INVESTING IN SUSTAINABILITY:
A Verified Sustainability Transition
The Case of PT Dharma Satya Nusantara Tbk.

06/2021
Sustainability and Verification

In April 2020, PT Dharma Satya Nusantara Tbk. ("DSNG") signed a USD 30.0 million 10-year loan facility from Stichting andgreen.fund ("&Green"), a globally-focused impact investment fund financing sustainable commodity production to protect tropical forests.¹

DSNG, an Indonesian business group focusing on wood and palm oil sectors, was already known to be committed to the production of certified sustainable palm oil. It had been, for example, a member of the Roundtable on Sustainable Palm Oil ("RSPO") since 2012. It has also consistently implemented Environmental, Social and Corporate Governance (ESG) as an integral component of its corporate strategy policy in both its palm oil and wood product business segments.

One indication of the company’s commitment was the rise of its ranking in the 2020 SPOTT or Sustainability Policy Transparency Toolkit. DSNG went from 46th in 2019 to 16th in 2020, a big jump that made it the highest ranked Indonesian-headquartered company among the 100 palm oil companies assessed worldwide.² SPOTT, an initiative developed by the Zoological Society of London assesses the transparency of 100 palm oil companies worldwide regarding their ESG policies.

The sustainability-linked loan facility, the first in the world granted to an upstream palm oil company, would assist DSNG to diversify its sources of funding, as well as prompt it to go beyond certification towards implementing its ambitious No Deforestation No Peat No Exploitation ("NDPE") policy through a verified and inclusive approach, amongst others.

As Andrianto Oetomo, the President Director of DSNG said when signing the loan facility agreement, “This investment from &Green gives DSNG the confidence that our model for sustainable and inclusive palm oil production, which uplifts communities and preserves biodiversity, can be scaled up and enriched with the right financing partners. We recognize that we have a responsibility to excel - not only on our business performance - but also in terms of striving toward a net positive impact on the ecosystem that supports our businesses. We accepted this challenge and are committed to tackling it with &Green”.³

A key challenge, according to the agreement, was that the crucial sustainability components of the loan facility were to be verified by an external auditor and published every year. The process had started, and in 2021, the first audit was conducted by Ramboll, one of the world’s leading environmental and health consultancies.

Adhering to transparency requirements, all the plans related to the sustainable loan were to be published on the &Green website as well as the website of DSNG so that stakeholders could monitor the commitments made by DSNG related to the loan. Consistent with their commitment to transparency, the results of the annual audit on DSNG’s 2020 performance will also be published on their websites in July this year.

Denys Collin Munang, DSNG’s Chief Sustainability Officer said, “It’s one thing for us to tell &Green and say, ‘Look, we’ve done what you have asked us to do. These are what we have completed in the environmental social action plan and landscape protection plan. It’s something else for an auditor to come in and say, ‘Hey, look we know you were being presented this, but we have verified all of this on the ground level where it has happened’. Hence, why I would say it is a verified sustainability transition in our environmental social action plan, landscape protection plan, as well as our IFC Performance Standard Compliance.”

As always, the devil would in the details of the implementation of the sustainability transition throughout the 10-year loan period. But supported by its history of sustainable management, DSNG was well on its way to embarking on its verified sustainability journey.
The Indonesian Palm Oil Industry

Indonesia is the world’s largest producer and exporter of palm oil. In 2021-22, it is expected to produce 44.5 million metric tons of palm oil, an increase from 43.5 million metric tons in 2020-21. That far exceeds the next largest, Malaysia, which produced 19.9 million metric tons in 2020-21. Indonesia’s palm oil exports are expected to increase by 1.5 million metric tons to 29.5 million metric tons in 2021-22. Palm oil export destinations are mainly to the large markets of China, India, and the EU.

In 2021, the domestic consumption of palm oil in Indonesia was forecasted to reach around 15 million metric tons. While it is less than domestic palm oil production, it is expected to increase significantly in the coming years, particularly from the planned expansion of palm oil usage in biodiesel. Additionally, with the onset of the pandemic, there has been a marked increase in the use of palm oil in oleochemicals, particularly soaps, detergents, and washing liquids. This is on top of its use in food, mainly as vegetable oil, but increasingly in many food ingredients such as confectionaries and processed foods.

Palm oil production in Indonesia is concentrated in Kalimantan (Borneo) and Sumatra, which in 2019 accounted for approximately two-thirds of all palm oil produced in Indonesia. Because of concerns related to deforestation, the government has curbed the expansion of palm oil plantations through a permanent moratorium on new concession permits in 2019. Indirectly this has increased the importance for growers to enhance the productivity of their existing lands.

**Indonesia palm oil statistics 2019 (1,000 tons)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Domestic consumption</th>
<th>Export</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total CPO</td>
<td>Total PKO Processed</td>
<td>Total CPO</td>
<td>Processed product</td>
</tr>
<tr>
<td>2018</td>
<td>47,388</td>
<td>43,108</td>
<td>4,280</td>
<td>13,491</td>
</tr>
<tr>
<td>2019</td>
<td>51,828</td>
<td>47,184</td>
<td>4,648</td>
<td>16,673</td>
</tr>
</tbody>
</table>

While major companies have made inroads with certified sustainable palm oil, the majority of the country’s production remains uncertified. In 2019, Indonesia produced around 51.8 million metric tons of palm oil of which 2.1 million hectares of palm oil production in Indonesia was certified as sustainable by the recognized global certification body, RSPO. While this is the largest certified area of all palm-oil producing countries, it is still only a fraction of the total land area used for palm oil production of around 14.6 million hectares (in 2019) in Indonesia.

The increasing environmental attention on palm oil has led to certain reactions, particularly in the West. For example, the European Union (EU) planned to introduce ‘certified palm oil free’ labels on consumer goods and to cut out the use of palm oil in EU biofuels by 2030. In response, Indonesia filed a complaint with the World Trade Organization (WTO) against the EU to dispute its biofuels directive.

Such disputes are likely to continue into the foreseeable future as Indonesia’s oil palm industry becomes an increasingly important part of the country’s economy, providing valuable foreign exchange and employment opportunities. It is Indonesia’s most important agricultural product, contributing between 1.5 - 2.5 percent to the nation’s gross domestic product (GDP).

The prospects for the industry in Indonesia remain bright as palm oil commands hefty margins from an agricultural product that grows very well in the country and in high demand. The curbs in new planting by the government, combined with the increasing vigilance against deforestation and the low prices in the last three years prior to 2020 has undoubtedly had an impact to palm oil production growth. Despite the pandemic, international demand continues to increase, while production growth has been very limited compounded by the impact of two years of extreme drought conditions.

Nevertheless, some factors can offset such advantages. These include the increasing awareness of the need for more environment-friendly policies, land disputes with local communities due to a lack of clarity regarding land ownership, continuing legal and regulatory uncertainty, and high logistics cost.

While global demand for palm oil, in particular from the food, hygiene, and biofuel industries, continues to rise, the palm oil industry still faces legacy issues due to the widespread deforestation associated with it, particularly in Malaysia and Indonesia. Buyers and Consumer Goods companies increasingly want assurances that palm oil is sourced from sustainable plantations. Consumers now are increasingly aware that protecting forests are essential in combatting the climate crisis. Nonetheless, lack of traceability and the need for location-specific socio-economic approaches make it difficult to reduce deforestation risks associated with the use of palm oil in consumers’ products.

To address such issues, a number of the Indonesian palm oil companies such as Golden Agri-Resources (GAR), Musim Mas, Wilmar, and DSNG have committed to the No Deforestation No Peel No Exploitation ("NDPE") policy as a major part of their respective sustainability journeys.
PT Dharma Satya Nusantara (DSNG) Profile

PT Dharma Satya Nusantara (DSN) was established in 1980, entering the timber industry after obtaining Forest Concession Rights (HPH) from the Government. In 1983, the company opened its first timber factory in Samarinda, which exported quality sawn timber to Japan. DSN continued to focus on exporting high-quality wood processing products, such as panels and engineered floorings. In 1988, DSN pioneered the use of sengon wood (Paraserianthes falcata) harvested from community forests to replace the need for natural forest wood. Sengon wood is produced from renewable community forests and cultivated for its ability to grow rapidly, strong, yet lightweight with a cultivation period of between 5-7 years after planting. The Sengon Tree does not grow naturally in the Indonesian forest landscapes and are now grown in community farms which serve as a sustainable source of raw material for DSNG’s wood products while contributing to smallholder farmers’ livelihoods.

In 1991, DSN relocated its wood production from Samarinda in Kalimantan to Surabaya and in 1992 to Gresik, both in East Java. With further growth, the company pioneered the establishment of a fully integrated factory in Indonesia in 2001 in Pingit and in Temanggung, both in Central Java. Those factories today produce blockboards and engineered floors, with quality certifications from ISO 9001:2008, CE, FSC-CoC, PEFC-CoC, SLK (SVLK), CARB, and JAS to serve the global market.

The company began planting palm oil in 1996 in Muara Wohau, East Kalimantan when it was asked by the provincial government of East Kalimantan to produce palm oil over 35,000 hectares of land that had previously been logged by production forest concessions. From those beginnings, the company grew into the DSN Group (DSNG) starting with PT Dharma Intisawit Nugraha, PT Dharma Agrotama, and other subsidiaries. On June 14, 2013, the company went public and was listed on the Indonesia Stock Exchange.

By 2020, it was producing palm fruit on 15 estates across 4 provinces in Kalimantan. The Group had planted 112,450 hectares and produced 610,000 tons of crude palm oil per annum from 10 palm oil mills, 30% of which comes from independent producers (smallholders, cooperatives, and smaller plantation companies).

Despite the disruptions caused by the COVID-19 pandemic, DSNG recorded a revenue and profit growth of 17% and 168% respectively in 2020. The palm oil segment contributed IDR5.7 trillion (85%) out of the total revenue, a 20% increase from 2019 revenue. The wood product segment contributed IDR996 billion (15%) a slight decline of 0.5%. The revenue increase contributed to an increase of profits of IDR478 billion, well above the 2020 annual budget plan of IDR275 billion.
The Loan Facility: Accepting the Challenge

The &Green Fund was launched in July 2017 with USD 100 million of capital from the anchor investor and aimed to reach USD 400 million of committed capital in the short term. Its mission was to prove that financing inclusive, sustainable, and deforestation-free commodity production can be commercially viable and replicable - a new rural development paradigm that protects valuable forest and peatlands and promotes high-productivity agriculture. The original funders of &Green were the Norwegian government’s Norwegian International Climate and Forest Initiative (NICFI), Unilever, and the Global Environment Fund.

Sail Ventures, the &Green fund’s investment advisor, seeks companies that fit in their particular niche, that is, companies seriously committed to sustainable production and commitment to the rigorous International Finance Corporation Performance Standards (IFC PS). The leadership of DSNG was receptive to the approach as an opportunity to catalyse their continuing sustainability transformation.

According to Denys Munang, “At some point in time, we realized that it was very important to know what your stakeholders want. At the same time, it was very challenging to satisfy such stakeholders because they set a high standard in terms of the sustainable transition. It had to be verifiable. Sail Ventures was very proactive in its communication and engagement with DSNG and it was evident that they were genuinely interested in working with us to ensure a verified sustainability transition. We were well on our way to RSPO certification as 40% of our plantation had been certified at that stage but the environmental, social, and community sustainability commitments that &Green put forward were well beyond RSPO.”

Before the signing of the &Green loan, a gap analysis was conducted by Sail Ventures as an adviser to the &Green fund. The gap analysis, based on the IFC performance standards is encapsulated in the environmental social action plan (ESAP) and Landscape Protection Plan (LPP). Both the ESAP and LPP, integral components of the loan facility from &Green, would give DSNG’s stakeholders, especially its buyers and consumers of the group’s crude palm oil an additional assurance on its NDPE and ethical commitments, amongst others.

As Denys Munang put it, “The key was that the management has this philosophy: that the company had to be mindful of the impact of its operations, whether it was to the environment or the communities around it. The founder of the DSN was a firm believer in the principles of shared prosperity and this meant that for its business to be sustainable, its business must ensure that its operations mutually benefit both the communities and the environment where we operate from.

Somehow, this fundamental business philosophy to bring about net positive impacts that would be verifiable and financially beneficially had a good fit with what &Green fund’s objectives were. No doubt we were also incentivised by &Green offering a longer-term loan. A normal domestic loan would have a short tenure, five or eight years, but the &Green investment was a ten-year loan, and the repayment flexibility and terms were better than the market. I guess that was the thought process. It was both commercial management foresight by the board and a very conscientious understanding that it is imperative to become a responsible steward to the natural resources and communities that allow us to sustain our business.

&Green Fund Palm Oil Sector Investment in PT Dharma Satya Nusantara Tbk (DSNG)

The DSNG loan facility was the &Green fund’s first investment in a Palm Oil Company. With the financing, DSNG could work towards meeting international sustainability standards, including the IFC PS, RSPO, and a full supply chain NDPE that included third-party suppliers in a traceable no-deforestation supply chain.

The loan facility incorporated the LPP that, in collaboration with &Green’s investment advisor, SAIL Ventures, outlined the sustainability targets to be reached across DSNG’s various concessions. An Environmental and Social Action Plan (ESAP) was designed so that DSNG could effectively implement and monitor the progress of its sustainability strategies in its concessions. The ESAP encompassed seven concession areas representing approximately 75% of DSNG’s productive planted areas and was based on an IFC PS gap analysis carried out by an external environmental and social consultant as well as &Green’s assessments of necessary E&S safeguards required to achieve the forest positive outcomes and KPIs listed in the LPP. DSNG’s ESAP compliance would be audited annually by external environmental and social consultants. These steps were taken to address the global issues associated with the palm oil industry.
**The Loan Facility: The Investment Rationale**

Green’s first investment in the palm oil sector established a 10-year partnership with DSNG, a company with a strong commitment to the sustainable production of palm oil as shown by its public commitment to fully implement its NDPE throughout its supply chain by 2025 and to achieve RSPO certification of its remaining 8 CPO mills by 2023. The high standard for transparency makes its NDPE unique in the industry. The company has also committed to delivering Environmental Return ("ER") outcomes in East Kalimantan, where 75% of its mature plantations and the majority of its mills are situated.

These ERs include forest conservation of nearly 8,000 hectares; up to 700,000 tons of Crude Palm Oil certified to be sustainably sourced and produced; sustainable intensification of over 85,000 hectares of productive land on-concession; and the ability to reduce pressure on over 200,000 hectares of forest cover in surrounding forestry license areas by securing smallholder livelihoods with its NDPE.

By 2025, similar ERs will be achieved from estates beyond East Kalimantan. Over 8,000 smallholder farmers and 11,000 individuals are expected to benefit from jobs, services, and improved incomes as the NDPE is implemented by DSNG’s 10 mills to all its suppliers.

The transaction will be a strong signal to the Indonesian palm sector for how sustainable palm oil production can be profitable while safeguarding valuable ecosystems and supporting long-term community economic development.26

**DSNG ER Commitments**

<table>
<thead>
<tr>
<th>DSNG ER Commitments</th>
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<tbody>
<tr>
<td>8,000 hectares of forest conservation</td>
</tr>
<tr>
<td>700,000 tons of certified CPO sustainably sourced and produced</td>
</tr>
<tr>
<td>85,000 hectares of productive land on-concession</td>
</tr>
<tr>
<td>8,000 smallholders</td>
</tr>
<tr>
<td>11,000 individuals benefitting from jobs, services and improved income</td>
</tr>
</tbody>
</table>

**Environmental Return and Social Inclusion**

The Landscape Protection Plan (LPP) sets out how the environmental return and social inclusion impact will be generated during the financing period, within the landscape or project area. The LPP for DSNG is defined by the land use plans of seven subsidiaries for their respective estates (including plasma farms), as well as their surrounding landscapes.27

DSNG will deliver the following returns through this Landscape Protection Plan:

<table>
<thead>
<tr>
<th>Forest Conserved (ER 1)</th>
<th>Land sustainably</th>
<th>Forest restored (ER 3)</th>
<th>Smallholders benefiting (S1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;7,550</td>
<td>&gt;85,750 ha</td>
<td>110 ha</td>
<td>&gt;8,025 SH farmers</td>
</tr>
</tbody>
</table>

Source: DSNG Landscape Protection Plan, p. 3

Further on, as a result of its Remediation and Compensation Process with RSPO, DSNG will also be conducting restoration works on degraded forests on and off concessions.

The NDPE implementation strategy also takes into account the protection of forest standing outside its concession areas. While not yet taken into account, the quantification of other possible outcomes, for example, the expected reduction of illegal or destructive activities (logging, burning for crops) within the forest conservation areas, and the amount of HCV areas its plantation estate suppliers might report can contribute to the ERs as well.28
A key challenge in any organization is to be able to have a consistent and unified understanding of what its common values and goals are. Hence implementing the commitments required aligning the workplace culture with sustainability requirements. For example, the extensive documentation required for the ESAP and LPP was a challenge for many staff.

The management of DSN believes that its transition towards sustainability can only be truly successful when sustainability is embedded as part of the culture of DSN Group. They hope to be able to achieve this through the familiar concept called the Three E’s: Excite, Educate and Engage.

DSNG aimed to Excite all its stakeholders about its sustainability initiatives, to energize and create that interest for the transition to happen. The progress in improving the company’s SPOTT ranking in 2020 and its inclusion to the SRI-Kehati IDX Index (an ESG Index) recently is a manifestation of the above efforts.

Secondly, they aim to Educate their employees and supply chain to understand the essence of Sustainability Goals and to achieve them. This will require training, upskilling, and in certain instances working with strategic partners who have the necessary experience to help them achieve those sustainability goals.

The final part of embedding the sustainability transition is to be able to Engage their stakeholders, especially DSNG’s employees, by harnessing that excitement and energy to achieve those goals. The commitment to work with &Green to deliver measurable and transparent sustainability and positive outcomes is part of that engagement, which aligns DSNG’s internal goals with its external stakeholders. Internally the company now publishes a Sustainability Journal every quarter to engage its employees on its key sustainability news, events, and initiatives to raise their collective awareness on sustainability. In addition, key performance indicators (KPIs) linked to important sustainability outcomes also helped to embed the sustainability strategy into staff work planning and processes.
Preparing the Future: 2020 the Year of Breakthroughs

Despite the global disruption caused by the pandemic, 2020 was a year of many breakthroughs for DSNG, including the sustainability loan facility from &Green that was the first of its kind globally for a palm oil company. However, beyond the pioneering green loan facility were other significant accomplishments that were made to further the company on its journey to sustainability. One was the group’s sustainability strategy, catalysed by the loan facility that now encompasses its wood segment. In its quest to attain circularity in its business model, DSNG was one of the first in Indonesia to implement a rental and recycle wood floor program for its customers.

In September 2020, DSNG completed Indonesia’s first palm oil industry Bio-CNG plant in Muara Wahau, East Kalimantan. The plant uses the liquid waste from its palm oil processing as raw material to produce electricity and biomethane compressed natural gas (Bio-CNG).

According to Dr. Teguh Triono, DSNG’s Sustainability Engagement Lead, “We estimated that we could reduce our utilization of approximately two million litres of diesel fuel per year for our power generation and vehicles. More importantly, DSNG will also reduce its Green House Gas emission by approximately 50,000 tons CO2 per year, equivalent to planting approximately 800,000 trees or removing 11,000 units of passenger car from being used, or removing 17,000 tons of landfill or trash. Not only is the plant consistent with our concept of the Circular Economy of Palm Oil, it is also aligned to our environmental commitments with &Green, as well as our certifications under the Roundtable on Sustainable Palm Oil (RSPO), the International Sustainability and Carbon Certification (ISCC) and the Indonesian Sustainable Palm Oil (ISPO).”

In November 2020, DSNG made a strategic investment in Verdant Bioscience Pte Ltd, a leader in palm oil tissue culture. Through its research, Verdant could potentially provide DSNG with higher-yielding palm oil seeds with natural resistance to pests and diseases that could help to reduce extensive land use and the resultant deforestation. According to DSNG President Director, Andrianto Oetomo, “This is a long-term strategic investment for DSNG. In the next few years, the replanting program of oil palms in Indonesia, both by plantation companies and community farmers, will be massive following the aging of oil palm plantations and consequently will create a huge demand for superior oil palm seeds.”

Also in November, DSNG entered the Sustainability and Responsible Investment Index (SRI)-KEHATI Index for the December 2020 - May 2021 period. The Index is a jointly developed index between the Indonesia Stock Exchange and the Indonesian Biodiversity Foundation (or KEHATI Foundation) that measures the stock performance of 25 listed companies that perform well in their sustainability efforts. Notably, DSNG’s share prices have ascended as more news of its ESG initiatives and achievements have been published. DSNG sees commercial opportunities in adopting sustainability as a core element of its business planning. For example, their investment in Methane Capture and BioCNG is driven by the commercial advantages of insulating their business against the price volatility of fossil fuels, as well as reducing the cost of fossil fuel. In its first publicly available sustainability report 2020, DSNG President Director Andrianto Oetomo encapsulated his hopes for that future:

Andrianto Oetomo
President Director of DSNG

“I truly believe that if we are able to manage our sustainability transition well, we will also reap benefits beyond what it cost us to respond to those risks. Moving towards a net-zero carbon future has its own set of challenges for agriculture and our wood-based business but if we are committed to using an appropriate response to it, such as through science-based natural climate solutions, there will be much to reap commercially and also for the environment. Similarly, if our employees, supply chain, and stakeholders are aligned towards the same principles of circularity and shared prosperity, I sincerely believe that we can make progress to address social and economic inequalities. Once such principles have been embedded into our culture, it will drive us to become a more resilient, sustainable, and valuable organization that brings enormous benefits for future generations.”
### Exhibits

#### EXHIBIT 1

**Share of vegetable oil land use and production by crop**

<table>
<thead>
<tr>
<th>Global land use for vegetable oils</th>
<th>Global vegetable oil production</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% of land</td>
<td>36% of land</td>
</tr>
<tr>
<td>Soybean</td>
<td>26% of land</td>
</tr>
<tr>
<td>12% of land</td>
<td>12% of land</td>
</tr>
<tr>
<td>Rape and Mustard</td>
<td>9% of land</td>
</tr>
<tr>
<td>Sunflower</td>
<td>2.4% of land</td>
</tr>
<tr>
<td>Groundnut</td>
<td>2.1% of land</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>1.4% of land</td>
</tr>
<tr>
<td>Olive</td>
<td>1.2% of land</td>
</tr>
<tr>
<td>Coconut</td>
<td>0.4% of land</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of land</th>
<th>Palm (6% of land)</th>
<th>Oil (36% of land)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.5%</td>
<td>6%</td>
<td>36%</td>
</tr>
<tr>
<td>9%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>11%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>3.1%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>3.4%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Low yields mean these crops use a much larger share of land than they produce in oil.

Source: Palm Oil - Our World In Data

https://ourworldindata.org/palm-oil

#### EXHIBIT 2

**ESG Philosophies:**

**Environmental Stewardship**

DSN Group is committed to the responsible use and protection of the natural environment through conservation, mitigation of climate change impacts, and sustainable practices. We seek as much as possible to eliminate waste & pollution and regenerate natural systems to mitigate and reduce our impact to the environment.

**Best Practices**

Compliance with the principles of good agricultural practices is one of the pillars of sustainable cultivation. At DSN Group, we are committed to applying the industry best practices to every level of our palm oil cultivation and production processes to achieve the highest possible yield with the minimum impact to the environment and the community around our operations.

**Culture of Transparency and Accountability**

We are committed to building a culture of transparency and accountability. This is the key to building bilateral trust the company and all its stakeholders.

**Social Inclusion**

One of the philosophies of DSN Group founder is that if the company wants to prosper, we must make the people prosperous. Building from that, DSN Group strives to empower the communities wherever we operate to be able to collectively enjoy the prosperity that global markets offer us in a sustainable way.
Commitments to No Deforestation, No Peat, and No Exploitation (NDPE) refer to sustainable agricultural commodity production (mostly to palm oil production) used by downstream companies, traders, mills, and growers.

**NDPE stands for:**

1. **No Deforestation**
   - Refers to avoiding deforestation when developing land to produce commodities or associated projects. Tools such as the High Carbon Stock Approach (HCSA), which focuses on forests, and the High Conservation Value (HCV) approach (which includes other ecosystems and social values) are commonly referenced to the implementation of this commitment. It also encompasses the regulation of burning practices and the reduction of greenhouse gas (GHG) emissions on existing plantations.
   - The above should be viewed as a guide as there is no definitive definition of what must be covered in an NDPE commitment. It is generally recommended to consult with stakeholders working on social and environmental impacts of agricultural commodity production to inform companies about the pertinent issues to be addressed: these then inform the development of policy commitments and appropriate actions.

2. **No Development on Peat**
   - Refers to having no new developments on peatland and encouraging the use of Best Management Practices on existing plantations on peat. Where possible, peat restoration should also be implemented.

3. **No Exploitation**
   - Refers to not exploiting workers, local communities, or small-scale growers, in the production of an agricultural commodity. This is about respecting human rights: with a focus on the rights of indigenous and local communities, workers, and smallholders.

Source:

An NDPE commitment not only means a thorough understanding of what is needed to achieve it, but it is also a promise to track progress, identify gaps where more action is needed, and work together across borders to implement the necessary changes.

https://palmoilalliance.eu/ndpe-commitment/
SAIL is the Investment Advisor to the &Green Fund. The Fund was launched in July 2017 with USD 100 million of capital from the anchor investor, and aiming to reach USD 400 million of committed capital in the short term. Its mission is to prove that financing inclusive, sustainable, and deforestation-free commodity production can be commercially viable and replicable - thus strengthening the case for a new rural development paradigm that protects valuable forest and peatlands and promotes high-productivity agriculture.

References

1. &Green had previously participated in a loan facility to RLU. That loan facility and its sustainability implications are detailed in the “RLU case”, a case in our series of sustainable financing cases.

2. The Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004 with the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders. RSPO is a not-for-profit, international, membership organisation that unites stakeholders from the different sectors of the palm oil industry including oil palm producers, suppliers, traders, processors, consumers, NGOs, banks, investors, environmental or nature conservation NGOs, and social or developmental NGOs.


The Tropical Forest Alliance

TFA is a global multistakeholder partnership platform initiated to support the implementation of private-sector commitments as well as to amplify demand-side engagement in major economies towards the transition to reduced deforestation commodity supply chains. Hosted by the World Economic Forum, TFA partners with 170+ organizations - companies, government entities, civil society, indigenous peoples, local communities and international agencies. TFA operates regional platforms in Latin America, West and Central Africa, China, and Southeast Asia.

IPMI Case Center

The IPMI Case Center, established in February 2016, represents the distinguishing character of the IPMI International Business School, the pioneer in adopting the case method approach in Indonesia. Benchmarking itself to cases from the Harvard Business School, the Center aspires to produce a continual flow of new and relevant cases of such caliber, made possible through its various strategic partnerships with a wide array of leading organizations on topics currently critical to the business world as well as to the future leaders in IPMI’s various management programs.

The Partnership for the Business Cases

TFA Southeast Asia partners with the IPMI Case Center to co-produce evidence-based business and investment cases primarily to catalyze the realization of multistakeholder’s shared-responsibility commitments. Objectively developed with references to relevant working groups, the cases are to reflect interpretations and implementation of sustainability values of companies, alongside the lessons learnt and key takeaways for others in the industry to refer to and be inspired by. The cases aim to recognize initiatives already taken as well as to present real opportunities for actors across commodity supply chains to join hands in pursuing a Forest-Positive shared agenda. As important, the case approach aims to encourage leadership despite the multiple controversies surrounding the shared agenda of combating climate crisis and co-creating long-term sustainable innovative solutions that fit both economic and environmental considerations.

Acknowledgement

TFA Southeast Asia would like to express sincere gratitude to everyone involved in the ideation, development and finalization of this business case. In particular, to DSNG for the open and transparent discussions, on their sustainability commitments and actions generally and the journey behind the transformation specifically, without which the case will not be as meaningful.

It is our hope that this study could inspire scaled sustainability commitment and further collective actions across all stakeholders in our journey towards deforestation free commodities supply chain, other forest-positive shared agendas, and eventually our pursuit of net zero.

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