Palm oil sector is a human capital-intensive industry with the good average ratio of worker per hectare in the range of 0.12-0.17 or six to eight hectares per worker. The human capital is central to the sustainability of palm oil industry, and consequently, the employee wellbeing is critical in contributing to a sustainable business operation. We believe that the empowered and engaged employees make the difference towards driving positive improvements.

Goodhope creates direct and indirect employment and small business opportunities at the locations where we operate. More than 12,000 individuals are employed by the Group, the majority of which work at our plantations in Indonesia. Our sustainability initiatives and CSR programs provide and promote additional livelihood opportunities.

Our six mills provide a market for third party suppliers or outgrowers, including scheme and independent smallholders. We continue to work on creating a fully traceable supply chain to ensure that all Fresh Fruit Bunches (FFB) is sustainably sourced to plantations.

We recognize education as a key element in the drive for sustainable development. Therefore, the Group has increasingly promoted advances in knowledge, skills and attitudes through our education programs (managed by Yayasan Agro Harapan) in cooperation with partner organizations, including scientific community, NGOs and development agencies.

The basic needs of communities living in and around our concessions, are supported by company investments in services and infrastructure, e.g. providing access to clean water, decent housing, and health facilities.

The Group manages 13 plantations units in four provinces in Indonesia, including Central, West and East Kalimantan, and Papua. Social and environmental assessments have been completed at each concession to guide management that mitigates social and environmental risks.
We place special emphasis on employee wellbeing in contributing to a sustainable business and believe that empowered and engaged employees make the difference towards driving positive change. The Group values teamwork and encourages engagement initiatives that foster a spirit of togetherness.

On International Workers’ Day, 1st May 2019, we celebrated the achievements of our employees across our concessions and promoted harmony between the company, employees and communities. Many social and sports events were organized across our operations. The celebrations included running competitions, a marching band, morning work-outs, music concert and several competitions for employees and their families including costume and drawing competitions. Emphasis was on having fun, working together as a team and encouraging positivity.

Across all our operations we aim to support a healthy and diverse workforce with a collective commitment and common vision, driven by shared values and goals. We promote resilience and innovation, encouraging employees to adapt and ‘bounce back’ from difficult experiences, and encouraging the freedom to explore and create new ways of doing things. This positive working environment contributes to improved performance.

Key principles to promote collective action towards achieving our sustainability goals:
Goodhope has been progressively engaging with local communities and local government authorities in Nabire Region to establish conservation plans in the area.

An area of more than 9,000 hectares within the PT NB and SAP concessions has been identified as HCV/HCS forest and will be maintained by effective management and monitoring and engagement with local communities to safeguard HCV while recognizing the rights of local communities.

To assist in establishing and delivering conservation programs in the area, we have appointed Pusat Informasi Lingkungan Indonesia (PILI) as conservation partners. Consultants and Goodhope representatives have been continuing negotiations with the communities in order to reach conservation and land use management agreements and to develop collaborative conservation management plans.

Goodhope has been working together with PILI to disseminate and discuss information to develop plans for conservation management in PT NB – SAP and to enhance conservation awareness by workers and communities, encouraging effective conservation management. The development of suitable sustainable livelihood programs in association with local communities, government institutions, NGOs and consultants will be a key supporting component of the programs. We will continue to work with stakeholders in regular stakeholder meetings and community forums and aim to increase the availability of information resources in the villages to improve public awareness and understanding.
Sustainability at Schools

We have been progressively integrating sustainability into our school education programs with emphasis on promoting understandings of environmental issues.

SMP Tunas Agro Environmental Programs

Our school SMP Tunas Agro at PT Agro Indomas, Central Kalimantan implements environmental programs through which students learn how to plant fruits / vegetables for sale to local communities, establish minimal waste mechanisms, reduce electricity and water consumption, and implement other environmental initiatives alongside a learning curriculum that incorporates sustainability issues. Environmental programs have been in progress since 2014 and we are now seeking to achieve and participate as an Adiwiyata School accreditation, a national program by the Ministry of Environment and Forestry (KLHK).

Integrated Nutrient Recycling, Invasive Species Control and Vegetable Farming Program

PT Agro Indomas collaborate with local vocational school (SMKN 1 Danau Sembuluh) to support the implementation of a compost production and vegetable farming program.

The compost is made from water hyacinth and other organic material. By extracting water hyacinth from Lake Sembuluh, the program is contributing to help control water hyacinth and provides a use for the plant material through nutrient recycling.

Processing of water hyacinth uses a machine from PT Agro Indomas to shred the plant material prior to composting. A mixture of water hyacinth, manure and ketapang leaves produces a compost that is rich in nitrogen and phosphates for healthy plant development.

The compost is being used as a planting medium for a school vegetable farming program at SMK 1 Danau Sembuluh. The program is generating good yields of cucumber, red garlic and sweetcorn.

We envisage that the school vegetable plots will serve as model demonstration plots that local communities will be able to see to promote more widespread uptake of small-scale organic farming.

We are working on increasing the production efficiency of compost made from water hyacinth to support further small-scale organic farming initiatives.
Supporting Local Livelihoods

We continue to encourage and support local community development and empowering programs in and around our operating locations.

**Sustainable fish farming initiative**
The CSR team at PT Agro Indomas Central Kalimantan (AICK) offers tools and assistance for sustainable fish farming to help individuals in Terawan Village to effectively manage their own small businesses and in a sustainable manner. Agro Indomas is still working to establish cooperation and support so that this project is successful and can provide sustainable business opportunities.

**Passion fruit small business enterprise**
Pak Bardani started his business around three years ago from his backyard that he planted with passion fruit trees. He processes the fruit and sells the juice to school canteens and to our Training Center and General management Office at PT AICK. He will expand and diversify his future plans to develop his business to produce aloe vera drinks and soy milk.

Success among the communities will influence expansion of programs, inspiring others to develop small business enterprises.

We are looking to increasingly support opportunities and secure markets while promoting and enhancing environmental stewardship.

These programs shall include initiatives to empower women, children and youth, and shall be developed through open, constructive and collaborative discussions with stakeholders.

Following on from scoping visits to PT Agro Wana Lestari back in March 2018, the potential for beekeeping opportunities has been identified and further explored as a livelihood initiative with potential to support and contribute to conservation efforts. Around the HCV area of Bukit Santuai, seven species of stingless bees (*Trigona spp*) have been identified, some of which are known to be suitable for cultivation (Meliponiculture). The opportunity for beekeeping is being explored as a potential means to build resilient livelihoods for people around HCV Areas of Palm Oil Plantation. A training program on the approach is scheduled to be conducted in August 2019 in Bukit Santuai, Central Kalimantan.

**Development of a Sustainable Landscape Management Model in Nabire, Papua.**

Through our collaboration with IDH Sustainable Trade Initiative, we are finalizing agreements to the terms of a proposed study to support the development of a sustainable landscape management model in Nabire, Papua.

The study will include desktop analysis to collate and evaluate secondary data as well as field data collection and is expected to provide information to form recommendations that will guide the development and implementation of initiatives considering conservation needs, business feasibility and cultural and socio-economic aspects relating selected commodities.
Smallholder Engagement and Support Programs

Smallholder engagement processes are being conducted as part of our efforts to carry out smallholder mapping, to support the inclusion of smallholders in our supply chain and to advance the livelihood prospects of smallholder farmers.

In May 2019, the traceability team at PT Agro Wana Lestari, Central Kalimantan visited the villages of Batu Agung, Tribuana and Bukit Indah as part of smallholder engagement efforts. Socialization activities explained the purpose and objectives of smallholder mapping and data collection and our commitments to continued engagement with smallholders and farmer groups.

Our smallholder engagement and mapping processes are ongoing at locations in Central and East Kalimantan. The projects, which will contribute towards our commitments to create a fully traceable supply chain, are long-term assignments that are currently being delivered with assistance from Daemeter Consultants. To date, Goodhope has mapped 2,626 Ha of smallholder land.

We will be increasingly promoting and supporting RSPO certification of independent smallholders and are currently working on identifying suitable smallholdings for certification.

In addition to strengthening engagement support of independent smallholders, we continue to provide empowerment training and technical assistance for scheme smallholders (members of Plasma Cooperatives) in various program areas.

On April 15th 2019, training on tax administration was held by PT Agro Bukit, Central Kalimantan (ABCK). This capacity building activity aims to provide Plasma Cooperative Management knowledge and understanding to ensure accurate tax reporting. The training was delivered by Head of Tax Department of PT Agro Harapan Lestari in collaboration with an official from the Indonesian Regional Tax Office. It was designed to provide cooperative members with improved understanding of the tax administrative processes, including cooperative tax reporting.
Sustainability Policy Update

Since the launch of the policy in May 2017, we have been working towards its full implementation. To guide efforts we have in place a Sustainability Policy Implementation Plan (SPIP) and commit to provide annual updates under this framework. Our second SPIP was published in our Sustainability Policy Implementation Report June 2018 and we aim to release another annual update in June 2019.

In line with our commitments to policy review and revision, we have drafted an updated Sustainability Policy with proposed revisions as outlined in the points below:

• Introduction of a clear policy scope.
• Incorporation of the requirements for protection of Human Rights Defenders and whistleblowers.
• Strengthened requirements for fair, transparent and participatory engagement approaches in accordance with Free, Prior and Informed Consent (FPIC) principles.
• Integration of our Social Policy statements including Equal Opportunities and No Discrimination.
• Incorporation of statements from our Environmental Health and Safety Policy.
• Incorporation of policy on the respect of reproductive rights and recognition of the critical link to sustainability.
• Introduction of community welfare commitments.
• Strengthened commitment to no development on peat in alignment with RSPO P&C 2018.
• Strengthened commitment to conservation management and monitoring, incorporating the definition of Rare Threatened and Endangered species and the implementation of plans to restore or rehabilitate degraded habitats.
• Introduction of a specific statement defining our commitment to peat management.
• Introduction of supply chain mapping commitments.
• Introduction of core requirements for third party compliance and responsible sourcing.

We are seeking stakeholder feedback on the proposed policy revisions. Interested stakeholders are invited to contact Goodhope’s Director Sustainability, Edi Suhardi edi.suhardi@goodhope.co

Commitments under our current Sustainability Policy Implementation Framework:

- Safeguarding HCV and HCS
- Protection of Peatland
- Fire Mitigation
- Reducing Our Environmental Impact
- Respecting Community Rights
- Handling of Complaints, Grievances and Conflict Resolution
- Promoting Community Empowerment
- Smallholder Support
- Supporting Worker Rights, Health and Well-Being
- Supply Chain Traceability
- Transparency and Continuous Improvement in Sustainability Performance
Update on the Precautionary Approach (Stop Work Order) and New Planting Procedure (NPP) Processes

We are pleased to report that LUCA reviews have now been completed for each of our five subsidiaries in West Kalimantan. Final Compensation Liabilities shall be determined according to the outcomes of the LUCA Reports and respective LUCA Review Reports. Meanwhile, these subsidiaries remain under stop work order.

The stop work order for PT Nabire Baru (NB) and PT Sariwana Adi Perkasa (SAP) has been lifted in recognition that the conditions defined by the precautionary measure have been satisfactorily met. The RSPO Complaint’s Panel (CP) decision on lifting the stop work order for PT NB and PT SAP was conveyed to Goodhope by letter dated 27th December 2018.

The Final Compensation Liability for PT NB and PT SAP (decision 28th November 2018) was determined according to the outcomes of the LUCA Reports and respective LUCA Review Reports and a Compensation Concept Note for proposed conservation compensation activities has been approved by RSPO. We are now working with consultants on developing a full compensation plan.

Expansion of the mill at PT NB (from 15MT/hr up to a capacity of 45MT/hr) is permitted according to the decision of RSPO CP (letter dated 4th February 2019). No further land clearing is required for the expansion of mill capacity.

Requirements of the precautionary approach (Stop Work Order)

<table>
<thead>
<tr>
<th>Company</th>
<th>HCV Assessment</th>
<th>LUCA</th>
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| PT NB    | • First submitted: 31st October 2017.  
• Second LUCA Review completed: 20th July 2018.  
• Final Compensation Liability determined: 28th November 2018.  
• Concept note for compensation plan endorsed by RSPO: 26th March 2019. |
• LUCA Review completed. |
• LUCA Review completed. |
| PT SMS   |                                                                          | • First submitted: 29th Aug 2017.  
• LUCA Review completed. |
| PT SSA   | • First submitted: 28th December 2017.  
• LUCA Review completed. |
| PT SHP   |                                                                          | • First submitted: 28th Nov 2017.  
• LUCA Review completed. |
