environmental and social impacts, and increasing positive environmental and social impacts of the business/activity in which the Company is involved. One of these commitments is contained in the Company's Risk Appetite Statement (RAS), which also covers environmental and social aspect. The Company's RAS states that the Company conducts environmental and social assessment in all financing activities and maintains the fulfillment of environmental and social Corrective Action Plan (CAP) by debtors.

To provide a reference for all of the the Company's activities, comprises financing and investment (including equity investment), project development, as well as provision of advisory for infrastructure projects to be met the environmental and social terms and conditions that apply in Indonesia and internationally, the Company needs to issue Environmental and Social Safeguard (ESS) Procedures.

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2. Procedures Objective

The objectives of Environmental and Social Safeguard Procedures are the following:


- a. To provide environmental and social safeguard policies and standards, institutional arrangements and work flow for the Company as a reference for carrying out financing and investment activities (including equity investment), project development, and provision of advisory;
- b. To provide information to prospective client/debtor/investee and other external stakeholders to understand the policies and regulations in the Company regarding environmental and social safeguard and the standards used by the Company;
- c. To provide guidance for prospective client/debtor/ investee to identify, review, and mitigate impacts and risks of environmental and social as early as possible, including consideration of the process of selecting a business/activity location, design, and engineering planning;
- d. To ensure that environmental and social assessments are carried out consistently and effectively by the Company in all financing and investment activities (including equity investment), project development, and provision of advisory;
- e. To ensure client/debtor/investee:
 - i. avoid, or if avoidance is not possible, minimize, reduce, or compensate for the adverse impact of the business/activity, carry out recovery and repair, and increase the positive impact of the business/activity upon workers, affected communities, Indigenous Peoples and the environment;
 - ii. involve affected communities in the process of an adequate consultation upon issues that potentially generate impact;
 - iii. make efforts to manage occupational health and safety of business/activity workers and the surrounding community;
 - iv. anticipating the potential of work accidents to workers and the community around the business/activity; and
- f. Encourage improvement of environmental and social performance of the business/activity through the implementation of a better management system and looking for opportunities to develop environmentally friendly programs or manage specific stakeholders.

3. Scope

This Environmental and Social Safeguards Procedures is a minimum standard and its implementation refers to the Procedures that regulate the Company's business activities, namely Financing and Investment, Project Development, and Advisory. The provisions and mechanisms/assessment processes implemented in carrying out environmental and social assessments refer to the Procedures that govern each of these Company's business activities.

The Company has business activities with the definition referring to relevant procedures, namely:

- a. **Financing and Investment:** covers all financing activities by the Company which are municipal financing, sustainable financing, Sharia financing, including financing restructuring, and equity investment.

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- b. **Project Development:** The services provided by the Company include the implementation of Infrastructure Ecosystem Strengthening Activities, Public Private Partnership (PPP) Assignment Activities or Non-Assignment Activities, and other Assignment Activities.
- c. **Advisory:** Professional services provided by the Company in the form of advice in the decision-making process, business plans, project management, transactions, project structure, financial planning, fundraising, investment/divestment, mergers and acquisitions.


The implementation of Environmental and Social Safeguards Procedures for each of the Company's products is as follows:

- a. **Financing and Investment:** Environmental and social assessments for this activity will be carried out at the corporate and/or project level. For corporate financing without an underlying project, environmental and social assessments will be focused on environmental and social management systems at the corporate level. Meanwhile, for corporate financing with underlying projects and project financing, including municipal financing, environmental and social assessments will be carried out at the project level. Specifically for equity investment, environmental and social assessments are carried out at the corporate level.
- b. **Project Development:** Environmental and social assessments for this activity will be carried out at the project level.
- c. **Advisory:** Environmental and social assessments for this activity will be carried out at the corporate level.

This Procedure will be implemented in accordance with the capacity, adequacy of the available resources, and the mandate given to the Company. Matters related to environmental and social safeguards that are more specific will be regulated in separate procedures and/or technical instruction but must refer to these Environmental and Social Safeguards Procedures. If there is cooperation with international/multilateral institutions that require the application of other or more stringent standards, then additional provisions will be regulated in a separate document or in accordance with the agreement and/or the Company's policies.

4. Legal Basis

- a. Republic of Indonesia Law No. 32 of 2009 concerning Environmental Protection and Management. Derivatives of this law as well as regulations related to social aspects and land acquisition are summarized in **Annex 2**;
- b. Financial Services Authority Regulation No. 46/POJK.05/2020 concerning Infrastructure Financing Company;
- c. Financial Services Authority Regulation No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies;
- d. Publication from the Financial Services Authority on the Roadmap for Sustainable Finance in Indonesia issued on December 5, 2014.
- e. Articles of Association of the Company;
- f. The Company's Policy concerning Code of Corporate Governance;
- g. The Company's Policy concerning Code of Conduct;

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- h. The Company's Policy concerning Risk Management;
- i. The Company's Policy concerning Operational Risk Management;
- j. Financing Provision General Policy
- k. The Company's Policy concerning Policy Establishment;
- l. The Company's Policy concerning Financing;
- m. The Company's Policy concerning Sustainable Financing;
- n. The Company's Policy concerning Municipal Financing;
- o. The Company's Policy concerning Sharia Financing;
- p. The Company's Policy concerning Equity Investment;
- q. The Company's Policy concerning Project Development;
- r. The Company's Policy concerning Advisory;
- s. The Company's Policy concerning Grievance Management of Affected Communities and Observing Groups
- t. Directors Regulation concerning Main Duties and Functions of the Company Division; and
- u. Decree of the Board of Directors concerning Establishment of Committees under the Directors.

5. Updating, Consultation, and Disclosure


Regular review and updating of the Environmental and Social Safeguards Procedures as well as proposed amendments and/or revisions to this Procedure must refer to the applicable Company's Policy concerning Policy Establishment. The results of the updating of the Environmental and Social Safeguards Procedures will be disclosed to the public on the Company's pages/websites in accordance with the applicable regulations in the Company.

As an effort to apply the principle of information disclosure, the process of updating this Procedure can be carried out through a consultation mechanism with various stakeholders such as client/debtor/investee, ministries/agencies, related non-governmental organizations (NGOs), and other institutions. The results of consultations and lessons learned from the implementation of the previous Environmental and Social Safeguard Procedures can be incorporated into the updating of this Procedure, so that they are always in line with the Company's business needs.

6. Exceptions

In the event that there are certain circumstances that cause transactions to occur outside the provisions of this Procedure and/or there are matters that have not been regulated in this Procedure, then the application for special conditions is submitted for approval on a case-by-case basis and very selectively. Regarding the request for special conditions, the Board of Directors delegates the authority to the Authorized Official (*Pejabat Berwenang Memutus* - PBM) of the Financing Committees. PBM of the Financing Committee can request a review from the relevant division first, if necessary.


The special conditions referred to are intended for operational matters (not related to submission of changes to this Procedure) and must be based on the results of an analysis of transactions or business activities, taking into account potential risks that may occur, and careful management considerations related to the Company's interest.

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Provisions regarding submission of changes and/or revisions to this Procedure must refer to the applicable Company's Policy concerning Policy Establishment.

7. Definitions and Terms


- a. Amdal : *Analisis Mengenai Dampak Lingkungan Hidup* or EIA, namely an assessment of the significant impact on the environment of a planned business and/or activity, to be used as a prerequisite for making decisions about the conduct of a business and/or activity and contained in Business Licensing or approval from the Central Government or Regional Government. Amdal is one of the main requirements in obtaining a business license
- b. Assessment : Reviewing data/documents that have been obtained from client/debtor/investee, gather publicly available secondary information, conduct site visits, conduct gap analysis on the implementation of Environmental and Social Safeguards for client/debtor/investee with Environmental and Social Safeguard Procedures.
- c. B3 : *Bahan Berbahaya dan Beracun* or Hazardous and Toxic materials, namely substances, energy, and/or other components which due to their nature, concentration and/or amount, either directly or indirectly, can pollute and/or damage the environment, and/or endanger the environment, health and human survival and other living things. Hazardous and Toxic waste is the residue of a business and/or activity containing Hazardous and Toxic material.
- d. Debtor : Parties that receive financing facilities from the Company.
- e. Financing Business Function Division : Divisions that interact directly with prospective Debtor/Client to carry out financing transactions, including the Financing and Investment Division ("DP" - *Divisi Pembiayaan*), Sharia Business Division ("DUS" - *Divisi Usaha Syariah*), Public Financing Division ("DPPU" - *Divisi Pembiayaan Publik*), Sustainable Financing Division ("DPB" - *Divisi Pembiayaan Berkelanjutan*), and the Special Financing and Investment Management Division ("DPPIK" - *Divisi Pengelolaan Pembiayaan dan Investasi Khusus*).
- f. ESDD : Environmental and Social Due Diligence
- g. ESS : Environmental and Social Safeguard
- h. FPIC : Consultation by providing information from the start and delivered without coercion (*Free, Prior, and Informed Consultation*).

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- i. Critical Habitat : Habitat that is critical to supporting endangered populations (IUCN red list, protected by law or on the CITES list (the Convention on International Trade in Endangered Species of Wild Fauna and Flora)) or endemic animal or plant species, including locally or nationally rare and threatened plant habitats and habitats of high value for the provision of other ecosystem services (eg flood protection, erosion and landslide protection, support for infiltration functions and supply of water resources).
- j. Investee : Companies/legal entities, and/or business groups that receive capital payments from the Company.
- k. IUCN : International Union for the Conservation of Nature.
- l. Vulnerable Groups : Referring to Law No. 39 of 1999 regarding Human Rights and Human Rights Reference, vulnerable groups can consist of the elderly, children, the poor, pregnant women, people with disabilities, refugees, Internally Displaced Persons (IDPs), groups minorities, migrant workers, and Indigenous Peoples (IP). Vulnerable groups in other terms are referred to as marginal groups.
- m. Client : Parties who use project development/advisory from the Company.
- n. Meaningful Consultation : A process that (i) begins early in the project preparation stage and is carried out on continuous basis throughout the project cycle; (ii) provide timely disclosure of relevant and adequate information that is understandable and accessible to affected community; (iii) carried out in an atmosphere free from intimidation or coercion; (iv) is gender inclusive and sensitive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) allows the inclusion of all views of affected communities and other stakeholders in decision making, such as for project design, mitigation measures, benefit sharing and development opportunities, and implementation issues.
- o. LARAP : Land Acquisition Resettlement Action Plan
- p. Indigenous people : Indigenous peoples are socially and culturally different, vulnerable, and have characteristics, namely (i) identifying themselves as a distinct indigenous cultural group and obtaining recognition of this identity by other groups; (ii) has a common attachment to a specific geographic location or ancestral territory within the project site and attachment to natural resources in these habitats and areas; (iii) have customary, cultural, economic, social, or political institutions that are traditionally separate from the dominant society or culture; and have a different language, often different from the official language of the country or region.
- q. MFF : Multi-Tranche Financing Facilities
- r. Equity investment : The form of the Company's investment in an investee as stipulated in the Company's Articles of Association and in accordance with certain criteria in which the Company obtains ownership rights in the form of shares or other forms of equity investment.

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- s. RAP : Resettlement Action Plan
- t. RKL-RPL : *Rencana Pengelolaan Lingkungan Hidup* (RKL) or Environment Management Plan is an effort to manage impacts to the environment resulting from a planned business and/or activity
Rencana Pemantauan Lingkungan Hidup (RPL) of Environment Monitoring Plan is an effort to monitor environmental components impacted by the planned business and/or activity.
- u. UKL-UPL : *Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* or Environment Management and Monitoring Effort, are a series of environmental management and monitoring processes set forth in a standard form to be used as a prerequisite for decision making and contained in Business Licensing, or approval from the Central Government or Regional Government.
- v. Cultural Heritage : Measurable forms of structures, such as buildings and locations that have archaeological (pre-historical) value, paleontology, history, culture, art, and religion, as well as part of a unique natural environment that contains cultural values, such as sacred forests or other terms/definitions as applicable in certain societies and the truth is recognized and regulated in the prevailing laws and regulations which related to culture.

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	ENVIRONMENTAL AND SOCIAL SAFEGUARD POLICY	CHAPTER - II

1. Environmental and Social Safeguard Policies

The Company as a BUMN that carries out financing and investment activities (including equity investment), project development, and provides advisory in the infrastructure sector is committed to implementing the following policies:

- Ensure client/debtor/investee implementing standards of environmental and social safeguard to minimize the negative impact of infrastructure development;
- Encouraging the implementation of conservation of natural resources and energy;
- Ensuring the implementation of the provisions stated in environmental and social documents in every business/activity supported by the Company;
- Conducting environmental and social assessments; and
- Conduct evaluation and encourage continuous improvement to improve environmental and social management performance.

To actualize it, the Company will:

- Ensure that the management and stakeholders of the company being financed understand the commitment of implementing the standards of environmental and social safeguard made by the Company;
- Ensure the adequacy and capacity of resources for the implementation of the Environmental and Social Safeguards Procedures; and
- Ensure that the review, monitoring and supervision of the business/activity implemented by the Company are carried out periodically and comply with the provisions of the applicable procedures and regulations.

2. Implementation Ethics

The executor and parties involved in implementing the Environmental and Social Safeguards Procedures must comply with the applicable code of ethics of the Company as stipulated in the Company's Policy concerning Code of Conduct.


3. Risk of Environmental and Social Safeguards Implementation

In implementing the Environmental and Social Safeguards Procedures, the Company must pay attention to and consider the potential risks that may occur and seek to mitigate these risks:

- Credit and Equity Investment Risks

Credit risk is the risk resulting from the failure of the Debtor/Customer/other party to fulfill obligations to the Company in accordance with agreed terms, including agreements related to the implementation of Environmental and Social Safeguard Procedures required by the Company in financing agreements and other agreements as relevant.

Equity Investment Risk is the risk resulting from the equity investment divestment transaction value being below the fair value of the equity investment at the time of the transaction and the cost recovery value (principal value of the equity investment).

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Credit risk mitigation, among others, by identifying, assessing, monitoring, and controlling the implementation of Environmental and Social Safeguard for the financed project.

b. Legal and Compliance Risks

Legal risk is the risk that is caused by lawsuits and/or weaknesses in the juridical aspects, which among others is due to the absence of laws and regulations, while compliance risk is the risk resulting from the Company not complying with and/or not implementing the laws and regulations that apply to the company.

Legal risk mitigation can be done by proposing a draft or updating the necessary regulations. Compliance risk mitigation can be carried out by taking into account and complying with statutory provisions and other provisions related to the implementation of Environmental and Social Safeguard Procedures by the Company.

c. Operational Risk


Risks caused by inadequate and/or malfunctioning of internal processes, human error, system failure, and/or external events affecting the operation of the Company, such as procedural errors in implementing Environmental and Social Safeguard Procedures for financing and investment activities (including equity investment), project development, as well as provision of advisory.

Operational risk mitigation emphasizes the adequacy of procedures and technical instructions that govern the implementation of the Environmental and Social Safeguard Procedures, the existence of dual control, and a clear segregation of duties.

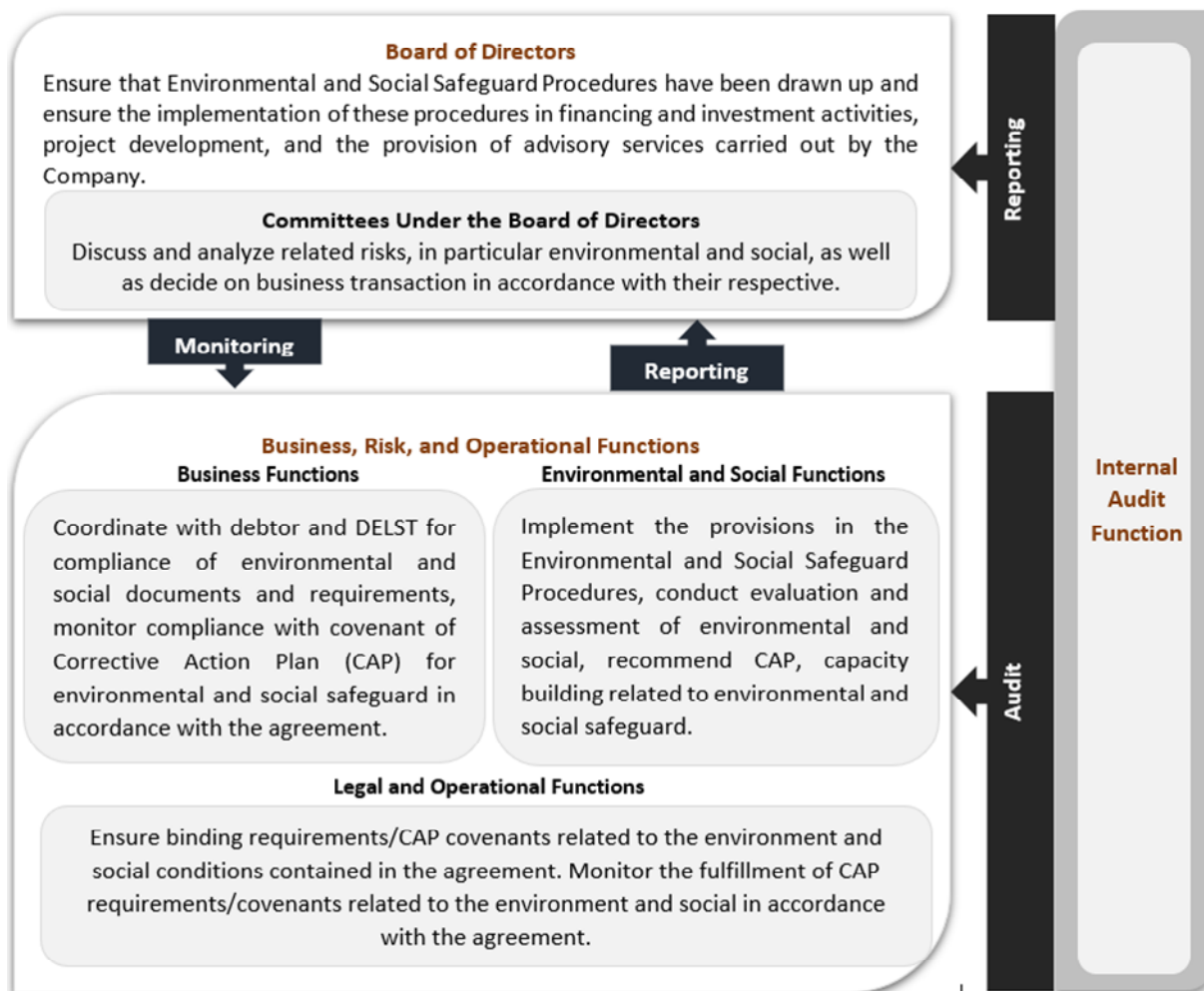
d. Reputation Risk

Reputation risk is a risk resulting from a decrease in the level of stakeholder trust originating from negative perceptions of the Company related to inappropriate implementation of the Environmental and Social Safeguards Procedures carried out by the Company.

Reputation risk mitigation, among others, is carried out through managing communication both internally and externally with stakeholders through activities that can create a positive corporate image, including with the media.

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The organization for implementing the Environmental and Social Safeguards Procedures in general is illustrated as follows:



1. Board of Directors

The duties and responsibilities of the Board of Directors in implementing the Environmental and Social Safeguards Procedures are as follows:

- Establish risk management policies on the implementation of Environmental and Social Safeguard Procedures for all financing and investment activities (including equity investment), project development, and provision of advisory carried out by the Company;
- Establish an organizational structure including clear authorities and responsibilities for the implementation of Environmental and Social Safeguard Procedures for all financing and

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investment activities (including equity investment), project development, and provision of advisory carried out by the Company;

- c. Responsible for ensuring the Environmental and Social Safeguards Procedures has been developed, as well as ensuring the implementation of Environmental and Social Safeguards Procedures in financing and investment activities (including equity investment), project development, and provision of advisory; and
- d. Ensuring the adequacy of resources related to the implementation of the Environmental and Social Safeguards Procedures.

2. Committees Under the Board of Directors

- a. The Board of Directors establish committees related to Financing, Sustainable Financing, Equity Investment, Project Development, and Advisory, as well as a Monitoring Committee which is tasked to discuss and analyzing various risks that the Company may be faced related to financing and investment activities (including equity investment), project development, and advisory, as well as environmental and social;
- b. The procedures for the establishment, membership, and authority of the committees under the Board of Directors are determined by the Board of Directors in separate provisions; and
- c. PBM on the committees under the Board of Directors ensures that in the implementation of the Company's business activities has gone through risk assessment related to environmental and social and determines mitigation measures in accordance with applicable regulations.


3. Business Function (Risk Taking Division)

These are divisions that carry out the Company's business activities that carry risks in order to achieve the Company's goals/objectives, which include:

3.1 Financing Business Function

The duties and responsibilities of the financing business function division in implementation of the Environmental and Social Safeguards Procedures are as follows:

- a. Ensure that the proposed business/activity is not included in the Exclusion List (**Annex 1**);

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- b. Coordinate with the Debtor and DELST (*Divisi Evaluasi Lingkungan, Sosial, dan Teknik* - Environmental, Social, and Technical Evaluation Division) to fulfill the required documents and requirements as stipulated in the applicable Environmental and Social Safeguards Guidelines; and
- c. Monitor the fulfillment of requirements/covenants regarding the Corrective Action Plan (CAP) for the implementation of environmental and social safeguards by the Debtor as stated in the Financing Agreement. In carrying out this monitoring, the Financing Business Function can coordinate with the Debtor and DELST.

3.2 Project Development Business Functions


The duties and responsibilities of work unit with the project development function in implementation of the Environmental and Social Safeguards Guidelines are as follows:

- a. Ensure that business/activity requiring project development activities are not included in the Exclusion List (**Annex 1**);
- b. Coordinate with DELST and Clients in terms of options for involving environmental and social safeguard aspects in project development activities (according to the mandate or type of business/activity being carried out), including completing the required documents; and
- c. Coordinate with DELST and Clients in terms of monitoring the implementation of agreed environmental and social safeguard assessment, if any.

3.3 Advisory Business Functions

The duties and responsibilities of the work unit with an advisory function in the implementation of the Environmental and Social Safeguards Procedures are as follows:

- a. Encourage the implementation of environmental and social safeguard standards in advisory activities (adjusted to the scope of work);
- b. Ensure that business/activity requiring advisory are not included in the Exclusion List (**Annex 1**);
- c. Coordinate with DELST and Clients in environmental and social safeguard aspects in advisory (in accordance with the Term of Reference (ToR) of advisory), including completing the required documents; and

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- d. Coordinate with DELST and clients in monitoring the implementation of environmental and social safeguard assessment that have been agreed upon and if necessary (with due regard to the scope of advisory), DELST prepares Environmental and Social Due Diligence (ESDD).

3.4 Special Financing Management Functions

The duties and responsibilities of the work unit with a special financing management function, namely the Special Financing and Investment Management Division (DPPIK), in the Environmental and Social Safeguards Procedures are as follows:

- a. Coordinate with DELST and Debtors for the fulfillment of documents required in implementing the Environmental and Social Safeguards Procedures; and
- b. Coordinate with DELST and Debtors for CAP fulfillment and monitor the implementation of environmental and social safeguard in accordance with the Financing Agreement.

3.5 Other Special Assignment Project Development Business Functions


The duties and responsibilities of the work unit with the project development function in the Environmental and Social Safeguard Procedures are as follows:

- a. Ensure that business/activity requiring project development activities are not included in the Exclusion List (**Annex 1**);
- b. Coordinate with DELST and Clients in terms of options for involving environmental and social safeguard aspects in project development activities (according to the mandate or type of business/activity being carried out), including completing the required documents; and
- c. Coordinate with DELST and Clients in terms of monitoring the implementation of agreed environmental and social safeguard assessment, if any.

3.6 Equity Investment Business Function

The duties and responsibilities of the work unit with the function of equity investment in the implementation of the Environmental and Social Safeguards Procedures are as follows:

- a. Encourage the implementation of environmental and social safeguard standards in equity investment activities;


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- b. Ensure that the investee's business/activity are not included in the Exclusion List (**Annex 1**);
- c. Coordinate with DELST and Investee in terms of involving environmental and social safeguard aspects in equity investment activities including completing the required documents; and
- d. Coordinate with DELST and Investee in terms of monitoring the implementation of the agreed environmental and social safeguard assessment (if any).

4. Environmental and Social Function

The division with environmental and social functions as a whole is responsible for the implementation of the Environmental and Social Safeguards Procedures, which covers:

- a. Implement the provisions stipulated in the Environmental and Social Safeguards Procedures for financing and investment activities (including equity investment), project development, and provision of advisory implemented by the Company and other related procedures according to the business activities carried out;
- b. Conduct evaluation of financing and investment activities (including equity investment), project development, and provision of advisory carried out by the Company against the provisions stipulated in the National laws and regulations in the environmental and social sector nationally as regulated in the Environmental and Social Safeguards Procedures, by taking into account the Company needs;
- c. Coordinate with Risk Taking Functions and Operational Functions Related to Financing and Investment to fulfill the documents and requirements needed in implementing the Environmental and Social Safeguards Procedures;
- d. Conduct a site visit to a business/activity location (or other field evaluation methods upon a business/activity) and prepare a visit report;
- e. Conducting environmental and social assessments and preparing Environmental and Social Due Diligence (ESDD) reports as well as preparing recommendations in a Corrective Action Plan (CAP) on financing and investment activities (including equity investment), project development, and provision of advisory carried out by the Company in accordance with the relevant procedures based on the business activities carried out;

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- f. Review the ESDD report if it is prepared by a third party (environmental and social safeguard consultants) and adjust it to the Company's ESDD reporting form;
- g. Monitor the implementation of the Company's Environmental and Social Safeguard Procedures and make updates if necessary, to comply with laws and regulations;
- h. Prepare and submit performance reports on the implementation of environmental and social safeguard according to the internal needs of the Company and the Multilateral; and
- i. Conduct training, consultation, and dissemination of PT SMI's environmental and social safeguard standards for PT SMI internals, debtors, investees, and clients.

5. Legal Function


The legal function related to the implementation of the Environmental and Social Safeguards Procedures have the following duties and responsibilities:

- a. Coordinating with the business function and/or environmental and social function in mitigating legal risks and ensuring that binding obligations related to the fulfillment of environmental and social requirements/covenants have been included in the agreement document or are in accordance with the committee's decision.

6. Operational Function


Operational functions related to the implementation of the Environmental and Social Safeguards Procedures have the following duties and responsibilities:

- a. Monitor and coordinate with business functions regarding compliance with environmental and social requirements/covenants that have been included in the agreement document and request verification from DELST if necessary; and
- b. Save and maintain hardcopy or softcopy of documents of compliance with environmental and social requirements or covenants that have been incorporated into the agreement document.

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7. Internal Audit Function

It is an independent work unit that carries out control functions and the appropriateness of the implementation of the Environmental and Social Safeguards Procedures in every activity of financing and investment activities, project development, and provision of advisory. The control mechanism is regulated separately in accordance with applicable regulations.


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The Company implements a set of Environmental and Social Safeguard (ESS) standards for financing and investment (including equity investment), project development, and advisory. The implementation of these ten standards will be tailored to the studies carried out at both the corporate and project levels. For the provision of advisory, the implementation of these standards will be adjusted to the Term of Reference (ToR) provided/offered by the client.

1. Assessment and Management of Environmental and Social Risks and Impacts (ESS-1)

The first standard is the base of environmental and social safeguard which emphasize upon the assessment process, environmental management and monitoring plan, and also continuous management, monitoring and reporting system. This standard requisite the following:

- a. Environmental and social regulation and permit: comply with environmental and social related regulations and permits as compliance with laws and regulations and to ensure an environmentally friendly and socially sound activities.
- b. Environmental and social management system: establish and maintain an environmental and social management system which appropriate to the nature and scale of the project, and proportionate with the level of environmental and social risks and impacts. The environmental and social management system shall include the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management program; (iv) organizational capacity and competence; (v) environmental and social training; (vi) emergency preparedness and response; (vii) stakeholder engagement; and (viii) monitoring, evaluation and reporting.
 - i. Policy: establish a comprehensive policy that defines environmental and social goals and principles that guide the project to achieve healthy environmental and social performance.
 - ii. Identification of risks and impacts: identify risks and impacts of the environment, social, health, safety as well as impacts and risks on local communities. This assessment can be a part of the environmental assessment document as required by statutory regulations, or if necessary, other studies can be prepared in accordance with the project risks and impacts.
 - iii. Management program: establish management programs that will briefly describe performance improvement and mitigation measures and actions that address the identified environmental and social risks and impacts of the project.
 - iv. Organizational capacity and competence: build, maintain, and strengthen as required by organizational structure, which defines the roles, responsibilities and authorities for implementing environmental and social management systems.
 - v. Environmental and social training: conduct training for employees and contractors who have direct responsibility in activities related to environmental and social performance so that they will have the necessary knowledge and skills to do their job, including up-to-date knowledge of obligations under laws and regulations and the Company's environmental and social standards. The training also addresses specific efforts and

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actions required in the management program, including action plans, competent and efficient methods.

- vi. Emergency response and preparedness: establish and maintain emergency response and preparedness mechanisms, so that client/debtor/investee will be prepared to respond to accident and emergency situations related to the project in an appropriate manner to prevent and reduce any damage to the community and/or the environment.
- vii. Community engagement in the environmental and social assessment process: identify stakeholders, providing affected communities with access to relevant information, conducting the socialization process in a way that gives affected communities the opportunity to express their views.
- viii. Monitoring, evaluation and reporting: establish procedures to monitor and measure the effectiveness of the management program, as well as compliance with related regulations; documenting monitoring results; identify and carry out corrective and preventive actions required in the management program and plan; follow up on these actions in future monitoring cycles to ensure their effectiveness; and make regular performance reviews.

2. Labor and Working Condition (ESS-2)

The second standard emphasizes protecting the labor and ensuring fair and reasonable income as the basic rights of workers, because labor is an invaluable asset, and good relations between workers and management are the key to the progress and productivity of the company. Failure to maintain good relations can reduce the commitment of workers, which in turn can disrupt business/activity. This standard requires the following:

- a. Human resource policy: implement human resource policies in accordance with the rights and obligations of workers, including the right to receive remuneration and compensation in accordance with the prevailing laws and regulations.
- b. Working conditions and Terms of Employment: provide good working conditions in terms of administration and working arrangements such as working hours, overtime, permission to leave the office due to illness, childbirth, and protection such as social and health security. Provide a healthy and safe work environment for workers taking into account risks in certain sectors, including physical, chemical, biological and radiological hazards, and take steps to prevent occupational accidents and diseases.
- c. Trade unions/labor unions: allow workers to join any organization and workers have the right to voice their opinions according to the Act of Manpower which states that workers have the freedom to join any union and to express their opinions in public. However, workers must also comply with the limits set out in the applicable laws and regulations on freedom to join associations and voice opinions in public.
- d. Non-discrimination and fair employment opportunities: apply/implement labor principles that are gender responsive and inclusive, do not make employment decisions based on

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characteristics outside of basic labor conditions, and create equal employment opportunities regardless of sex, ethnic group, religion, political views, caste/position, place of origin/geographic area, economic status and the special needs of persons with disabilities. The employment opportunities include the recruitment process, compensation (salary and benefits), working conditions and types of work, training, promotion, termination or retirement, and disciplinary action.

- e. Termination of employment: establish a plan to reduce the adverse effects of termination of employment with workers. If for some reason termination of employment must be done, the termination of employment is carried out in accordance with applicable regulations and can also be done in consultation with the local manpower office.
- f. Child labor and forced labor: do not employ children in the context of economic interests because it can interfere or endanger the educational process of these children in addition to the potential for violence and disturbances to their health or physical, mental, spiritual, moral or social development. All workers must be at least 18 (eighteen) years old and/or in accordance with applicable laws and regulations. Do not perform forced labor or employ someone under threat of coercion or punishment.


3. Pollution Prevention and Abatement (ESS-3)

The third standard emphasizes the importance of preventing and reducing pollution in business/activity with provisions that cover:

- a. Take into account the surrounding conditions and carry out pollution prevention and control, in the design, construction, operation and trial of the business/activity, technically and operationally in the most appropriate way to avoid, or if not possible, attempt to minimize or mitigate negative impacts on humans' health and the environment with the ALARP (As Low As Reasonably Practicable) principle.
- b. Pollution prevention and abatement: avoid the release of pollutants from business/activity into soil, water and air. If these cannot be avoided, the intensity or amount of pollutants released into the environment should be minimized or controlled. The risk assessment for the release of pollutants must be carried out for routine and non-routine activities in business/activity, or in any activity that has a negative impact on society and the environment.
- c. Waste:
 - i. Minimizing the disposal of Hazardous and Toxic Waste and non-Hazardous and Toxic waste, namely by: 1) reduction method, 2) reuse method, and 3) recycle method.
 - ii. Process, destroy and temporarily store hazardous substances in an environmentally friendly manner and in accordance with statutory regulations, if minimization is not possible.
 - iii. Utilizing or disposing of Hazardous and Toxic waste in accordance with applicable regulations.

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- iv. Using a contractor that has a license and is approved by the competent authority if the processing and disposal of waste is carried out by a third party.
- d. Hazardous and Toxic Materials:
 - i. Prevent or minimize the use or control of hazardous and toxic materials from production, transportation, handling, storage and use for activities of business/activity.
 - ii. Avoid the manufacture, trade and use of chemicals that are not allowed by the government, agreed to be reduced by the government, or required by international conventions that have been ratified by the government.
- e. Use and management of pesticides, herbicides, and fungicides:
 - i. Carry out business/activity related to the management of pests, weeds, and fungal infections that affect agriculture or public health, as well as support strategies that promote biological or physical control methods that reduce dependence on synthetic chemical pesticides.
 - ii. Manage pest management problems in the context of environmental assessment of the business/activity.
 - iii. Assess institutional capacity to develop and support environmentally friendly pest management that is safe and effective.
 - iv. If a business/activity uses pesticide, herbicide, or fungicide products, these products must be produced, packaged, labeled, handled, stored, disposed, and used in accordance with applicable standards or laws and regulations.
- f. Ambient condition:
 - i. Measure environmental baseline and compare measurements of ambient conditions on a regular basis.
 - ii. Look for the causes and make the necessary action plans if a significant increase in pollution is detected.
 - iii. Minimize or reduce the release of pollutants to maintain ambient conditions and reduce potential risks to ambient conditions.
- g. Greenhouse Gases (GHG) emission:
 - i. Encouraging reduction of GHG emission from business/activity.
 - ii. Implement GHG mitigation actions and estimate potential GHG emissions in various business/activity cycles from pre-construction, construction, and post-construction, as well as the operational stage.
 - iii. Ensure that GHG calculations or monitoring are carried out periodically for business/activity that have the potential to generate large GHG emissions. The calculation and monitoring refer to the scientific methodology or as stipulated by the government.

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4. Safety, Health, and Security (ESS-4)

This standard focuses on efforts to reduce the potential exposure to risks and impacts of business/activity on the community that arise from workplace accidents due to failures in equipment, structures, spread of hazardous and toxic materials, hazardous and toxic waste, and security issues. The ESS-4 standard requisite the following.

- a. Measure risks and impacts on the safety and health of workers and the community and plan the necessary mitigation efforts.
- b. Inform the affected community regarding the results of risk and impact measurement and mitigation efforts related to safety and health aspects.
- c. Ensure that the structural components of the design, construction, testing and operation of the business/activity are in accordance with existing laws and regulations and must consider potential hazards, particularly if these structural components are accessible to the public or if structural failure occurs during the construction period and operations may result in injury to a person.
- d. Ensure that structural components are designed and constructed by qualified, experienced and certified experts or authorized by a government agency, in other words, by competent professionals.
- e. Strive to prevent incidents and accidents in business/activity that operate mobile equipment on public roads and other infrastructure projects.
- f. Avoid or minimize the potential for natural disasters such as landslides or floods that may arise due to changes in land use related to business/activity;
- g. Prevent or minimize negative impacts that are detrimental due to business/activity related to land, water and other natural resources that are used by the surrounding community.
- h. Encourage various measures to adapt to the impacts of climate change that aim to minimize the impact of climate change on community, reduce vulnerability and increase community resilience in facing the risks of climate change in various sectors.
- i. Avoid or minimize the potential for exposure to diseases due to business/activity.
- j. Monitor and encourage opportunities to improve environmental health conditions during business/activity thus reducing the amount of exposure, if a disease that occurs in the affected community is endemic.
- k. Develop emergency response procedures/mechanisms in collaboration with community leaders and local governments.
- l. Document emergency response activities, tools and equipment, emergency response team, and person responsible for emergencies, as well as conveying information about other relevant action plans or documents to workers, surrounding communities, and government agencies.


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- m. Employ employees or contractors to provide security guards for workers and property in accordance with applicable laws and regulations and ensure that security officers do not take repressive measures.
- n. Ensure that the security of personnel and property is carried out in accordance with human rights principles and in a manner that avoids or minimizes risks to the affected community.
- o. Specifically for dams, development planning must be consulted with the Dam Safety Commission in accordance with the prevailing laws and regulations. This is to ensure that the dam is designed, and its construction is supervised by experienced and competent experts, in accordance with applicable laws and regulations.

5. Land Acquisition and Involuntary Resettlement (ESS-5)

The fifth standard focuses on managing the social risks of land acquisition and involuntary resettlement activities. The implementation of this standard will also be adjusted to the conditions of the business/activity, especially if the client/debtor/investee is not the party responsible for implementing land acquisition. The ESS-5 standard requires the following:

- a. Business/activity design: consider the design of the business/activity that is technically and financially feasible to avoid or at least minimize involuntary physical or economic displacement.
- b. Displacement includes physical and economic displacement (loss of assets or access to assets resulting in decreased or loss of income sources or livelihood activities) as a result of land acquisition for business/activity.
- c. Involuntary resettlement and implementation: preparing a resettlement action plan (document); conduct a census to determine baseline of economic and social conditions (identification of people who should be relocated and who are entitled to compensation); involve the local government as part of the land acquisition committee (if the government is the one who needs the land); pay due attention and determine special measures on issues of gender and vulnerable groups; prepare and implement an Indigenous Peoples Plan (IPP).
- d. Compensation, assistance, benefits for involuntary displaced persons: providing replacement land or compensation for losses for lost assets which can be in the form of replacement costs of land, buildings, and other assets, moving allowances assistance or other assistance to help them improve or at least restore their livelihoods, in accordance with the prevailing laws and regulations regarding land acquisition.
- e. Living standard restoration planning and implementation: encourage cooperation with government agencies or involve intermediary organizations such as universities, NGOs or trusted and impartial organizations; document all transactions to acquire land rights, as well as compensation measures and resettlement activities; establish procedures for monitoring and evaluating the implementation of the resettlement action plan and taking corrective action as necessary.


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- f. Provide transparent information regarding the resettlement process and its implementation as well as the restoration plan and its implementation, such as submitting copies of several documents including the implementation of land acquisition and resettlement to be published on the page/website of company and client/debtor/investee (publication will be adjusted to the conditions of the company and client/debtor/investee); provide relevant resettlement information in an accessible place and in a form and language that is understood by affected persons and other stakeholders and is possible to use other appropriate communication methods (e.g. for illiterate persons).
- g. Carry out consultations on the resettlement process and its implementation as well as the recovery plan and its implementation includes conducting Meaningful Consultations with affected communities; pay special attention to the needs of gender responsive, vulnerable groups, Indigenous Peoples, and those without proof of land ownership; facilitate the grievance mechanism and open up opportunities for affected communities to participate in business/activity; continuous disclosure of information.
- h. Implement a grievance mechanism that includes collecting complaints and discussing specific issues regarding compensation of involuntary displaced persons or members of local communities, including problem-solving mechanisms, paying special attention to impacts on vulnerable groups; and inform the existence of this mechanism to the affected people.
- i. Monitor and report the progress of the implementation of the resettlement action plan by preparing reports; ensure not to carry out a business/activity stage that has a resettlement impact, until planning documents are formulated, disclosed, and approved; and submit a monitoring report every six months.
- j. This standard does not apply to land acquisition carried out based on voluntary land transactions and mutually beneficial (willing buyer-willing seller).

6. Biodiversity Conservation and Natural Resources Management (ESS-6)

This standard focuses on how client/debtor/investee can avoid or reduce threats to biodiversity that may arise from business/activity, as well as how to manage natural resources with the aim of conserving biodiversity, and to encourage the use of natural resources as planned and directed in a sustainable manner. The ESS-6 standard requisite the following.

- a. Do not conduct activities/businesses that are included in the Company Exclusion List (**Annex 1**).
- b. If there is no other alternative where business/activity are carried out in natural habitats, then it must be ensured:
 - i. An analysis showing that the benefits to be obtained will be much greater than the value of the business/activity including the value of environmental benefits;
 - ii. There is no net loss of biodiversity; and


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- iii. All changes and degradation are managed properly.
- c. If there is no other alternative where business/activity are carried out in critical habitats, then it must be ensured:
 - i. There are no measurable adverse impacts, or likelihood of such, on the critical habitat which could impair its high biodiversity value or the ability to function.;
 - ii. The business/activity is not anticipated to lead to a reduction in the population of any recognized endangered or critically endangered species or a loss in area of the habitat concerned such that the persistence of a viable and representative host ecosystem be compromised.;
 - iii. Limitation of significant change or degradation in natural habitat areas; and
 - iv. Use a precautionary approach to the use, development, and management of renewable natural resources.
- d. Facilitate communication and consultation forums between stakeholders (including for protected area management) and local communities.
- e. Implement additional programs to develop and achieve goals of protected conservation areas.
- f. Do not intentionally place or bring new species to the business/activity location, unless permission is obtained from the authorities.
- g. Obtain permission from the authorities if the business/activity is located in a forest or protected area.
- h. Assess environmental and social issues and risk mitigation that may arise if the business/activity needs to use surface and ground water, and obtain permits from the relevant authorities for all use of surface and ground water.

7. Indigenous People (ESS-7)

This standard focuses on managing risks to Indigenous Peoples who are affected by a business/activity. The ESS-7 standard requires the following.

- a. Identify Indigenous Peoples who will be potentially affected in the location of business/activity, type and level of social, cultural and environmental impacts.
- b. Suppress, minimize, or compensate the affected parties according to local cultural wisdom, if prevention is not possible.
- c. Coordinate with the local Social Service/Institution if a community group indicated as indigenous people found at the location of business/activity.
- d. Ensure a consultation process that refers to providing information from the start and is delivered without coercion before the business/activity is carried out or Free Prior Informed Consultation (FPIC), as well as facilitate the participation of those impacted to inform them of potential

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problems that could affect them directly from the business/activity that has a potential impact on indigenous peoples.

- e. Prepare an Indigenous Peoples Plan (IPP) document in the context of a social assessment in Andal which is compiled through Meaningful Consultations with potentially affected indigenous peoples, if the social screening and assessment in Environmental Impact Assessment (*Analisis Dampak Lingkungan – Andal*) indicates that the proposed business/activity will have a positive and/or negative impact on indigenous peoples. In addition, conduct additional studies on social aspects, if needed.
- f. Give special attention to territories, ancestral lands and related natural resources including customary rights, the need to protect ancestral territories, lands, and ancestral resources, cultural and spiritual values, community natural resource management practices; and carry out livelihood system restoration for indigenous peoples if it is unavoidable.
- g. Disclose information related to the Indigenous Peoples Plan (IPP) process by submitting related documents to the company to be disclosed on the company's websites and client/debtor/investee's websites (publication will be adjusted to the condition of the company and client/debtor/investee).
- h. Implement a grievance redress mechanism to handle and resolve complaints, concerns and objection of affected indigenous peoples and provide appropriate information about the mechanism to affected communities.
- i. Conduct progress monitoring and reporting of IPP implementation; Prepare a corrective action plan or update the IPP if significant Indigenous Peoples problems are found; and implement corrective actions and follow up on them to ensure their effectiveness.

8. Cultural Heritage (ESS-8)

This standard is applied in the environmental and social assessment process to comply with the environmental and social management system provision stipulated in laws and regulations regarding the preservation of national cultural heritage. The company emphasizes social responsibility in its business/activity and business operations by protecting cultural heritage. This standard requires the following:

- a. Recognize and protect Cultural Heritage (cultural sites and cultural heritage)
- b. Encourage the responsibilities of client/debtor/investee to identify and protect Cultural Heritage in project design and implementation.
- c. Cultural Site and Heritage (Regional Culture and Critical Culture): client/debtor/investee avoid; Move the design to another place that is technically and financially suitable if cultural sites and/or heritage are suspected; does not change, destroy or significantly eliminate the Cultural Heritage form; carry out work procedures that will not harm or interfere with the cultural site and/or cultural heritage and carry out chance find protocols by securing and reporting to government institutions in charge of culture.

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- d. If displacement cannot be avoided; the client/debtor/investee does not interfere with the findings of the cultural site and cultural heritage until assessment is conducted by expert; submit a request for assessment and recommendation from competent experts; and obtain permits from the government and consult with indigenous peoples.
- e. Commercial use of the Cultural Heritage: inform communities of their rights, scope and type of commercialization proposed; do not process the commercialization of cultural heritage, except: through appropriate negotiation grounds, obtain written consent, and share fair and equitable results from the commercialization of knowledge, innovations or practices of such cultural customs and traditions to the public.

9. Energy Conservation and Environmentally-Friendly Energy (ESS-9)

This standard encourages efforts to conserve energy and use of environmentally friendly energy by business/activity. Included in ESS-9 are energy saving and the use of alternative energy sources that are new and renewable and environmentally friendly. Apart from being a proactive effort of environmental safeguard, energy conservation is carried out to comply with the provisions stipulated in the legislation on energy conservation. The legislation outlines that national energy conservation is the responsibility of all parties, including entrepreneurs.

This standard requisite the following:

- a. Encourage the implementation of energy conservation in every stage of the business/activity implementation.
- b. Use energy efficient technology and/or produce energy efficient products and/or services.
- c. Perform energy management by developing an energy conservation program, conducting regular energy management evaluations, implementing recommendations from evaluation results, and making regular reports on energy conservation implementation.
- d. Energy saving implementation:
 - i. Own policies in energy saving and conduct studies and evaluations on efficiency and profit improvement, in order to save business/activity costs.
 - ii. Use energy-efficient equipment and make efforts to reduce energy use as part of reducing greenhouse gas emissions if energy savings are not possible.
- e. Use environmentally friendly energy: make an effort to replace non-renewable energy sources with renewable energy sources to overcome energy scarcity and a very high energy demand. The use of alternative energy sources that are new and renewable and environmentally friendly is highly encouraged.


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10. Consultation and Grievance Redress Mechanism (ESS-10)

This standard describes consultation and grievance handling, as well information disclosure to stakeholders including affected communities in a project.

This standard requires the following:

- Implement a consultation and grievance redress mechanism which includes planning, measures to avoid adverse impacts, or if avoidance is not possible, then minimize, compensate and resolve problems for the impacts that may occur on the community.
- Implement a consultation, grievance redress mechanism, and provide information throughout the project development process, including other ESS standards implementation, especially in the implementation of ESS 5 (Land Acquisition and Involuntary Resettlement), ESS 7 (Indigenous Peoples), and ESS 8 (Cultural heritage).
- Implement information sharing mechanism that is carried out in accordance with the customs and culture of the local community, relevant and adequate, easy to understand, timely, open, have a gender perspective and directly accessible to the community and carried out in an atmosphere free from intimidation and coercion.

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This chapter outlines the steps and action plans required by the Environmental and Social Safeguards Procedures to be implemented in the project cycle to ensure that financing, equity investment, project development and advisory comply with environmental and social legislation. For the provision of advisory, the implementation of these steps will be adjusted to the Term of Reference (ToR) provided/offered by the client.


In general, the provisions and mechanisms/processes carried out by DELST in conducting environmental and social assessments will refer to the Company's Policies that govern each business of the Company's activity, namely:

- a. Financing : Applicable Company's Policy concerning financing, Municipal Financing Procedures, Company's Policy concerning Sustainable Financing, and/or Special Financing Management Procedures (adjusted to the type of financing transaction).
- b. Equity Investment Business : Applicable Company's Policy concerning equity investment.
- c. Project Development Business : Applicable Company's Policy concerning Project Development or other applicable document.
- d. Advisory Business : Applicable Company's Policy concerning Advisory.

Furthermore, provisions governing the scope of environmental and social assessment conducted by DELST for each of the Company's business transactions is required.

1. Implementation of Environmental and Social Safeguard Procedures

Environmental and Social Assessment of the Company's products and activities in the form of an ESDD Report referring to the 10 (ten) Environmental and Social Safeguard (ESS) Standards is conducted on a case by case basis based on DELST's considerations. The products and activities of the Company will have different characteristics depending on the types and/or features of the available products. Different characteristics will require different approaches to assessing, managing and monitoring environmental and social impacts according to their relevance. Environmental and social impact assessment, management and monitoring activities for one business/activity will differ from other business/activity depending on the stage type of business/activity. Specifically for project financing and corporate financing with the defined underlying project, environmental and social assessments are carried out at the project level. As for corporate financing, the risk assessment is carried out on the environmental and social management system at the corporate level. In financing products, equity investment, and project development, there are three types of business/activity based on the stages of project progress as follows:

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a. **Type 1** – Business/activity in early stages of preparation

Type 1 business/activity is a business/activity that is in the early stages of preparation, with indicators such as the location of the business/activity has not been selected and design options are still open. If the **Type 1** business/activity is a project development assignment to the Company, the required environmental documents will be the responsibility of the Project Development Division (*Divisi Pengembangan Proyek* - DPP) in coordination with the DELST. For non-assignment **Type 1** business/activity, the required environmental documents will be prepared by the client/debtor/investee with input from DELST.

b. **Type 2** – Business/activity that are fully prepared

Type 2 business/activity is a business/activity that is fully ready to run with indicators such as the auction bid for the construction of the business/activity has been carried out and related study documents have been developed. The Company will conduct an environmental and social assessment based on existing environmental and social documents. The company can ask client/debtor/investee to complete the gaps in the documents that have been prepared, or if necessary, provide new documents (as CAP). Client/debtor/investee can request assistance from DELST in the form of advice and guidance in preparing or improving the necessary environmental and social documents. **Type 2** does not apply to project development products.


c. **Type 3** – Business/activity that are currently or have been constructed

For this business/activity, the Company will carry out an environmental and social assessment reported in the form of an ESDD report to ensure that: (a) the implementation of the business/activity is in accordance with applicable environmental and social laws and regulations as well as the Company's ESS policies; (b) there is no reputational risk from an ESS perspective for the Company, for example in the form of negative news or protests from environmental and social NGOs; and (c) there is no credit risk from project failure due to non-compliance with environmental and social related regulations. Based on this review, the Company will ask the client/debtor/investee to implement or complete the necessary corrective actions or to reduce these potential risks. **Type 3** does not apply to product/business development projects.

In particular, for the provision of advisory, the implementation of the Environmental and Social Standards will be customized in accordance with the ToR provided/offered by the client. The implementation of advisory wherever possible (with due regard to the suitability of the ToR of the work) in accordance with the principles in this Environmental and Social Safeguard Procedures.

2. Initial Assessment Stage

This stage aims to conduct an initial assessment of potential environmental and social impacts, relevant risks related to the proposed business/activity, and compliance with environmental and social related laws and regulations. To make the site visit process efficient and effective as one of the processes in collecting environmental and social data/information, for initial studies and/or analysis of the feasibility of business transactions carried out, the Business Function can ask

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DELST to participate in conducting site visits to location/place of business/activity. During the joint site visit, DELST collects data/information related to environmental and social which are outlined in the site visit report (call report).

At this stage, DELST will conduct an initial environmental and social assessment (see **Annex 4** - Environmental and Social Screening Information) regarding the business/activity. The ESS steps at this stage apply to **Type 1** (early stage), **Type 2** (overall ready), **Type 3** (construction stage) business/activity and advisory.

3. Analysis and Technical Meeting Stage


This stage is carried out based on an indicative memo of financing/equity investment from the related business function division. As for the project development and advisory business, DELST will conduct assessment related to environmental and social aspects (including a review of the need for such assessment) based on the coordination of the related business function divisions.

The analysis and technical meetings stage are held to:

- Ensure that the business/activity proposed by the client/debtor/investee meets the environmental and social requirements in accordance with the Environmental and Social Safeguards Procedures;
- Provide a magnitude indication of the potential environmental and social impacts of the business/activity;
- Consider the sensitivity and magnitude of potential environmental and social impacts as a result of the type, location and scale of the business/activity during construction and operation, and determine the environmental category for the proposed business/activity which is determined based on the most sensitive components of the business/activity environment;
- Identify the types and depth levels of environmental and social assessment, as well as the resources required for environmental assessment and planning which is adjusted to the magnitude of the impact and risk of the business/activity to be financed;
- Make efforts to avoid and mitigate early environmental and social impacts at the business/activity planning stage for Type 1; and
- Ensure that the results of the environmental and social assessment are accommodated in the Business Function proposal memo as a consideration for decisions in related committees.

The steps required in this stage are described in the following sections:


- DELST will obtain the information in the data/documents for further analysis of the exclusion list (see **Annex 1** - Exclusion List), conformity of spatial plan analysis/Amdal/UKL-UPL/Statement of Capability in Environmental Management and Monitoring (SPPL), land acquisition analysis, as well as gap analysis on ESS implementation.

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- b. Estimate the environmental and social risk categorization into categories A, B or C (see **Annex 5**).
- c. Conduct an assessment to determine if the business/activity involves land acquisition, involuntary resettlement, and/or activities that have an impact on Indigenous Peoples (initial information is in **Annex 4**).
- d. Conduct assessment on environmental and social documents, with the provisions as follows:
 - i. For business/activity **Type 1**, the Company will:

Determine the required environmental and social documents, which can be in the form of Amdal, UKL-UPL, or SPPL. If needed, other supporting documents can be prepared, such as the Environmental and Social Impact Assessment/ESIA, Environmental Management Plan/EMP, Land Acquisition and Resettlement Action Plan (LARAP), or Indigenous Peoples Plan/IPP) refers to cooperation agreement with certain multilateral institutions. Provisions regarding the party responsible for providing environmental and social assessment documents refer to Section V.1. Implementation of Environmental and Social Safeguard Procedures, point a.
 - ii. For business/activity **Type 2 and 3**, the Company will:


Review the available environmental and social documents to determine the adequacy of documents and/or information provided by the client/debtor/investee. If the documents and/or information provided are inadequate, DELST will ask the client/debtor/investee to submit additional documents and/or information. Environmental and social documents and/or information can be in the form of permits and approval from the government as well as Amdal, UKL-UPL, or SPPL documents. Depending on the type of business/activity, other supporting documents may also be required which may include: Environmental and Social Impact Assessment/ESIA, Environmental Management Plan/EMP, Land Acquisition and Resettlement Action Plan/LARAP, and/or Indigenous Peoples Plan (IPP) which refers to cooperation agreement with certain multilateral institutions.
- e. Explore available secondary information as public/general information regarding the proposed business/activity, which may consist of information on environmental and social performance, incidents related to environmental and social management, and complaints from business/activity stakeholders;
- f. Site visit can be conducted if at the time of the initial analysis a site visit was not carried out. This site visit is carried out to complement/verify data/information provided by the client/debtor investee (see **Annex 6** - Site Visit Checklist and Site Visit Report Notes) to support environmental and social assessments. Prior to conducting site visits, DELST prepares plans for site visits, which include but are not limited to the following activities:
 - i. Discussions with business/activity proponent (companies/agencies);

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- ii. Visits to the location of the business/activity including sensitive receptors (if needed);
- iii. Discussion with people to be relocated (if needed);
- iv. Visits to relocation/resettlement area (if needed); and
- v. If necessary, discussions can be held with NGOs and local governments.

In the event that the site visit cannot be carried out due to certain conditions such as a pandemic, Large-Scale Social Restriction (PSBB) regulations or other central/regional government regulations, it is possible to postpone the execution and use online media or condition reports based on media coverage, or information from the business/activity proponent to support the analysis until conditions allow to held site visit. After the conditions allow, the site visit will be completed according to the terms that refer to the provisions of the Procedures for each of the Company's business activity (Financing/Equity Investment Procedures, Project Development Procedures, and Advisory Procedures).

- g. Assessing the capacity and competence of client/debtor/investee organizations in carrying out environmental and social management and complying with relevant laws and regulations, training plans, preparation of emergency preparedness and response procedures, and community engagement plans, as well as monitoring, review and reporting plans. All procedures and steps will be required to be included in the business/activity environmental and social management plan document;
- h. Provide guidance to client/debtor/investee regarding the grievance mechanism and stakeholder engagement, including requirements for public consultation and information disclosure regarding environmental and social management plans that need to be prepared;
- i. Provide guidance for client/debtor/investee to establish adequate internal mechanisms to monitor the implementation of environmental and social impact mitigation plans including the required routine reporting;
- j. If a Technical Meeting is held before the Financing Committee, it will at least be attended by representatives from the Business Function (Risk Taking Division), the Financing and Investment Evaluation Division, the Environmental and Social Function and the Legal & Compliance Function, and the Operational Function. DELST will discuss and present the results of environmental and social assessment at a Technical Meeting before the Financing Committee.
- k. After the Technical Meeting is held, DELST prepares an ESDD report after conducting a site visit and obtaining confirmation of the information provided by the business/activity proponent. This ESDD report includes the results of environmental and social risk categorization, the review result of available documents and/or information, conclusions regarding environmental and social management performance and gaps against the Company's ESS standards. If there are still gaps based on the ESDD results, then DELST completes the ESDD Report with the Corrective Action Plan (CAP) required as the terms/conditions that

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need to be fulfilled by the client/debtor/investee in the transaction agreement/document including its target fulfillment (if needed).

- l. The ESDD report is submitted in the form of a memo to the related Business Function (Risk Taking Division) and becomes a consideration for Authorized Official (PBM) in making decisions regarding their respective activities (for example the Financing Committee in financing approval). An outline of the ESDD report is provided in Annex 7.
- m. Coordinate with related divisions to integrate CAP as a requirement or covenant related to environmental and social safeguard in financing/development agreements or advisory service proposals or in other documents as agreed by prospective client/debtor/investee;
- n. Communicate environmental and social terms and conditions & requirements to client/debtor/investee to agree on terms and fulfillment targets;


By taking into account the policies of the Company and client/debtor/investee, relevant environmental and social documents can be disclosed on the Company's website, sponsor pages, client/debtor/investee pages and/or in public places that can be accessed by various affected parties and other stakeholders as needed to comply with statutory regulations.

4. Decision Stage

- a. DELST attends the meeting of Financing/Sustainable Financing/Equity Investment Committees/Monitoring Committees, to present the ESDD and CAP reports. At the Committee Meeting, the CAP fulfillment targets, which has been communicated to prospective debtors/investee, were communicated to the Committee. If a consultation meeting with the Board of Commissioners is required, DELST will attend the meeting. The CAP referred to has the following levels:
 - i. Grade 1 : CAP has been communicated to the financing business function division.
 - ii. Grade 2 : CAP has been communicated and agreed upon its fulfillment deadlines with the financing business function division.
 - iii. Grade 3 : CAP has been communicated with prospective client/debtor/investee through the financing business function division.
 - iv. Grade 4 : CAP has been communicated and agreed upon its fulfillment deadlines with prospective client/debtor/investee through the financing business function division.

For Project Development and Advisory activities, DELST attends the Project Development and Advisory Committee Meetings to deliver the results of environmental and social assessments, if needed.

- b. At the stage of Decision Authority and Financing and Service Offerings, the grade of CAP must be at least in grade 3. For financing and investment activities, the debtor/investee needs to implement CAP to obtain financing/equity investment. For project development/advisory

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activities, the results of environmental and social assessments can be included as suggestions in the agreement document to be submitted to clients.

- c. Prospective debtors are allowed to submit objections and to request an extension of time to fulfill the CAP. Prospective debtors can also request technical advisory from DELST to help complete the CAP within the agreed time frame.
- d. DELST provides a review of the Minutes of Committee Meetings if there is a request from the finance business function division/Legal Division/the Financing and Investment Evaluation Division (*Divisi Evaluasi Pembiayaan dan Investasi* - DEPI).


5. Stage of Conformity Review between CAP Requirements and Minutes of Committee Meetings

DELST in coordination with the division of the Financing/Equity Investment business function and/or Law Division (*Divisi Hukum* – DH) will ensure the conformity between the financing/equity investment proposal memo with the minutes of committee meetings, with regards to Condition precedent (CP) to sign, CP to effective terms, CP to disbursement, and affirmative covenant related to environmental and social safeguard aspects. For project development/advisory, if the requirements or covenants related to environmental and social safeguards are approved by the client, DELST will also ensure that the requirements or covenants are also included in the project development work agreement/consulting services.

6. Implementation and Monitoring Stage

This stage consists of monitoring activities against requirements or covenants that have been included in the agreement document or other documents. At the monitoring stage, client/debtor/investee are requested to submit periodic reports regarding compliance with environmental and social requirements or covenants as stated in the agreement document¹ or other documents.

¹ At the time this Guideline was drafted, submission of documents regarding compliance with environmental and social requirements or covenants has been conducted by debtor/investee periodically. Fulfillment of all types of reports contained in this Guideline is carried out in stages according to the Company's resources and/or the understanding of the client/debtor in the application of ESS as well as the resource capacity of the client/debtor/project owner in preparing and delivering the report as well as the capacity of DELJ's own resources in evaluating all reports submitted. Fulfillment of the implementation report from the implementation and monitoring phase of the business/activity will increase in line with the increasing knowledge and adequacy of resources, both the client/debtor/project owner and the DELST.

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Activities carried out at this stage include monitoring activities on the implementation of requirements or covenants related to environmental and social safeguard in accordance with the agreements, such as:


- Check over the completeness and/or suitability of environmental and social documents prepared;
- Examine the implementation of environmental and social documents/management that are prepared especially with regard to compliance with laws and regulations;
- Extracting available secondary information as public/general information regarding the implementation of a business/activity which may include information on environmental and social performance, incidents related to environmental and social management, as well as complaints from business/activity stakeholders;
- Ensure client/debtor/investee submit periodic progress reports including reports on the implementation of compliance with environmental and social safeguards to the Company; and
- Conduct site visits at the monitoring stage, if necessary and approved by the financing business function division, and develop site visit reports.

In the event that the site visit cannot be carried out due to certain conditions such as a pandemic, Large-Scale Social Restriction (PSBB) regulations or other central/regional government regulations, it is possible to postpone the implementation and use online media or condition reports based on media coverage, or information from the business/activity proponent to continue to support the analysis until conditions allow to conduct site visit. After the conditions allow, it will be conducted according to the agreed terms and refer to the provisions in the Financing/Equity Investment Procedures.


Periodic monitoring activities are carried out for the following reasons:

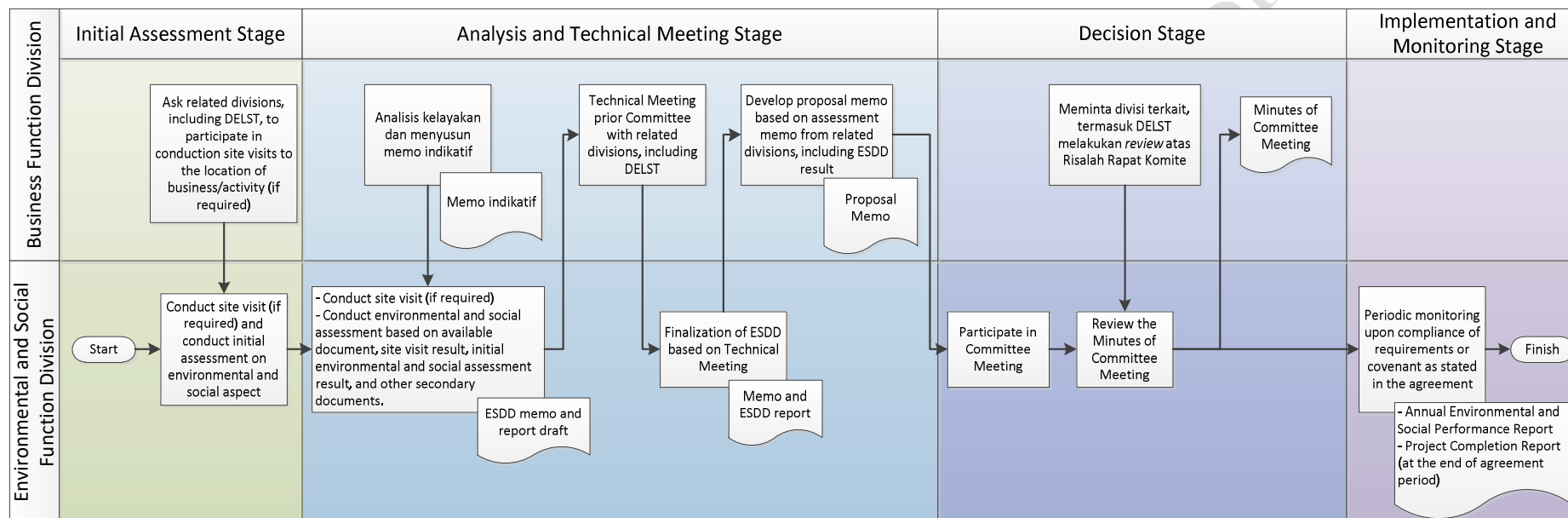
- Monitoring the Risk Appetite Statement (RAS) on a quarterly basis;
- Monitoring undertaken as part of project financing by Multilateral Financial Institutions (eg mission from the World Bank);
- Monitoring based on the Company's internal needs that may occur due to requests by:
 - Operational Function, in this case the Financing Operations Management Division (*Divisi Pengelolaan Operasional Pembiayaan* - DPOP);
 - Environmental and Social Function, in this case Environmental Social and Technical Evaluation Division; and
 - Business Function (Risk Taking Division) as part of the annual review and/or changes in the financing structure/requirements/covenants in the Financing Agreement.


DELST will also compile several reports at this stage which may consist of:

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- a. Annual Environmental and Social Performance Report (AESPR) prepared by the Company and submitted to the Company's internal management (Risk Management Director) and the Company's counterparties (if required); and
- b. Implementation Completion Report (ICR, see **Annex 9**) prepared at the end of the agreement period for financing that has been completed and submitted to the Company's internal management (Director of Risk Management and Related Business Functions).


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	DECISION AUTHORIZED OFFICER	CHAPTER - VI

The Board of Directors delegates authority to officials with the authority to decide or Authorized Official (*Pejabat Berwenang Memutus* - PBM) for activities/transactions related to the implementation of the Environmental and Social Safeguards Procedures, as follows:

No	Type of Activity/Transaction	<i>Pejabat Berwenang Memutus (PBM)</i>
Decisions made regarding Origination of Funding, Project Development, and Consulting Services		
1	ESDD report	Head of DELST
2	Approval upon the results of the ESDD report included in the Proposal Memo on:	
	Financing and investment activities	PBM on the committee regarding financing and investment transactions in accordance with applicable regulations
	Project development activities	PBM on the Project Development Committee and Advisory
	Advisory activities	PBM on the Project Development Committee and Advisory
	Special financing and investment management activities	PBM on the Monitoring Committee
	Investment Activities of Equity Investment	PBM on the Equity Investment Committee
Decisions on a case by case basis		
1	Approval of site visit reports	Division Heads of participants in site visits
2	Approval of the environmental and social management monitoring report	Head of DELST
3	Approval of Annual Environmental and Social Performance Reports	Risk Management Director
4	Approval of the activity/project completion report	Head of DELST

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	CLOSING	CHAPTER - VII

1. Transitional Provision


At the time this Procedure is declared effective, the implementation of the environmental and social assessment process in an ongoing ESDD Report which has not received the relevant PBM approval will be subjected to the provisions of this Procedure.

As for the Environmental and Social assessment/study that has received approval from PBM through the relevant Committee prior to the enactment date of this Environmental and Social Safeguards Procedures, the implementation of the assessment is carried out in accordance with PD-4/SMI/0115 concerning Project Environmental and Social Management System (ESMS) Guidelines and No. PD-19/SMI/0916 concerning Environmental and Social Safeguards Guidelines (ESS) for Multilateral Projects which is to remain valid. For the next process, the environmental and social assessment is carried out in accordance with this Environmental and Social Safeguard Procedures.

2. Effective Date of Procedures

This Procedure is effective as of the stipulation date of the Directors Regulation governing Environmental and Social Safeguards Procedures. Subjects that have not been regulated in this guideline will be further explained in the implementation procedure, manuals/technical instructions of implementation, if needed.

At the time this Procedure is in force, Environmental and Social Safeguard Guidelines No. PD 020/SMI/1020 dated 15 October 2020 is declared to be no longer valid.


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	ANNEX	CHAPTER - VIII

1. Exclusion List

Activities that cannot be financed by the Company are:

1. Production or trade in radioactive materials. This excludes construction of nuclear reactors and their components used to generate electricity, as well as the production or sale and purchase of medical equipment, quality control (measurement) devices, and other equipment where radioactive sources are not preferred or the equipment is adequately protected from radioactive sources;
2. Production, distribution or sale and purchase of any type of product or activity that is considered prohibited or is phased-out based on statutory regulations;
3. Production, trade, storage or transportation of large quantities of hazardous chemicals, or commercial scale use of hazardous chemicals that are prohibited under statutory regulations;
4. Production, trade and/or use of loose asbestos fibers which are prohibited under statutory regulations. This exclude the purchase or use of bonded asbestos cement sheets with an asbestos concentration of less than 20% (twenty percent).
5. Alteration or destruction of natural and critical habitats² that are significant and/or without appropriate management;
6. Mining or excavating of live coral, or development that will disturb and destroy coral reef habitats that are not accompanied by appropriate management;
7. Conversion, clearing, burning, or commercial logging operations in humid tropical primary forest or primary forest that is included in the area of moratorium of permit issuance;
8. Production or trade in wood or other forestry products, from non-sustainably managed forests;
9. Destruction, vegetation cutting, drainage, burning, commercial or small-scale logging, development of plantations or agriculture on peatland with a protection function or peat with a depth of more than 3 (three) meters;
10. Destruction, plants cutting, drainage, or burning of freshwater wetlands which have a protective function and/or are prohibited under statutory regulations;

² Critical habitat is defined as habitat of significant importance to supporting endangered populations (IUCN red list, protected by national law or listed in CITES) or endemic animal or plant species. This includes locally or nationally rare and threatened plant habitats and habitats of high value for the provision of other ecosystem services (eg protection of floods, erosion and landslides, support for infiltration function and supply of water resources).


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11. Significant destruction, plants cutting, drainage, or burning of mangrove forests and/or without proper management and/or prohibited under statutory regulations;
12. Production activities or business activities that involve forced labor³ and/or minors⁴ employment which are dangerous and exploitative, and are prohibited under statutory regulations;

With regard to activities that will be financed, if these activities already have a valid Environmental Document (there is an Environmental Feasibility Decision), the Company considers that the activity has fulfilled or does not conflict with applicable statutory or regional regulations and the Regional Spatial Plan (RTRW).

³ Forced labor refers to Law no. 19/1999 concerning Ratification of the ILO Convention on the Elimination of Forced Labor and Law No. 13/2003 concerning Manpower. The principles of the convention prohibit and must not use any form of forced labor as a means of political suppression, a means of mobilizing for development purposes, a means of disciplining workers, as a punishment for involvement in strikes, and as an act of discrimination. In other laws and regulations there is an explanation regarding the exploitation of workers that is in line with the meaning of forced labor, namely actions with or without the consent of the victim which include but are not limited to forced labor or service, slavery, oppression, extortion, physical exploitation and others to obtain benefits both material and immaterial (Law No. 21/2007 on the Eradication of the Human Trafficking)

⁴ Minor employment means employing children whose age is below the minimum working age under Law no. 13/2003 concerning Manpower.

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2. Applicable Regulations of Government of the Republic of Indonesia Regarding Environmental and Social Safeguard

Laws and Regulation Regarding the Environment:

Law of the Republic of Indonesia Number 32 of 2009 concerning Protection and Management of the Environment (plus the Decision of the Constitutional Court Number 18/PUU-II/2014)

The Bill regarding *Cipta Kerja* which has been legally right by the House of Representatives on October 5, 2020

Law of the Republic of Indonesia Number 19 of 2004 concerning Stipulation of Government Regulations in Lieu of Law No.1 of 2004 concerning Amendments to Law Number 41 of 1999 concerning Forestry into Law

Law of the Republic of Indonesia Number 41 of 1999 concerning Forestry as amended by Government Regulation in Lieu of Law Number 1 of 2004 concerning Amendments to Law Number 41 of 1999 concerning Forestry (added by Constitutional Court Decision Number 45/PUU-IX/2011, Number 35/PUU-X/2012, and Number 95/PUU-XII/2014)

Law of the Republic of Indonesia Number 5 of 1990 concerning Conservation of Living Natural Resources and the Ecosystems.

Law of the Republic of Indonesia Number 18 of 2013 concerning Prevention and Control of Deforestation (UUP3H)

Law of the Republic of Indonesia Number 6 of 1994 concerning the Ratification of the United Nations Guidelines Convention on Climate Change

Law of the Republic of Indonesia Number 17 of 2004 concerning Ratification of the Kyoto Protocol for Guidelines for the United Nations Climate Change Convention

Law of the Republic of Indonesia Number 5 of 1994 concerning the Ratification of the United Nations International Convention on Biodiversity

Law of the Republic of Indonesia Number 37 of 2014 concerning Soil and Water Conservation

Law of the Republic of Indonesia Number 32 of 2014 concerning Maritime Affairs

Law of the Republic of Indonesia Number 11 of 2010 concerning Cultural Heritage

Law of the Republic of Indonesia Number 30 of 2007 concerning Energy


Law of the Republic of Indonesia Number 27 of 2007 concerning Coasts and Small Islands

Government Regulation Number 27 of 2012 concerning Environmental Permits

Government Regulation Number 82 of 2001 concerning Water Management and Water Pollution Control

Government Regulation Number 41 of 1999 concerning Air Pollution Control

Government Regulation Number 74 of 2001 concerning Management of Hazardous and Toxic Materials

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Government Regulation Number 101 of 2014 concerning Management of Hazardous and Toxic Waste

Government Regulation Number 70 of 2009 concerning Energy Conservation

Regulation of the Minister of Environment and Forestry Number P.38/MENLHK/SETJEN/KUM.1/2019 of 2019 concerning Types of Business Plans and / or Activities that Require an Environmental Impact Analysis

Regulation of the Minister of Environment Number 16 of 2012 concerning Guidelines for the Preparation of Environmental Documents

Regulation of the Minister of Environment Number 17 of 2012 concerning Guidelines for Community Participation in Amdal and Environmental Permit process

Minister of Environment and Forestry Regulation Number P.83/MENLHK/SETJEN/KUM.1/10/2016 of 2016 concerning Social Forestry

Regulation of the Minister of Environment and Forestry Number P.27/MENLHK/SETJEN/KUM.1/7/2018 of 2018 concerning Guidelines for Borrow and Use of Forest Areas as amended by Regulation of the Minister of Environment and Forestry Number P.7/MENLHK/SETJEN/KUM.1/2/2019 of 2019

Decree of the Minister of Environment Number KEP-48/MENLH/11/1996 concerning Noise Standards

Decree of the Minister of Environment Number KEP-49/MENLH/11/1996 concerning Vibration Standards

Decree of the Minister of Environment Number KEP-50/MENLH/11/1996 concerning Odor Level

Decree of the Minister of Environment Number 45 of 2005 concerning Guidelines for the Preparation of Reports on the Implementation of Environmental Management Plans (RKL) and Environmental Monitoring Plans (RPL)


Regulation of the Minister of Environment and Forestry Number P.68/MENLHK/SETJEN/KUM.1/8/2016 of 2016 concerning Domestic Wastewater Quality Standards as last amended by Regulation of the Minister of Environment and Forestry Number P.16/MENLHK/SETJEN/KUM.1/4/2019 in 2019

Law regarding Social Protection Measures:

Law of the Republic of Indonesia Number 5 of 1960 concerning Basic Agrarian Regulations

Government Regulation in Lieu of Law Number 51 Year 1960 concerning Prohibition of Use of Land without Authorized Permit or Proxy

Law of the Republic of Indonesia Number 20 of 1961 concerning Revocation of Rights to Land and Objects Above Them

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Law of the Republic of Indonesia Number 7 of 1984 concerning Ratification of the Convention on the Elimination of All Forms of Discrimination against Women

Law of the Republic of Indonesia Number 38 of 2004 concerning Roads

Law of the Republic of Indonesia Number 11 of 2010 concerning Cultural Heritage

Law No. 15 of 2017 concerning the Advancement of Culture

Law of the Republic of Indonesia Number 11 of 2005 concerning Ratification of the International Covenant on Economic, Social and Cultural Rights (ICESCR)

Law of the Republic of Indonesia Number 14 of 2008 concerning Public Information Disclosure (added with the Decision of the Constitutional Court Number 77/PUU-XIV/2016)

Law of the Republic of Indonesia Number 11 of 2009 concerning Social Welfare (partially repealed by Law Number 14 of 2019 concerning Social Workers)

Law of the Republic of Indonesia Number 30 of 2009 concerning Electricity (added with Constitutional Court Decisions Number 58/PUU-XII/2014 and Number 111/PUU-XIII/2015)

Law Number 52 of 2009 concerning Population Growth and Family Development

Law of the Republic of Indonesia Number 1 of 2011 concerning Housing and Settlement Areas (added with the Constitutional Court Decision Number 14/PUU-X/2012)

Law of the Republic of Indonesia Number 7 of 2012 concerning Handling of Social Conflict

Presidential Instruction (INPRES) 9 of 1973 concerning the Implementation of Revocation of Rights to Land and Objects Above It Stipulated by Law 20 of 1961

Presidential Regulation Number 78 of 2007 concerning Ratification of the Convention for the Safeguarding of the Intangible Cultural Heritage

Presidential Regulation Number 71 of 2012 concerning Implementation of Land Acquisition for Development for Public Interest as last amended by Presidential Regulation Number 149 of 2015


Presidential Regulation Number 186 of 2014 concerning Social Empowerment of Remote Indigenous Communities

Presidential Regulation Number 4 of 2016 concerning the Acceleration of Electricity Infrastructure Development

Minister of Environment and Forestry Regulation No. 34 of 2019 concerning Recognition and Local Wisdom Safeguarding in the Management of Natural Resources and the Environment of Local Wisdom Areas

Minister of Environment and Forestry Regulation No. 83 of 2016 concerning Social Forestry

Regulation of the Minister of Social Affairs Number 12 of 2015 concerning Implementation of Presidential Regulation Number 186 of 2014 concerning Social Empowerment of Remote Indigenous Communities

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Regulation of the Minister of Social Affairs Number 13 of 2012 concerning the Business World Social Responsibility Forum in the Implementation of Social Welfare

Law on Land Use and Development

Law Number 26 of 2007 concerning Spatial Planning

Law of the Republic of Indonesia Number 2 of 2012 concerning Land Acquisition for Development for Public Interest

Presidential Regulation Number 71 of 2012 as last amended by Presidential Regulation Number 149 of 2015

Regulation of the Minister of Agrarian and Spatial Planning/Head of the National Land Agency Number 20 of 2020 concerning Procedures for Preparing Land Acquisition Planning Documents

Regulation of the Minister of Agrarian and Spatial Planning / Head of the National Land Agency Number 18 of 2019 concerning Procedures for Administration of Customary Land Units of Indigenous People Communities

Regulation of the Directorate General of Social Forestry and Environmental Partnerships (PSKL) No. 1 of 2016 concerning Procedures for Verification and Validation of Private Forests

Minister of Finance Regulation Number 100 / PMK.010 / 2009 concerning Infrastructure Financing Companies

Presidential Regulation Number 71 of 2012 concerning Implementation of Land Acquisition for Development for Public Interest

Republic of Indonesia Government Regulation No. 53 of 2020 concerning the Second Amendment to Government Regulation No. 66 of 2007 concerning State Equity Investment of the Republic of Indonesia for the Establishment of Company (PERSERO) in the Field of Infrastructure Financing

Other Sectoral Laws and General Regulations


Law of the Republic of Indonesia Number 1 of 1970 concerning Occupational Safety

Law of the Republic of Indonesia Number 39 of 1999 concerning Human Rights

Law of the Republic of Indonesia Number 9 of 1998 concerning Freedom of Expressing Opinions in Public

Law of the Republic of Indonesia Number 1 of 2000 concerning Ratification of the ILO Convention No. 182 regarding the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor

Law of the Republic of Indonesia Number 13 of 2003 concerning Manpower (added by the Decision of the Constitutional Court Number 012/PUU-I/2003, Number 115/PUU-VII/2009, Number 37/PUU-IX/2011, Number 27/PUU-IX/2011, Number 19/PUU-IX/2011, Number

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58/PUU-IX/2011, Number 100/PUU-X/2012, Number 67/PUU-XI/2013, Number 7/PUU-XII/2014, Number 72/PUU-XIII/2015 and Number 13/PUU-XV/2017)

Law of the Republic of Indonesia Number 36 of 2009 concerning Health (added by the Constitutional Court Decision Number 12/PUU-VIII/2010, Number 34/PUU-VIII/2010 and Number 57/PUU-IX/2011)

Law of the Republic of Indonesia Number 16 of 2011 concerning Legal Aid

Government Regulation Number 50 of 2012 concerning Occupational Safety and Health Management Systems (SMK3)

Presidential Regulation Number 2 of 2015 concerning the National Medium Term Development Plan (RPJMN) for 2015-2019

Regulation of the Minister of Manpower Number 2 of 1992 concerning Procedures for Appointment, Assignment and Authority of Safety and Health Experts


Regulation of the Minister of Manpower Number 3 of 1998 concerning Accident Reporting and Examination Procedures

Regulation of the Minister of Manpower Number 75 of 2002 concerning Implementation of SNI No. 04-0225-2000 regarding General Requirements for Electrical Installation 2000 (PUIL 2000) in the Workplace

Minister of Manpower and Transmigration Regulation No. PER.13 / MEN / X / 2011 concerning Threshold Values and Chemical and Physical Factors in the Workplace

Minister of Home Affairs Regulation Number 52 of 2014 concerning Guidelines for the Recognition and Protection of Indigenous People

Joint Decree of the Minister of Manpower and the Minister of Public Works No. 174 of 1986 there is 104/KPTS/1986 concerning Safety and Health at Construction Activities Sites

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3. Explanation of Environmental and Social Standard

A. Assessment and Management of Environmental and Social Risks and Impacts (ESS-1)

The first standard emphasizes the importance of managing environmental and social aspects in conducting a business/activity. Compliance with environmental and social regulations is a dynamic and sustainable process that starts with management involving companies, governments and communities. Compliance with environmental and social regulations is a prerequisite before the project starts, which includes business permits, location permits, land use permits and other permits that are regulated in accordance with statutory regulations. Compliance with these regulations includes elements of business processes from "planning, implementation, monitoring and improvement", the implementation of which has been through the assessment of environmental and social impacts, as well as preparing mitigation and managing the identified risks.

The benefits of implementing ESS-1 are:


- i) To ensure that the necessary environmental and social permits are obtained as part of the government's efforts to identify, assess and manage positive and negative environmental impacts and risks, as well as business/activity continuity prior to the implementation of a project;
- ii) To identify environmental, social, health, safety risks and impacts as well as impacts and risks on local communities, with the continued aim of eliminating or reducing negative impacts, and where possible, to increase positive impacts;
- iii) To support the preservation of natural resources and the optimal use of energy and water resources;
- iv) To achieve transparency and community participation in the process of assessing and mitigating environmental and social risks through the implementation of appropriate community participation, Free, Prior, Informed Consultation (FPIC) (where relevant and necessary, for example impacting indigenous peoples), public consultation, information disclosure, and implementation of grievance mechanism for affected communities and the public; and
- v) To carry out regular evaluations in order to improve the environmental and social performance of the business/activity.

Scope of Application

The application of the first standard in business/activity emphasizes on the environmental and social related permits required. Thus, environmental and social impacts can be managed in a sustainable manner.

Provisions


The Company requires environmental and social studies for business/activity that expect financing and project development services to help ensuring that these business/activity are environmentally friendly and sustainable.

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- i) Environmental assessment is a process whose scope, depth, and type of analysis depend on the type, scale and potential environmental impacts of the proposed business/activity, including direct, indirect, cumulative and derivative impacts. The environmental assessment will evaluate the potential environmental impacts and risks in the area affected by the business/activity; study business/activity alternatives; identify ways to improve business/activity options, location, planning, design and implementation by preventing, reducing, minimizing, or compensating for adverse environmental impacts and enhancing positive impacts; includes the process of mitigating environmental impacts throughout the implementation of the business/activity. Where possible, business/activity will be encouraged to prioritize preventive measures over countermeasures or compensation measures.
- ii) Environmental assessment considers physical components and the natural environment (air, water and soil); public health and safety; social aspects (involuntary resettlement, indigenous peoples, and physical cultural heritage) and livelihoods related to environmental resources; as well as cross-border environmental aspects. Environmental assessment looks at physical, natural and social aspects in an integrated manner. The environmental assessment also considers the conditions of the business/activity; national policy frameworks; laws and regulations; and the capacity of client/debtor/investee related to environmental and social aspects; international agreements that have been ratified.
- iii) Environmental assessment begins as early as possible in the business/activity assessment process and should be combined with economic, financial, institutional, social and technical assessment of the business/activity wherever possible.
- iv) The Company conducts environmental screening on all proposed business/activity to determine the scope level and type of environmental assessment. The Company classifies business/activity based on the type, location, sensitivity, scale and type of business/activity, as well as the magnitude of the potential environmental impact. The impacts referred to can be in the form of direct, indirect, cumulative impacts and derivative impacts.
- v) The business/activity must have a permit, according to the provisions of laws and regulations before the business/activity is carried out, and submit business/activity reports regularly to the related institutions. If there is a permit that has expired, then the business/activity must extend the permit, or submit information on changes if this is required by the permit.
- vi) If the business/activity does not have environmental and social related permits, then from environmental and social standpoint, the project is not recommended to receive financing from PT SMI, unless there are special considerations such as on national priority and strategic projects. In these projects, approval from PBM through the committee will be required.

B. Labor and Working Condition (ESS-2)

The second standard emphasizes efforts for economic growth through the aspects of employment and fair and reasonable income as basic rights of workers. For all business/activity, the labor is

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an invaluable asset, and a good relationship between workers and management is the key to the company's progress and productivity. Failure to maintain good relations can reduce worker commitment, which in turn can disrupt business/activity. By having a constructive relationship between workers and management, and treating workers fairly and providing safe and healthy working conditions, business/activity will benefit from increased productivity.

The benefits of implementing ESS-2 are:

- i) To create, improve and maintain relationships between management and workers;
- ii) To encourage the fair treatment without discrimination and equal opportunities for workers and efforts to comply with the Manpower Act;
- iii) To protect workers by avoiding child labor and forced labor; and
- iv) Encouraging the conditions of working and housing (if provided by the company) that are safe and healthy, as well as to protect and encourage the improvement of workers' health.

Scope of Application

At the project level assessment, the application of this standard covers the construction and operation phase. The labor referred to in this standard can include permanent workers, contract workers, and third party workers (outsourcing).

Provisions

The explanation in Chapter IV is quite clear.

C. Pollution Prevention and Abatement (ESS-3)

The third standard emphasizes the importance of preventing and reducing pollution in business/activity.

The benefits of implementing ESS-3 are:


- i) Prevent or reduce negative impacts on human health and environmental quality by avoiding or minimizing pollution due to business/activity; and
- ii) Encouraging the reduction of greenhouse gases that contribute to global warming.

Provisions

The explanation in Chapter IV is quite clear.

D. Safety, Health, and Security (ESS-4)

This fourth standard not only focuses on business/activity and infrastructure development that brings benefits to society in economic growth, but also efforts to reduce the potential risk exposure and impact of business/activity on society that arise from workplace accidents due to equipment failure, structure, transmission of hazardous and toxic materials, hazardous and toxic waste, as well as security issues. This standard is used as an obligation of client/debtor/investee in

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conducting business/activity, to prevent, minimize risks and impacts on safety, health and security arising from business/activity.

The benefits of implementing ESS-4 are:

- i) Prevent and minimize risks and impacts on the health, safety and security of workers and the surrounding community in routine and non-routine activities; and
- ii) Ensure that the protection of personnel and property is carried out properly in order to prevent or minimize risks to public safety and security.

Provisions

Occupational Health and Safety

In conducting business/activity, the client/debtor/investee measures the risks and impacts on the safety and health of workers and the affected community from the time of design, construction, testing and operation of the business/activity, and makes preventive measures to solve the problem. These measures, according to the identified risks and impacts, can support the prevention of risks and impacts through reducing and minimizing hazards.

Infrastructure and Equipment Safety

Structural elements or components of the design, construction, testing and operation of the business/activity must comply with applicable laws and regulations and must consider potential hazards, particularly if these structural elements are accessible to the public or if structural failure occurs during the construction and operation period can result in injury to a person. Structural elements should be designed and constructed by qualified, experienced and certified experts or certified by a government agency, in other words, by competent professionals. For business/activity that operate mobile equipment on public roads and other infrastructure projects, the client/debtor/investee management must make every effort to prevent incidents and accidents.

Environmental and Natural Resource Issues


In conducting business/activity, client/debtor/investee must avoid or minimize the potential for natural disasters such as landslides or floods that may arise due to changes in land use related to business/activity. The client/debtor/investee will prevent or minimize the negative impact that is detrimental due to business/activity related to land, water and other natural resources used by the surrounding community.

Adjustment to Climate Change Impacts

In conducting business/activity, client/debtor/investee need to encourage various steps to adapt to the impacts of climate change. These measures aim to minimize the impact of climate change on society and reduce vulnerability and increase community resilience to face climate change-related risks in various sectors.

Disease Exposure on Community

In conducting business/activity, client/debtor/investee avoid or minimize the potential for exposure on diseases due to business/activity. If the disease that arise in the affected community is endemic, the client/debtor/investee must monitor and encourage the opportunity to improve

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environmental health conditions during the business/activity conducted so as to reduce the enormity of exposure.

Emergency Preparedness and Response

In conducting business/activity, the client/debtor/investee assesses the potential risks and impacts of the business/activity and informs the surrounding community about significant hazards in a manner appropriate to local culture. Client/debtor/investee can work together with community leaders and local governments in preparing emergency responses so that emergency handling can be carried out effectively. The client/debtor/investee must document emergency response activities, tools and equipment, the emergency response team, and the person in charge in an emergency, as well as convey relevant information regarding other relevant action plans or documents to workers, surrounding communities, and government agencies.

Security Personnel


In conducting business/activity, client/debtor/investee hires employees or contractors to provide security personnel for workers and property. The client/debtor/investee also assesses the risks within and outside the proposed project area carried out by the security company. In preparing these arrangements, client/debtor/investee is guided by the principles established by the Indonesian National Police in terms of recruitment, training and implementation of the security system. The client/debtor/investee must instruct security personnel not to take repressive measures. The security unit functions to prevent and support security in accordance with police regulations based on the nature and scope of business/activity security threats. The client/debtor/investee needs to ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to affected persons

Dam Safety

When the Company finances a business/activity related to the construction of a new dam, it is required that the dam is designed and its construction is supervised by experienced and competent experts; (i) For dam construction that is higher than 15 (fifteen) meters, the client/debtor/investee will appoint a panel of experts consisting of 3 (three) people or more, (ii) For dams of less than 15 (fifteen) meters, the dam must be designed by competent experts. Dam construction must be consulted with the Dam Safety Commission as per the prevailing laws and regulations.

E. Land Acquisition and Involuntary Resettlement (ESS-5)

The fifth standard focuses on managing the social risks of land acquisition and involuntary resettlement activities. Resettlement or population relocation consists of physical and economic displacement (loss of assets or access to assets resulting in loss of income source or livelihood activities) as a result of land acquisition for business/activity. Involuntary relocation of communities occurs when the impacted individuals or communities do not have the right to object to the land acquisition plan and this will lead to involuntary relocation.

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Involuntary resettlement can result in harsh conditions and long-term poverty in impacted people and communities, as well as environmental damage and social pressure in the new places to which they are displaced, if these problems are not properly addressed.

The benefit of implementing ESS-5 are:

- i) To reduce the social and economic adverse impacts of land acquisition on people impacted by land use by: (i) compensating for the loss of assets equal to replacement cost; and (ii) ensure that resettlement activities are carried out properly by providing disclosure of information, consultation and participation to those impacted;
- ii) To avoid adverse impacts or minimize the risk of resettlement; and
- iii) To improve or at least restore the livelihoods and standard of living of displaced persons.

Scope of Application

This standard does not apply to resettlement based on land transactions that are mutually beneficial/willing buyer-willing seller. The implementation of this standard will also be adjusted to the conditions of the business/activity, especially if the client/debtor/investee is not the party responsible for implementing land acquisition.


The application of this standard is carried out in the environmental and social assessment process to comply with the provisions in the laws and regulations regarding land acquisition which have a negative impact on the economic, social, or environmental aspects of the business/activity. Land acquisition can result in loss of access to assets or resources or restrictions on land use; thus, these impacts must be avoided, minimized, mitigated, or compensated through a fair process according to the principle of mutual benefit.

Land acquisition and resettlement measures must be carefully planned and implemented through the preparation of land acquisition planning documents, which can consist of: (1) socio-economic surveys; (2) location eligibility; (3) cost and benefit analysis; (4) estimated land value; (5) environmental and social impacts; and (6) other studies that are needed.

This applies to all components of the business/activity resulting in resettlement, regardless of the source of financing. This also applies to other activities that result in resettlement which are included in the company's assessment:

- i) Regarding the business/activity funded by the Company with low, medium and high risk;
- ii) It is necessary to achieve its objectives as set out in the business/activity document; and
- iii) Implemented or will be carried out simultaneously with the business/activity.

Resettlement requirements apply to both full or partial, permanent or temporary physical displacement (relocation, loss of residential land, or loss of residence) and economic displacement (loss of land, assets, access to assets, sources of income, or means of livelihood) as a result of (i) involuntary land acquisition (ii) forced restrictions on land use or on access to designated parks and protected areas. Resettlement is considered involuntary when the displaced individual or community does not have the right to object to land acquisition that resulted in displacement. Generally, this land acquisition is land acquisition for business/activity aimed at public interest.

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Business/Activity Design

In conducting business/activity, client/debtor/investee considers the design of the business/activity that is technically and financially feasible to avoid or at least minimize physical or economic displacement by force.

A proposed business/activity is included in one of the following categories depending on the likelihood of involuntary resettlement impacts:

- i) Category A: the proposed business/activity is included in category A if it has a significant involuntary resettlement impact. Documents that need to be prepared may include land acquisition and resettlement action plans;
- ii) Category B: the proposed business/activity is included in category B if there is an insignificant impact of involuntary resettlement. Documents that need to be prepared may include land acquisition and resettlement action plans; and
- iii) Category C: the proposed business/activity falls into category C if there is land acquisition but there is no involuntary resettlement. Documents that need to be prepared may include a land acquisition plan.


The resettlement category of a business/activity is determined by the category of business/activity component that is most sensitive to the impact of involuntary resettlement. The impact of involuntary resettlement in a business/activity is considered significant if there are 200 (two hundred) communities or more who experience a major impact, which is defined as (i) physically displaced from their homes, or (ii) losing 10% (ten percent) or more of their productive assets (income-generating). The level of accuracy and completeness of the resettlement action plan will be commensurate with the significance of the potential impacts and risks.

Compensation, Assistance, Benefits for Involuntarily Displaced Persons

If the displacement is unavoidable, then the client/debtor/investee must provide replacement land or compensation for loss of assets which can be in the form of replacement costs for land and buildings, moving allowance assistance or other assistance to help them improve or at least restore their livelihoods.

People who are involuntarily displaced can consist of 3 (three) groups: (i) people with legal rights to land who have lost all or part of their land; (ii) people who lose the land they occupy in whole or in part who do not have formal legal rights to the land, but have a claim to that land that is approved or recognized under the law; and (iii) people who lose the land they occupy in whole or in part who do not have either formal legal rights or recognized claims to that land. Resettlement requirements apply to all 3 (three) types of displaced persons.

The client/debtor/investee can provide worthy and adequate land and buildings replacement or cash compensation equivalent to full replacement cost for land and buildings, appropriate compensation for partially impacted buildings, and assistance for relocation (if there is relocation), for people who were involuntarily moved prior to relocation. The client/debtor/investee compensates for the loss of assets other than in the form of land, such as houses, and also for other

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repair costs on land, at full replacement cost. Compensation is only given if the recipient of the compensation has occupied the land or building in the business/activity area before the cut-off date.

The compensation value for houses, land and other assets can be calculated at full replacement cost based on the valuation of an independent appraiser. The calculation of full replacement cost can be based on the following elements: (i) fair market value; (ii) transaction fees; (iii) accrued interest; (iv) transition and cost recovery; and (v) other applicable payments, if any. Where information regarding fair market value is not available, the client/debtor/investee consults involuntary displaced persons and local communities to obtain sufficient information on recent land transactions, land values by type, land titles, land use, patterns of planting and crop production, availability of land in the area of the business/activity, and other related information. The client/debtor/investee also collects basic data on housing, type of house, and construction materials. Qualified and experienced experts make an appraisal of the acquired assets. In applying the valuation method, depreciation of the value of buildings and assets is not taken into account.

Physical Displacement


If communities living in the business/activity location must be relocated to another place, then the client/ debtor/investee needs to: (i) offer those who are relocated possible options, including suitable replacement housing or appropriate compensation, (ii) provide relocation assistance according to the needs of each group of citizens with special attention to the poor and vulnerable groups with equal access to employment and production opportunities, civil infrastructure and services required by the community; (iii) provide transitional support and development assistance, such as land development, credit facilities, training or employment opportunities; and (iv) provide opportunities for impacted communities to obtain appropriate development benefits from the business/activity.

If Indigenous Peoples are to be physically relocated from their customary land location, then client/debtor/investee will need to comply with the conditions outlined in the Indigenous Peoples Standard (ESS-7).

Economic Displacement

If land acquisition for the project results in loss of income or source of livelihood, the client/debtor/investee follows the following rules:

- i) Provide economic compensation to those displaced for loss of assets or access to assets at full replacement cost.
- ii) If the land acquisition affects commercial buildings, compensation needs to be paid to the business owner for the costs of rebuilding his business activities elsewhere and the costs of moving equipment, reinstalling factories, machinery, or other equipment.
- iii) Provide land compensation for people entitled to the land by showing proof of ownership of the land, which is approved or can be legalized by statutory regulations.

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- iv) Provide compensation to displaced persons who do not have legal claims on land, such as agricultural land, infrastructure and irrigation, at full replacement cost in accordance with applicable laws and regulations.
- v) Provide additional assistance such as training, job opportunities, as well as opportunities to improve or restore their ability to earn a decent living.

If needed, studies related to social aspects can be carried out which can include socio-economic surveys and censuses, on the basis of appropriate socio-economic data to identify all the displaced persons and to analyze the socio-economic impact on them. For this purpose, usually a certain cut-off date will be determined based on statutory regulations. Information regarding the cut-off date will be documented and announced in all areas of business/activity.


The results of these additional social studies may include (i) past⁵, present and potential future impacts, (ii) inventories of displaced persons and their assets, (iii) assessments of their income and livelihoods, and (iv) information disaggregated by gender in relation to the economic and socio-cultural conditions of the displaced person. The potential social impacts and risks of the business/activity will be reviewed against the requirements presented in this document and the applicable laws and regulations. This study can be a supporting study that is separate from the Amdal and/or LARAP (Land Acquisition and Resettlement Action Plan) documents

Involuntary Resettlement and Implementation

The client/debtor/investee prepares a resettlement action plan, if involuntary resettlement cannot be avoided. The client/debtor/investee needs to conduct a census including baseline economic and social conditions to identify those who should be relocated to determine who is entitled to compensation and who is not. The local government needs to be involved as part of the land acquisition committee. Those who are involuntarily displaced are those who: (i) have legal rights to the occupied land; (ii) have no legal rights, but claims the land, and is approved or can be approved by law or (iii) have no legal rights or claims to the occupied land. If no government procedure is in place, the project will determine a cut-off date for entitlement. Information regarding the cut-off date will be well documented and announced in all areas of the business/activity.

The objective of the resettlement action plan is to ensure that the livelihoods and living standards of displaced persons will improve, or at least be the same as before the business/activity (physically and economically), and that the living standards of the poor and vulnerable will improve, not just recover, by providing them with adequate housing, secure land tenure, and a stable source of income and livelihood. How detailed and complete the resettlement action plan is commensurate with the magnitude of the involuntary resettlement impact.

⁵ Identifying potential previous social impacts that can be used as a reference for predicting impacts that may arise in the future and how to reduce them. This method will be applied through due diligence study reports and action plans (Environmental and Social due diligence reports and Corrective Action Plans - ESDD - CAP); see Annex 7.

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Resettlement action plans need to be developed based on existing social impact assessments and spatial planning to find alternative locations through Meaningful Consultations with impacted people. A resettlement action plan will include measures to ensure that displaced persons: (i) are informed of their options and rights regarding their compensation, relocation and rehabilitation; (ii) to the extent possible conduct consultation on resettlement options; and (iii) provide resettlement alternatives.

In the process of identifying resettlement impacts and resettlement planning, and implementation, client/debtor/investee should pay appropriate attention to gender issues, including special measures to address the needs of a household headed by a woman, consultation on gender aspects, information transparency, and grievance mechanisms, to ensure that both men and women receive adequate and appropriate compensation for their lost property and resettlement assistance, as well as assistance to restore and improve their income and standard of living. For business/activity that have an impact on Indigenous Peoples that must be relocated, client/debtor/investee needs to prepare and implement an Indigenous Peoples Plan (IPP) which implements consultation by providing information from the start and convey without coercion, prior to the business/activity implementation (FPIC - Free, Prior, and Informed Consent).

Standard of Living Restoration Plan and Implementation


If the impacted communities do not agree with the compensation offer that meets the requirements of this procedure, then expropriation of land rights or other legal procedures can be followed. Client/debtor/investee needs to seek opportunities to collaborate with government agencies that are responsible for or involve intermediary organizations such as universities, NGOs or trusted and impartial organizations that can play an active role in resettlement planning, implementation and monitoring.

The implementation of the resettlement action plan and/or standard of living restoration plan is said to have been completed if the adverse impacts of resettlement have been handled, consistent and in line with the plans and objectives of this procedure. The client/debtor/investee must document all transactions to acquire land rights, as well as compensation measures and relocation activities. The client/debtor/investee also needs to establish procedures to monitor and evaluate the implementation of the resettlement action plan and take corrective action as necessary. Resettlement activities can be considered complete when the adverse impacts of resettlement have been dealt with in a manner consistent with the objectives stated in the resettlement action plan or framework and the objectives of this procedure. Evaluation of the implementation of the plans prepared can include:

- i) Overview of all mitigation measures implemented;
- ii) Comparison between implementation results and agreed objectives; and
- iii) Conclusion when the monitoring process can be ended.

Vulnerable Groups and Gender Consideration

Client/debtor/investee needs to pay special attention to and ensure that vulnerable groups and women have received appropriate compensation. According to Law Number 39 of 1999 concerning Human Rights and Human Rights Reference, vulnerable groups can consist of the

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elderly, children, the poor, pregnant women, people with disabilities, refugees, displaced people (Internally Displaced Persons/IDPs), minority groups, migrant workers, and indigenous people. The client/debtor/investee needs to ensure that the woman who is the *de-facto* head of the household is clearly registered as a beneficiary of compensation. To ensure this, some possible actions include:


- i) The impact assessment will disaggregate impacted people according to sex (or according to vulnerable people) and will clearly show the number of households headed by women (or vulnerable persons) and their socioeconomic status;
- ii) Women and vulnerable groups need to be encouraged to participate actively in all consultations and negotiations related to land acquisition and resettlement, facilitated by women's groups;
- iii) If necessary, mitigation steps/measures for vulnerable groups/women will be prepared which can be included in the resettlement action plan;
- iv) All compensation to be paid to households headed by women will only be given to female heads of households; and
- v) Monitoring and evaluation of the resettlement action plan will pay special attention to the impact of resettlement on women and vulnerable groups.

Information Disclosure

The client/debtor/investee submits a copy of several documents on the implementation of land acquisition and resettlement to the Company to be published on the website of the Company and client/debtor/investee (publication will be adjusted to the condition of the Company and the client/debtor/investee). These documents may include: (i) a draft resettlement action plan and/or resettlement framework; (ii) the final resettlement action plan endorsed after the census of the impacted population has been completed; (iii) new or updated resettlement action plans and improvement plans; and (iv) resettlement monitoring reports. The client/debtor/investee needs to provide relevant resettlement information, including information from the above documents in a timely manner, in an accessible place and in a form and language that is understood by impacted persons and other stakeholders. For illiterate persons, it is necessary to use other suitable communication methods.

Consultation

The client/debtor/investee needs to conduct Meaningful Consultation with impacted persons, local communities and civil society for any business/activity identified as having a resettlement impact. Meaningful Consultation is a process which (i) starts at the beginning of the business/activity preparation phase and is carried out on an ongoing basis throughout the business/activity cycle; (ii) provide relevant and adequate disclosure of information that is understandable and easily accessible to impacted people; (iii) is conducted in an atmosphere free from intimidation or coercion; (iv) includes gender aspects and is responsive, and adjusted to the needs of disadvantaged and vulnerable groups; and (v) allows the incorporation of all relevant views of impacted people and other stakeholders into decision making, such as design, mitigation measures, sharing of development benefits and opportunities, and implementation issues.

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Wherever possible consultation is carried out in a manner commensurate with the impact on the impacted communities. Client/debtor/investee needs to pay special attention to the needs of disadvantaged or vulnerable groups, especially those below the poverty line, landless, elderly people, women heads of household, women and children, Indigenous Peoples, and those who does not have a land title.

The client/debtor/investee needs to facilitate the grievance mechanism and open up opportunities for the impacted community to participate in the business/activity. This mechanism can also involve local governments in decision-making processes related to resettlement including monitoring and evaluation of compensation and other compensation payments.

Information disclosure is necessary to continue throughout the implementation, monitoring and evaluation of compensation payments, livelihood restoration activities and resettlement activities to achieve results consistent with the objectives of this procedure.


Grievance Redress Mechanism

The client/debtor/investee needs to establish a meeting mechanism to accommodate grievances and discuss specific issues regarding compensation of displaced persons or members of the local community, including problem-solving mechanisms, paying special attention to impacts on vulnerable groups. The complaint redress mechanism must be adjusted to the level of risk and impact of the business/activity. This mechanism is needed so that it can immediately respond to problems and grievances from impacted parties, use a process that is understood and transparent, which is gender sensitive, culturally appropriate, and easily accessible for impacted people, without fees and charges. These mechanisms should not prevent access to state legal or administrative remedies. The client/debtor/investee needs to inform the impacted persons of the existence of this mechanism.

Monitoring and Reporting

The client/debtor/investee needs to monitor and measure the progress of implementing the resettlement action plan. The amount of monitoring activities will be adjusted to the risks and impacts of the business/activity. Besides keeping record of the progress of compensation payments and resettlement activities, the client/debtor/investee also needs to prepare a monitoring report to ensure that the resettlement implementation has shown satisfactory results. For business/activity that have a major resettlement impact, it is necessary for the client/debtor/investee to employ experienced external experts or a qualified NGO to check activity monitoring information. Until the planning documents are formulated, disclosed, and approved, the client/debtor/investee is not expected to carry out a business/activity stage that has a resettlement impact.

The client/debtor/investee needs to prepare a monitoring report every six months that contains progress on implementation, compliance issues and improvements to the resettlement activities. This report will follow the resettlement monitoring indicators that have been approved in the resettlement action plan approval. Requirements for internal and external resettlement monitoring are included in the business/activity budget.

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F. Biodiversity Conservation and Natural Resources Management (ESS-6)

This standard focuses on how client/debtor/investee can avoid or reduce threats to biodiversity that may arise from business/activity and how to manage natural resources with the aim of conserving biodiversity and to encourage the use of natural resources as planned and directed in sustainable manner.

The benefits of implementing ESS-6 are:


- i) Protect and conserve biodiversity.
- ii) Promote sustainable development and the use of natural resources by implementing conservation in an integrated manner.

Scope of Application

This standard is applied in the environmental and social assessment process to comply with laws and regulations related to biodiversity and conservation of natural resources. Protection and conservation of biodiversity, a variety of life in various forms, including genetic diversity, species and ecosystems are very important aspects in sustainable development.

The components of biodiversity consist of ecosystems and habitats, species and communities. As detailed in **Annex 1** regarding the list of investment exclusion, the Company does not finance or provide services to business/activity that result in and involve, directly or indirectly, upon:

- i) Alteration or degradation of critical habitats or natural habitats, except:
 - a. For natural habitat
 - i. No alternatives are available.
 - ii. A comprehensive analysis demonstrates that the overall benefits from the project will substantially outweigh the project costs, including environmental costs.
 - iii. Any conversion and degradation is properly mitigated.
 - b. Mitigation measures will be developed so that at least no net loss of biodiversity can be achieved. Mitigation measures can be a combination of several actions, restoration of habitat after completion of the business/activity, offset of losses through creation or effective conservation of ecological equivalent areas which are managed for biodiversity while respecting the sustainable use of such biodiversity by Indigenous Peoples, and compensation to direct users of biodiversity.
 - c. For Critical Habitat
 - i. There are no measurable adverse impacts, or likelihood of such, on the critical habitat which could impair its high biodiversity value or the ability to function.
 - ii. The business/activity is not anticipated to lead to a reduction in the population of any recognized endangered or critically endangered species or a loss in area of the habitat concerned such that the persistence of a viable and representative host ecosystem be compromised.
 - iii. The smaller impacts will be mitigated in accordance with article b above.

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- ii) Conversion, cutting, burning, or commercial logging operations of humid tropical primary forest or primary forest that is included in the area of suspension of permit issuance;
- iii) Destruction, vegetation cutting, drainage, burning, commercial or small-scale logging, development of plantations or agriculture on peatland with a protection function or peat with a depth of more than 3 (three) meters;
- iv) Destruction, plants cutting, drainage, or burning of freshwater wetlands which have a protective function and/or are prohibited under statutory regulations;
- v) Significant destruction, plants cutting, drainage or burning of mangroves and/or without proper management and/or prohibited under statutory regulations; or
- vi) Mining or excavation of live coral, or development that will disturb and destroy coral reef habitats that are not accompanied by appropriate management.

Provisions

Habitat

Habitat destruction is a major threat to biodiversity. Habitats can be grouped into 1) natural habitats, namely Land and water areas where the biological communities are formed largely by native plant and animal species, and where human activity has not essentially modified the area's primary ecological functions; and 2) altered/modified habitats, namely habitats that have been changed with the presence of non-native plants and animals. Both habitat types can support diversity at all levels, including endemic and threatened species.


Critical Habitat

Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value, including habitat required for the survival of critically endangered or endangered species; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or that are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic, or cultural importance to local communities.

In critical habitat areas, business/activity are carried out with due consideration:

- (i) there is no measurable impact on critical habitats that can interfere with its function as habitat,
- (ii) there is no population decline, and
- (iii) reduce any other smaller impacts. If the business/activity is located within a legally protected area, additional programs may be required to develop and enhance the conservation objectives of the protected area. In areas of natural habitat, the client/debtor/investee needs to limit significant conversion or degradation, unless (i) no alternatives are available, (ii) the overall benefits from the business/activity substantially outweigh the environmental impact cost, and (iii) all land conversion or degradation must be mitigated. Client/debtor/investee need to use a precautionary approach to the use, development and management of renewable natural resources.

Legal Protected Area

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If the business/activity is located within area that are protected by law, the client/debtor/investee should meet the following conditions:

- i) Act consistently with the protected area management plan.
- ii) Facilitating communication and consultation forums between stakeholders (including protected area management) and local communities.
- iii) Implement additional programs to develop and achieve the objectives of protected conservation areas.
- iv) Do not intentionally place or bring new species to the business/activity location, unless permission is obtained from the authorities.

Protected Forest

As stated in the list of exclusions for the Company's projects as described in the Annex, if the business/activity is located in a natural forest area, inside or in contact with a protected forest or nature reserve, then the business/activity must obtain a permit from the authorities. The business/activity should not cause any land conversion or degradation of critical habitat, humid tropical forest, primary forest, mangrove forest, freshwater wetland forest, including peat swamp forest if it does not have permission from the authorities. In addition, client/debtor/investee need to ensure that all natural ecosystems and protected forests and deep peatlands (with a peat depth of more than 3 (three) meters) are not directly or indirectly converted, degraded, burned, drained, or developed in any way.

Use of Surface Water and Groundwater

Business/activity that need to use surface water and groundwater should assess environmental and social issues and mitigate any risks that may arise. All use of surface water and groundwater requires a permit from the authorities.

G. Indigenous People (ESS-7)


This standard focuses on managing risks to Indigenous Peoples who are affected by a business/activity.

The benefits of implementing ESS-7 are:

- i) To protect and assist indigenous peoples and local communities from the impacts of development that are not in accordance with their educational, social and cultural backgrounds.
- ii) To encourage/invite indigenous peoples and local communities to become development partners who obtain social and economic benefits from the business/activity.

Scope of Application

The provisions of this standard are relevant for environmental and social assessments carried out at the project level.

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Indigenous peoples refer to social groups that have an identity that is different from the dominant group in society. Their economic, social and legal status is limited to defending their interests and rights to their land, natural resources and culture. They also have limitations to participate in and benefit from development. They are vulnerable, especially if their land and resources are used and damaged by outsiders. The languages, cultures and resources that form the backbone of their livelihoods can also be threatened and exposed to change by outside communities.

In addition, the Ministry of Social Affairs has made a list of Remote Indigenous Communities (KAT – *Komunitas Adat Terpencil*, source: <https://kemsos.go.id/content/kat>), which can be used as a reference by a business/activity.

The local community is the community living in the vicinity of the impacted business/activity location according to the description of the Amdal document or other related project study. Local community does not always mean Indigenous People, because it could be that the local community is the dominant group, economically, socially, and politically in the area around the business/activity. Unlike the Indigenous Peoples, they are not an "empowered" group politically, socially and economically.

In conducting business/activity, client/debtor/investee can open opportunities for Indigenous Peoples and local communities to participate and benefit from business/activity so as to help them achieve their aspirations for economic and social development. They can also play a role in sustainable development by supporting and managing activities as joint development.

Furthermore, if a community group indicated as a remote indigenous peoples are found in business/activity location, the person in charge of the business/activity shall coordinate with the local Social Service/Agency.


For business/activity that have the potential to impact indigenous peoples, a consultation process needs to be undertaken to provide information from the start and to be communicated without coercion (FPIC - Free, Prior, and Informed Consent) and facilitate the participation of those impacted to be informed on matters impacting them directly, such as proposed mitigation measures, sharing development benefits and opportunities, and implementation issues.

FPIC can apply to the design, implementation and expected outcomes of business/activity related to impacts on indigenous peoples. If any of the above conditions occur, the client/debtor/investee needs to employ external experts to assist in identifying the risk of the business/activity. To achieve FPIC, unanimity is not always necessary. FPIC can also be achieved when a person or group in the community raises an explicit objection. In some cases where no solution is found, the client/debtor/investee may engage an intermediary organization. Matters that need to be documented include: (i) the process approved by the client/debtor/investee and the impacted community; and; (ii) proof of agreement between the two parties as a result of negotiations.

This standard is applied in the environmental and social assessment process to comply with the provisions of the environmental and social management system stipulated by laws and regulations regarding Indigenous Peoples.

Provisions

Business/Activity Design

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The proposed project is included in one of the following categories depending on the level of importance of the potential impact on indigenous peoples:

- i) Category A. The proposed business/activity is categorized as A if it has a major impact on indigenous peoples. Documents that need to be prepared could include indigenous peoples plans.
- ii) Category B. The proposed business/activity is categorized as B if it has limited impact on indigenous peoples. Documents that need to be prepared could include indigenous peoples plans.
- iii) Category C. The proposed business/activity is categorized as C if it is not expected to have an impact on indigenous peoples. No further action required.

Prevention of Adverse Impact

Through an environmental and social assessment process, client/debtor/investee identify Indigenous Peoples who are potentially impacted in the business/activity location, as well as the types and levels of social, cultural and environmental impacts that occur and as far as possible must prevent adverse impacts.


If prevention is not possible, the business/activity management must suppress, minimize, or compensate the impacted parties according to local cultural wisdom.

Informed Consultation and Participation

In conducting business/activity, client/debtor/investee, wherever possible, carries meaningful consultations with impacted indigenous peoples to ensure their participation in (i) design, implementation and monitoring measures to avoid adverse impacts on them or, if unavoidable, minimize, reduce and compensate for these impacts; and (ii) adjust the benefits of business/activity obtained by the communities impacted in a manner consistent with the culture of the communities.

Meaningful Consultation is a process in which (i) begins at the beginning of a business/activity and is carried out on an ongoing basis throughout the business/activity cycle; (ii) provide timely, appropriate and adequate disclosure of project information that is understandable and information is available and easily accessible to impacted people; (iii) is conducted in an atmosphere free from intimidation or coercion; (iv) takes into account gender aspects, is responsive, and is adjusted to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of impacted people and other stakeholders in decision making, such as business/activity design, mitigation measures, benefit sharing and development opportunities, and business/activity implementation issues. Consultations need to be carried out in a manner appropriate to the magnitude of the impact on the impacted communities. The consultation process and its results need to be documented and reflected in the Indigenous Peoples Plan (IPP).

In conducting business/activity, client/debtor/investee should build sustainable relationships as early as possible with the impacted Indigenous Peoples. The community engagement process must be culturally appropriate as well as the potential risks and impacts to indigenous peoples. This process includes the following steps:

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- i) Include representative organization of indigenous peoples, namely elders associations, village groups, tribal heads and village heads.
- ii) Provide the time needed for indigenous peoples to carry out consensus and democratic processes (deliberation to reach consensus) in decision making.
- iii) Facilitating indigenous peoples so that indigenous peoples can express their views in their own culture and language, without interference, coercion or intimidation.

If the screening carried out by the Company confirms that there is a potential impact on indigenous peoples, and if the impact on indigenous peoples is identified, then the client/debtor/investee needs to prepare an Indigenous Peoples Plan (IPP) document in relation to a feasibility study. The potential risks and social impacts of the business/activity will be assessed based on the requirements in this document, as well as based on the prevailing laws and regulations in project activities related to Indigenous Peoples. If needed, additional studies on social aspects can be carried out. This additional social study will be carried out as a stand-alone activity.


In the implementation of this additional social assessment, gender sensitivity will be considered and in consultation with the Indigenous Peoples, identification of the affected Indigenous Peoples and the potential impacts of the proposed business/activity on them. The results of this additional social assessment will provide a basic socio-economic profile of the Indigenous Peoples in the business/activity location and zone affected by the business/activity; assessing the ease of access and opportunities for indigenous peoples to basic social and economic services; short-term and long-term impacts of the business/activity, direct and indirect impacts, positive and negative impacts on the social, cultural and economic status of each group, assessing and validating which indigenous groups will trigger Indigenous Peoples policy principles; and assessing approaches and resource requirements to address various problems and issues of business/activity that have an impact on Indigenous Peoples.

Indigenous Peoples Plan

If the social screening and assessment in Andal shows that the proposed business/activity will have a positive and/or negative impact on Indigenous Peoples, then the client/debtor/investee needs to prepare as much as possible an Indigenous Peoples Plan (IPP) in the context of the social assessment in Andal, compiled through Meaningful Consultations with impacted Indigenous Peoples. The IPP will establish the steps under which the client/debtor/investee will ensure that (i) impacted Indigenous Peoples receive social and economic benefits in accordance with their culture and customs; and (ii) that when potential adverse impacts on indigenous peoples are identified, these impacts will be avoided to the maximum extent possible. If the prevention of impacts can be proven to be inevitable, based on the results of Meaningful Consultations with Indigenous Peoples, the IPP will outline measures to minimize, mitigate and compensate for adverse impacts.

Ancestral Territories and Land and Related Natural Resources

Indigenous Peoples are closely related to land, forests, water, wildlife and other natural resources, and therefore special consideration is applied if the business/activity impacts the Indigenous Peoples' attachments. In this situation, when carrying out social impact assessments and preparing

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Indigenous Peoples Plans (IPPs), the client/debtor/investee needs to pay particular attention to the following:

- i) Customary rights of indigenous peoples, both individually and collectively, in relation to their ancestral territories, lands or territories that they traditionally own or use, which they customarily occupy, and where access to natural resources is essential for cultural sustainability and livelihood systems;
- ii) The need to protect ancestral territories, lands and resources against disturbance and interference from outside;
- iii) The cultural and spiritual values of indigenous peoples to these lands and resources;
- iv) Indigenous peoples' natural resource management practices and long-term sustainability; and
- v) The need to restore the livelihood systems of indigenous peoples who have been displaced from their lands.

Impact of Indigenous Peoples Land Use

Indigenous peoples are often associated with traditional or customary lands. If the land is not legally owned under statutory regulations, land use which includes seasonal use by indigenous peoples for their lives or for cultural, ceremonial or spiritual purposes by demonstrating their identity and community, can be justified as proof and documentation of land ownership.

If the business/activity is located in an area with natural resources, then the client/debtor/investee must respect the traditional or customary use of land by Indigenous Peoples, by taking the following steps:


- i) Make efforts to avoid or at least minimize the size of the land proposed for the business/activity.
- ii) Establish customary land use areas with the involvement of the government and village leaders of the impacted indigenous peoples.
- iii) Inform Indigenous Peoples regarding land rights under statutory regulations;
- iv) Offer compensation in the form of replacement land or additional benefits to affected Indigenous Peoples.

Resettlement of Indigenous Peoples from Customary Land or Ancestral Land

Client/debtor/investee need to consider feasible alternative business/activity designs to avoid resettlement (relocation) of Indigenous Peoples from their lands. If relocation cannot be avoided, the business/activity can be carried out after obtaining permission from the village head or a representative of the Indigenous Peoples who has been mandated to voice decisions on behalf of the indigenous peoples through the FPIC process.

Information Disclosure

The client/debtor/investee submits related documents to the Company to be disclosed on the website of the Company and client/debtor/investee (publication will be adjusted to the condition

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of the Company and the client/debtor/investee). These documents may include: (i) a draft IPP and/or framework for the Indigenous Peoples Plan, including a social impact assessment, which is approved by the client/debtor/investee; (ii) final IPP document after completion of revision; (iii) a new or updated IPP and corrective action plan prepared during its implementation; and (iv) monitoring reports.

Grievance Redress Mechanism

The client/debtor/investee needs to establish a mechanism to receive and facilitate the handling and resolution of grievances, concerns and objections of the impacted indigenous peoples. The mechanism will be commensurate with the magnitude of the impact. This mechanism needs to be able to deal with grievances quickly, use an understandable and transparent process that is culturally and gender-appropriate, and accessible to impacted indigenous communities at no cost and without fees. This mechanism should not obstruct access to legal or state administrative grievances resolution. The impacted indigenous communities will be provided with appropriate information on grievance redress mechanisms.

Monitoring and Reporting

The client/debtor/investee monitors and measures the progress of the IPP implementation. The monitoring scope will be adjusted according to the magnitude of the project risks and impacts. Apart from recording information to assess performance, client/debtor/investee need to use dynamic mechanisms, such as inspections and audits, to verify compliance with requirements and progress towards achieving desired results. For business/activity with significant adverse impacts on Indigenous Peoples, client/debtor/investee needs to employ qualified and experienced external experts or qualified NGOs to verify monitoring information. External experts engaged by the project can advise on regulatory compliance issues, and if significant Indigenous Peoples issues are found, the client/debtor/investee will need to prepare a corrective action plan or an IPP update. The client/debtor/investee will implement corrective actions and follow up on these actions to ensure their effectiveness.


H. Cultural Heritage (ESS-8)

Culture is passed on to the present and future generations. To be consistent with the cultural heritage preservation law, which aims to preserve the national cultural heritage, the Company emphasizes social responsibility in its business/activity and business operations by protecting cultural heritage.

The benefits of implementing ESS-8 are:

- i) To protect the Cultural Heritage from the impact of business/activity that are detrimental and to support its preservation.
- i) To encourage the responsibility of client/debtor/investee in their business activities, to protect the Cultural Heritage in the vicinity of the business/activity area.

Scope of Application

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The provisions of this standard are relevant for environmental and social assessments carried out at the project level.

This standard is applied in the environmental and social assessment process to comply with the provisions of the environmental and social management system stipulated in laws and regulations related to cultural preservation.

Cultural heritage refers to measurable forms of structures, such as buildings and locations that have archaeological (pre-historical), paleontological, historical, cultural, artistic and religious values, as well as being part of a unique natural environment that contains cultural values, such as sacred forest. The traditional lifestyle practiced by the Indigenous Peoples around the business/activity location can also be seen as a cultural heritage.

Provisions

Protected Cultural Sites

If a cultural site appears to be situated in a business/activity location (whether it is a cultural site defined by statutory regulations, a list of local government sites, or by local customs and indigenous peoples), then the business/activity location must be moved to a place that is financially and technically feasible. If this is not possible then the client/debtor/investee will need to implement work procedures that will not harm or interfere with the cultural site and carry out a chance find protocol. Chance finds should not be disturbed until an assessment has been made by a competent professional and actions consistent with these requirements have been identified. Assessments by competent experts or recommendations from the local government and/or local community customary leaders should be obtained if there are doubts about implementing these safeguards.

Regional Cultural Heritage


Most of the Cultural Heritage will be well protected and preserved in the place of origin. The client/debtor/investee is prohibited from removing or eliminating any form of cultural heritage, unless there is no other financially and technically feasible alternative and obtaining permission from the competent authorities. Such displacement can only be executed after an expert review, in consultation with cultural stakeholders of the Indigenous Peoples, and local government.

Critical Cultural Heritage

Critical Cultural Heritage consists of (i) the natural practices of Indigenous Peoples from generation to generation; and (ii) legally protected cultural heritage.

The client/debtor/investee must not significantly alter, damage or eliminate any form of Cultural Heritage. Cultural Heritage that is legally protected is an important part of the protection and conservation of cultural heritage. If the business/activity is carried out in the area surrounding the cultural site, additional steps need to be taken, including obtaining permits from the government, consultation with indigenous peoples, as well as safeguarding measures based on recommendations from competent experts, as well as additional appropriate programs implemented to promote and achieve protected area goals.

Commercial Utilization of Cultural Heritage

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If the business/activity makes use of the cultural resources, insights or practices of the local community for commercial purposes, the client/debtor/investee needs to inform the public about: (i) their legally protected rights; and (ii) the scope and type of commercialization proposed. Client/debtor/investee are not allowed to carry out the commercialization process of such Cultural Heritage, unless client/debtor/investee (i) has a reasonable basis for negotiation with the impacted local communities; (ii) obtains written consent from indigenous peoples and local governments; and (iii) shares the results fairly and equitably from the commercialization of insights, innovations, or traditional practices and cultural traditions.

I. Energy Conservation and Environmentally-Friendly Energy (ESS-9)

This standard focuses on the Company's support for energy conservation efforts and the use of environmentally friendly energy by business/activity.

The benefits of implementing ESS-9 are:

- i) To support energy savings in order to conserve natural resources and encourage planned and directed use of resources in a sustainable manner;
- ii) To encourage sustainable development and energy use through the implementation of integrated savings as a development priority; and
- iii) To encourage the development of environmentally friendly green energy facilities as an effort to increase new and renewable energy.


Scope of Application

The provisions of this standard are relevant for environmental and social assessments carried out at the project and corporate level.

Energy saving is one of the important standards in environmental and social safeguard efforts. Efficient energy will bring physical and financial benefits. The Company also strongly encourages the use of clean energy or environmentally friendly energy and promotes new and renewable energy business/activity as part of its environmental and social responsibility. Environmentally friendly energy is an important aspect of sustainable development and is also an important issue in climate change campaign and carbon gas reduction in accordance with laws and regulations.

The business/activity must have an energy saving policy by conducting environmental and social assessment which can be conducted independently or through a competent third party as an effort to increase efficiency and profit in order to make savings in all business/activity. If energy saving is not possible in the business/activity, then the use of energy efficient equipment and efforts to reduce energy use can be done as part of reducing business/activity gas emissions. Austerity activities are an important part of preventing and reducing climate change.

This standard is applied in the environmental and social assessment process to comply with the provisions of the environmental and social management system stipulated in the laws and

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regulations on energy saving and environmentally friendly green energy, as well as new energy and renewable energy.

Provisions

Energy Saving

Energy saving is the action of reducing the amount of energy consumption or optimal energy use as needed so that the costs charged are lower. Energy savings can be achieved by using energy efficiently where the same benefits can be obtained by using less energy, or by reducing consumption and business/activity that use energy. Energy savings can lead to reduced costs and increase environmental and social values.

Environmentally Friendly Energy

Energy savings can also facilitate the replacement of non-renewable energy sources with renewable energy sources. In dealing with energy shortages, saving energy is often the most economical and environmentally friendly way than increasing energy production. In line with increasingly limited natural resources, the energy crisis and the decreasing environmental carrying capacity, the demand to develop an environmentally friendly industry, known as green energy has become an important issue. In addition to policy efforts to address an increasingly serious energy shortage and a very high growth of energy shortages, the development of new energy sources and alternative renewable energy, which are environmentally friendly must also be supported.

J. Consultation and Grievance Redress Mechanism (ESS-10)


Consultation is a procedure for providing information to business/activity stakeholders at the beginning of the development process to: (i) plan, implement and monitor measures to avoid adverse impacts, or, if they cannot be avoided, to minimize, mitigate and compensate the impact; (ii) informing them of the benefits of the business/activity in a manner that is in accordance with the customs and culture of the community; (iii) provide information that is understandable, accessible, relevant, and timely for the public; (iv) undertake all these efforts in an atmosphere free from intimidation or coercion; and (v) taking into account and being sensitive to gender issues adapted to local customs and traditions. Client/debtor/investee needs to respond to concerns raised by stakeholders.

The benefits of implementing ESS-10 are:

- i) To encourage transparency of information and encourage the participation of public and other stakeholders to be able to conduct fair and profitable consultations;
- ii) To encourage communities to participate in sustainable development in their regions; and
- iii) As an effort to facilitate a culture of consensus (deliberation for consensus) and democracy in business/activity and in affected communities as a grievance redress mechanism.

Scope of Application

The provisions of this standard are relevant for environmental and social assessments implemented at the project and corporate level.

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This standard is applied in the environmental and social assessment process to comply with the provisions of the environmental and social management system stipulated in government laws and regulations regarding disclosure of information, consensus (*musyawarah mufakat*), and democracy, as well as regulations on freedom of expression.

Provisions

Consultation Mechanism

In conducting business/activity, client/debtor/investee, wherever possible, establish a consultation mechanism with the local government to respond to grievances from the impacted community and the local community or local communities. The consultation mechanism does not impede access to the resolution of grievances carried out according to regulations and administration in a region. Impacted people and local communities will be provided with information on the grievance mechanism. If the impacted people or local communities have differences of opinion or disagreements about business/activity, the client/debtor/investee needs to negotiate to resolve this through consultations that can be formed and facilitated by the local government.

Grievance Redress Mechanism


In implementing a business/activity, the debtor establishes a grievance redress mechanism to receive and facilitate the resolution of problems and grievances of the impacted local population or community, whether in the form of environmental or social grievances. The mechanism should be appropriate to the magnitude of the impact of the business/activity and to the extent possible be able to resolve problems and grievances in a timely manner using a method that is easy to understand and transparent taking into account gender and cultural sensitivity, and can be accessed free of charge by the impacted people and local communities. The grievance redress mechanism should not obstruct access to the resolution of grievances carried out according to regulations and administration in a region. The impacted people or local communities will be informed about the adequate mechanisms.

Information Disclosure

In conducting business/activity, client/debtor/investee provide relevant information, including information from environmental and social management documents in accordance with applicable regulations in certain regions. If the impacted people or local communities are illiterate, other appropriate means of communication can be used.

Monitoring and Reporting

In conducting business/activity, the debtor in addition to compiling periodic monitoring reports on environmental and social management in accordance with applicable laws and regulations, must also submit reports to the Company regarding compliance with these regulations and corrective action plans in a transparent manner.

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4. Preliminary Checklist for Environmental and Social Financing and Advisory


A. General Information

Name of client/debtor/investee			
Name of business/activity			
A brief explanation of business/activity, including information on the scale of business/activity			
Assigner name ⁶			
Location of business/activity			
Responsible for environmental and social management	Name:	Position:	Contact details:


B. List of Obtained Permits/Legal Documents Related to Environmental and Social (ESS 1)

No.	Name of Permit / Document	Yes	No	N/A	Information (Issue date, license expiration date, agency that issued the permit, scope of the permit)
1	Environmental safeguard and management (ESS 1)				

⁶ If business/activity is an assignment

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No.	Name of Permit / Document	Yes	No	N/A	Information (Issue date, license expiration date, agency that issued the permit, scope of the permit)
	i. Location permit				
	ii. Recommendations on conformity of the Spatial Plan (RTRW) with the project plan				
	iii. Amdal/UKL-UPL/SPPL				
	iv. Environmental Feasibility Decision				
	v. PPLH (<i>Pengelolaan dan Perlindungan Lingkungan Hidup</i> - Environmental Management and Safeguard) Permit (specify the PPLH Permit required/acquired)				
	vi. Report on the implementation of Amdal / UKL-UPL / SPPL				
	vii. Is there any new access or changes to the existing footprint?				
	viii. ... (other related permits, for example IPPKH (<i>Izin Pinjam Pakai Kawasan Hutan</i> – Borrow-Use of Forest Area Permit, IUPA (<i>Izin Usaha Pemanfaatan Air</i> - Water Utilization Business Permit)/IUPEA (<i>Izin Usaha</i>				

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No.	Name of Permit / Document	Yes	No	N/A	Information (Issue date, license expiration date, agency that issued the permit, scope of the permit)
	<i>Pemanfaatan Energi Air</i> - Water Energy Utilization Business Permit)				


C. Manpower and Work Environment Management (ESS 2)

No.	Question	Yes	No	Information
1	Are there visible steps to reduce the impact during the construction of working conditions and safety and health of workers?			
2	Are there workers unions and / or collective labor agreements with trade unions that are still valid?			
3	Are there Company Regulations?			
4	Is there any visible forced labor?			
5	Is there any indication of child labor in site?			
	Is there any submission and management mechanism of grievance redress?			
	Are accommodation condition for construction workers adequate?			

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D. Pollution Prevention and Management (ESS 3)


No.	Inspection Matters	Yes	No	Information
1	Does the project create any specific pollution? Describe it.			
2	Is there a domestic/industrial wastewater treatment facility available?			
3	Are there air pollution treatment facilities available?			
4	Does the project generate hazardous waste?			
	i. Is there a temporary storage place for hazardous waste?			
	ii. Are there any hazardous waste treatment facilities, for example an incinerator?			
	iii. Does the company have any cooperation with licensed third parties for transporting, collecting, treating hazardous waste?			
	iv. Is there a hazardous waste manifest document?			
	v. Are the hazardous waste management facilities in accordance with the standards?			
5	Is there a policy for minimizing hazardous and non-hazardous waste?			
6	Does the project use hazardous material?			
	i. Is existing hazardous waste stored/managed in accordance with applicable regulations? For example, a fuel tank is equipped with a bund wall/oil trap, chemicals are equipped with a Material Safety Data Sheet (MSDS), etc.			
	ii. Are hazardous materials management procedures available?			

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No.	Inspection Matters	Yes	No	Information
7	Does the project use environmentally friendly pesticides and reduce their use?			


E. Occupational Safety and Health (ESS 4)

No.	Inspection Matters	Yes	No	Information
1	Has the Client/Debtor/Investee implemented Occupational Health and Safety Management System (OHSMS/SMK3 – <i>Sistem Manajemen Keselamatan dan Kesehatan Kerja</i>) or have Policies and/or Procedures related to Occupational Health and Safety (OHS/K3- <i>Keselamatan dan Kesehatan Kerja</i>)?			
2	Does the Client/Debtor/Investee have an emergency preparedness and response plan?			
3	Has training on safety and health been provided for the project workforce?			
4	Are personal protective equipment (PPE) provided for project workers and guests?			
5	Has the business/activity employed competent personnel in the OHSMS/OHS field related to the business/activity field?			
6	Has the project carried out Hazard Identification, Risk Assessment and Determining Control (HIRADC) analysis?			
7	Has the project made traffic management control?			

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F. Protected Area Checklist (ESS-6)

No.	Area Description	Yes	No	Information	No.	Area Description	Yes	No	Information
1	Protected forest area				11	Grand Forest Park			
2	Peat area				12	Natural tourism parks and marine nature tourism parks			
3	Water catchment area				13	The area of cultural and scientific heritage			
4	Coastline (Sempadan pantai)				14	Geological nature reserve area			
5	River boundaries (Sempadan sungai)				15	Groundwater recharge area			
6	The area around the lake / reservoir				16	Springs borders			
7	Wildlife sanctuary and marine wildlife reserve				17	Germplasm protection area			
8	Nature reserves and marine reserves				18	Animal refuge areas			
9	Mangrove forested coastal area				19	Coral reefs			
10	National Parks and Marine National Parks				20	Corridor area for protected species of			

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No.	Area Description	Yes	No	Information	No.	Area Description	Yes	No	Information
						marine animals or biota			

G. Natural Habitat Conditions (ESS-6)


No.	Question	Yes	No	Information
1	Is the business/activity located adjacent to/inside a protected forest area?			
2	Is there any use of surface water (rivers, lakes, etc.) to meet water needs for business/activity?			
3	Is there any use of ground water to meet water needs for business/activity?			
4	Are there any indications that the business/activity has an impact on endangered/protected species/animals based on Indonesian laws and regulations or a list issued by an international organization that has been recognized/agreed upon by the Indonesian government?			

H. Social Assessment Checklist (ESS 5, ESS 7, ESS 8, ESS 10)


No.	Question	Yes	No	Answer
1	Does the project require acquisition? If yes:			
	i. Whether the land acquisition is temporary or permanent?			

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No.	Question	Yes	No	Answer
	ii. Does land acquisition use involuntary land acquisition?			
	iii. Does the land acquisition use the willing seller-willing buyer mechanism			
2	Will the project result in the loss of access to current community livelihoods?			
3	Does land acquisition result in temporary or permanent loss of crops, fruit trees?			
4	Will the business/activity provide employment opportunities for the local community, including employment opportunities for women?			
5	Indigenous Peoples Identification			
	i. Are there any socio-cultural groups in the project area, borders, or surroundings (ethnic communities, minorities, Indigenous Peoples,)?			
	ii. Do these community groups identify themselves as part of different social and cultural groups?			
	iii. Do these community groups maintain cultural, economic, social, and political institutions that are distinct from the dominant society and culture?			
	iv. Does the group speak a different language or accent?			


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No.	Question	Yes	No	Answer
	v. Has this group been historically, socially and economically marginalized, powerless, excluded, and/or discriminated against?			
6	Cultural Heritage (ESS-8)			
	i. Is the project located on or adjacent to an area of special value from an archaeological, historical and / or cultural point of view?			
	ii. Is there any possibility that this project will damage the local archaeological, historical, cultural and religious heritage sites?			
7	Has there been any socialization/public consultation regarding the business/activity to the community			
8	Does the business/activity have a grievance redress procedure/mechanism?			


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5. Project Environmental and Social Screening Category


1	High Risk Projects: Category A	
	Environment Projects with anticipated significant adverse on environment. This includes the following types of projects: Geothermal and Hydro Power Plants, irrigation systems, roads, bridges, tunnels, railroads and airports.	Category A Project requires an adequately prepared Amdal document with an Environmental Management Plan (RKL – <i>Rencana Pengelolaan Lingkungan</i>) and an Environmental Monitoring Plan (RPL – <i>Rencana Pemantauan Lingkungan</i>) to obtain an Environmental Feasibility Decision.
	Land acquisition and involuntary resettlement A project with significant impacts in which 200 or more people are significantly impacted, is defined as: (i) physically displaced from housing, or (ii) loss of 10% or more of (income-generating) productive assets.	Category A projects require a resettlement action plan document, including a social impact assessment and may require a resettlement framework document prior to the existence of a resettlement action plan document.
	For Indigenous Peoples Projects with significant impacts on Indigenous Peoples, the assessment shows the magnitude of the impact and the high level of vulnerability; or, the magnitude of the impact is low but the level of community vulnerability is high; or, the magnitude of the impact is high even though the level of vulnerability of indigenous peoples is low.	Category A projects require an Indigenous Peoples Plan (IPP) document, including a social impact assessment, according to the nature of the impact and may require an Indigenous Peoples Plan Framework (IPPF) prior to the existence of an Indigenous Peoples Plan document.
2	Medium Risk Project (Category B)	
	For the Environment Projects with anticipated insignificant adverse impacts on the environment. This includes	Project category B requires the preparation of a UKL-UPL document with an

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	<p>projects with minor environmental impacts, such as transmission grid and substation projects; rehabilitation projects for power plants, factories, or roads within the same corridor or site; and other developments are predicted to have insignificant negative impacts. Projects are located outside protected areas and buffer zones.</p>	<p>environmental mitigation program and monitoring programs required to obtain an Environmental Feasibility Decision.</p>
	<p>For Involuntary Resettlement Projects where fewer than 200 people will experience major involuntary resettlement impacts.</p>	<p>Category B projects require an abbreviated resettlement action plan document, including a social impact assessment and may require a resettlement framework document to exist prior to a resettlement action plan document.</p>
	<p>Indigenous Peoples The project is predicted to have a limited impact on Indigenous Peoples and environmental management.</p>	<p>A category B project requires an Indigenous Peoples Plan (IPP) document, including a social impact assessment, according to the significance of the impact and may require an Indigenous Peoples Plan Framework document prior to the existence of an Indigenous Peoples plan document (IPP).</p>
3	<p>Low Risk Projects: C</p>	
	<p>For the Environment Projects with no anticipated adverse environmental impacts .</p>	<p>Projects with category C do not require further environmental impact analysis studies but due diligence reports still require an Environmental Management Statement (SPPL – <i>Surat Pernyataan Pengelolaan Lingkungan</i>).</p>

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	For Involuntary Resettlement Category C: no resettlement impact is predicted.	Category C projects do not require further action but due diligence reports may be required.
	Indigenous Peoples Category C: No impacts on Indigenous Peoples are expected	Category C projects do not require further action but due diligence reports may be required.

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6. Checklist and Site Visit Documentation


Project Reference Number:	
Project name:	
Project Description:	
Location/Address:	
Date of Visit:	

Subject	Action	Findings	Follow-up that is required according to the schedule of activities
Corrective Action Plan	Reviewing the Environmental Management Plan, RAP etc.; review the actual scenario through a survey		
Data collection	Field testing/investigation and samples collection from environments such as water, soil, air, noise etc. Validate the information provided by the developer.		
Visit	Site visits to: <ul style="list-style-type: none"> - Main factory location - Worker's accommodation - Disposal location (water/waste) - Impacted/displaced communities - The relevant authorities 		
Meeting	<ul style="list-style-type: none"> - Meetings with local communities, non-governmental organizations and other impacted communities - Deliver objections and grievances - Record/document the meeting result (minutes of meeting) 		

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Subject	Action	Findings	Follow-up that is required according to the schedule of activities
Site Visit Reports	Develop site visit reports		

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7. Environmental and Social Due Diligence (ESDD Report) Framework

1. General information

2. Background

This section explains the background for the preparation of the ESDD report.

3. Purpose

This section describes the purpose of preparing the ESDD report.

4. Methodology

This section describes several aspects of the report such as:

- i. The methodology adopted (document review, site visits, and/or discussions); and
- ii. Documents reviewed.

5. Description of the business/activity

This section describes the proposed business/activity. The explanation will be limited to aspects that will be related to environmental and social management activities. This section will also explain the environmental and social risk categorization of business/activity.


6. Implementation of ESS standards

In this section, a business/activity study is conducted based on the ten standards of the Company's ESS.

- i. Assessment and management of environmental and social risks and impacts

Aspects examined in this ESS may include:

- a. Completeness of permits in the relevant environmental sector
- b. Completeness of relevant environmental documents
- c. Spatial plan
- d. Organizational capacity and competence
- e. Emergency response
- ii. Labor and Working Conditions
- iii. Pollution Prevention and Abatement
- iv. Safety, Health and Security
- v. Land Acquisition and Involuntary Resettlement
- vi. Biodiversity Conservation and Natural Resources Management
- vii. Indigenous Peoples

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- viii. Cultural Heritage
- ix. Energy Conservation and Environmentally-Friendly Energy
- x. Consultation and Grievance Redress Mechanisms

7. Conclusion

In this section presented the assessment conclusion of the business/activity proposed. In this conclusion also will be explained on project assessment with Company's exclusion list.


8. Corrective Action Plan (CAP) and routine reporting

Example of CAP table

No	Findings/Gaps	Corrective Action Description	Parameter	Fulfillment Target	Grade*

Example of a routine reporting table


Report	Quarterly	Semester	Annual	Note
Report on the implementation of Occupational Safety and Health and Environment (K3L – <i>Keselamatan dan Kesehatan Kerja dan Lingkungan</i>) (during the construction period)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Submitted a maximum of 30 days after the end of the quarter
Reports on environmental and social safeguard monitoring efforts, which contain and are not limited to employee training records related to K3L, K3 implementation, records of grievances/ suggestions submitted by the community (if any), CSR implementation, stakeholder involvement information, and other K3L related aspects	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Submitted a maximum of 60 days after the end of the year (report format is in Annex 8)

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Report	Quarterly	Semester	Annual	Note
Report/document on the implementation of environmental document (RKL-RPL or UKL-UPL). <i>(Depending on the environmental documents which are owned, could be RKL-RPL, UKL-UPL or SPPL).</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Submitted a maximum of 60 days after the end of the semester
In the event of work accident was happened and resulting in death, the debtor will prepare and submit an accident investigation report to the Company as soon as possible.	If there is an accident that results in death			Accident notification is delivered a maximum of 3 x 24 hours after the incident. The accident investigation report is submitted a maximum of 60 days after the incident

In the bidding process for the construction executing contractor, the client/debtor/investee needs to include as far as possible clauses related to the implementation of environmental and social management which will be the obligations of the selected contractor. Agreement clauses that are prepared according to the conditions or scale of the project can include:


- The Contractor carries out all steps recommended in the environmental and social management plan.
- The Contractor implements the specific and general requirements stated in the Decree of Environmental Feasibility, forest clearance and wildlife permits that are valid during the project construction phase.
- The Contractor complies with all applicable laws and regulations regarding pollution control.
- The contractor conducts six monthly environmental monitoring of ambient air quality, water quality and noise levels through an approved agency/laboratory in consultation with the Company. These reports will be submitted to the Company.

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- e) The contractor obtains approval for the hot mix plant, wet mix plant, crusher, diesel generator set and concrete mixer plant, and submits it to the Company.
- f) If the contractor obtains construction materials from third party sources, a copy of the agreement/bill from this third party agency should be obtained by the Contractor and submitted to the Company.
- g) The contractor obtains a permit from the local authorities to use water and a source of material (borrow pit) during construction, and submits it to the Company.
- h) The contractor provides the Company and the authorities with prompt notification of any events or accidents related to the project and may have a very detrimental impact on the environment.
- i) The contractor is responsible for the costs of damage to private or government property during construction due to negligence or non-compliance of good construction practices.


Additional clauses that can be included in construction and technical procurement contracts, as applicable, include:

1. The EPC Contractor implements all applicable mitigation measures during the pre-construction and construction phase specified in the environmental management plan prepared for the project.
2. The EPC Contractor applies all requirements specified in the Environmental Clearance Certificate which is valid during the pre-construction and construction period .
3. The EPC Contractor provides facilities and always follows the health and safety standards for construction workers and staff in accordance with the Labor Law.
4. EPC Contractor obtains environmental, health & safety permits/approvals requested by authorities .
5. The EPC Contractor implements all the requirements stated in the permit/approval given to the project by the competent authority.
6. The contractor will not tolerate exploitative and hazardous forms such as forced labor³ or child labor⁴.
7. EPC Contractors provide regular training on environmental protection to workers and their staff (business arrangements, preventing spills, waste, etc.) as well as occupational health & safety practices (use of Personal Protective Equipment/PPE, protective clothing, safe work practices and etc).
8. The EPC Contractor appoints a person to handle grievances from the public due to construction.
9. EPC Contractors prepare and implement emergency response and preparedness plans for the project site under their control during construction. A line of authority should be established for decision making during an emergency. All staff and workers/supervisors should be trained according to their job descriptions.

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10. The EPC contractor may engage security personnel to carry out seasonal monitoring and inspection of workers' camps as well as construction sites to prevent possible violence against women and children due to the entry of workers into the community in the project area. It is necessary to implement a Human Resources policy "Zero Tolerance" against such violence.

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8. Annual Report on the Management and Monitoring of Environmental and Social Safeguard from the Client/Debtor/Investee to the Company


Title	Description	Note
Project Details	Project name - Promoter company - Financing Agreement Date - Project location - Reporting Period - Name of the officer who filled in i. Type of Activity/Project ii. Construction/operation start date	
Corrective Action Plan (CAP)	- List of CAPs requested - Progress status of CAP fulfillment in the reporting period - CAP fulfillment plan for the next reporting period	
Environmental and social permits obtained	- List of environmental and social permits (Decree of Environmental Feasibility and PPLH permits) which includes the names of the relevant government agencies authorized to issue permits; Permit date and time of validity period; and permit extensions that are being processed.	Can be made in table form
Efforts to Implement Occupational Safety, Health and Environment (K3L – <i>Keselamatan, Kesehatan Kerja dan Lingkungan</i>)	- K3L Program (annual/monthly period) Implementation of the K3L Program (monthly/weekly period)	

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Title	Description	Note
	<ul style="list-style-type: none"> - Record of safe working hours (total per year) - Accident statistics (per month) - CSR implementation program and total allocated costs - Records of employee training (capacity building) related to K3L aspects - Other K3L related aspects 	
Progress in Land Acquisition	<ul style="list-style-type: none"> - Land acquisition status - Progress of land acquisition - Value of land compensation (compensation value, number of units acquired, status of land acquired) - The value of compensation for plants/trees and other valuable assets - Progress of land permit submission (if any) 	Compiled by a debtor who is responsible for land acquisition
Efforts to Implement Social Safeguard	<ul style="list-style-type: none"> - Records of grievances/suggestions submitted by the community (if any) - Information of stakeholder involvement 	
Other notes that need to be submitted to the Company	-	

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9. Project Implementation/Completion Report

A. General Project Data

- Project number/code
- Project name
- Sector
- Approval date
- Signing date
- Project Start Date
- Project Completion Date
- Total Project Cost
- Project Officers
- Validators

B. Project Description

- Rationale for the project
- Impact of project
- Objective of the project
- Revised objectives if any

C. Performance evaluation


- Relevance
- Effectiveness in achieving outcomes
- Efficiency in achieving outcomes and outputs
- Sustainability
- Other impacts (intended and unintended)
- Debtor performance

D. Lessons Learnt

- Positive
- Negative

E. Rating

- Relevance: Satisfactory/Partially satisfactory/Unsatisfactory
- Effectiveness in achieving outcomes: Satisfactory/Partially satisfactory/Unsatisfactory

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- Efficiency in achieving outcomes and outputs: Satisfactory/Partially satisfactory/Unsatisfactory
- Sustainability: Satisfactory/Partially satisfactory/Unsatisfactory
- Borrower performance: Satisfactory/Partially satisfactory/Unsatisfactory
- Other impacts: Satisfactory/Partially satisfactory/Unsatisfactory
- Overall Rating: Satisfactory/Partially satisfactory/Unsatisfactory
- Quality of Project Completion Report (PCR): Satisfactory/Partially satisfactory/Not satisfactory

F. Conclusions and Recommendations

- Overall Assessment
- Lessons Learnt
- Recommendation

G. Data Sources for Validation