

2019 ANNUAL SUSTAINABILITY REPORT



sinarmas





You can find this report and additional information about **Sinarmas Cepssa** in our corporate website



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“Better Together”

“Better Together” is our spirit to building our business. We believe that by working closely with our stakeholders and shareholders we are able to accelerate progress, innovation and continuously improve. This “Better Together” spirit gives us the confidence to have a major positive impact on the environment, local communities and the palm oil industry in a holistic manner.

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CEO's STATEMENTS

GRI 102-14

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DEAR STAKEHOLDER

We are proud to present you our 2019 Sustainability Report. We've continued to achieve considerable progress in our unrelenting efforts in pursuing Best in Class Sustainability practices. Through sheer persistence, teamwork and with a clear mandate and vision; our efforts continue to reap tangible positive impact towards the Society and Environment in which we operate in.

We achieved a marked increase in commercial activities and operations in 2019; whilst continuing to strengthen our activities towards best in class Sustainability practices with an unwavering commitment in meeting our lofty Social, Environmental and Sustainability standards including the continued adoption and compliance with the Equator Principles Risk Management Framework in our day to day operations.

A significant milestone in our operations in 2019 was the full commissioning of piped natural gas usage for our Thermal Oil Heating units and Hydrogen plant at our ESM Site. This greatly reduced our carbon footprint. Other key initiatives include improved condensate recovery, reduction of nitrogen consumption and increased recycling of wastes via conscious process optimization initiatives. Our site in SCDG was granted a special EEG ("Erneuerbare-Energien-Gesetz") Fee Waiver governed by strict standards under Germany's Renewable Energy Act; a testament to our commitment to energy efficiency.



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Our operations across all sites continued to participate, engage and provide meaningful support to its local communities in furtherance of our dedication and commitment to Corporate Social Responsibility and Sustainability initiatives.

In 2020, amidst the on-going COVID-19 pandemic, we have thus far efficiently managed our end to end processes to ensure operational continuity whilst maintaining the well-being of our employees by staying vigilant and adapting best in class global practices in tackling this crisis.

We are well on track to becoming a global leading player in the fatty alcohol surfactant market focused on creating value for our customers and stakeholders while being a responsible and sustainable corporate citizen in all the communities where we are present.

Yours Sincerely,



Kung Chee Wan



ABOUT THIS REPORT



2019 marks the full second year of our organization's continuous journey towards becoming a responsible and sustainable world class oleochemicals producer. This is the second edition of SCPL's Annual Sustainability Report and in this report you will be able to see the efforts our organization have taken and adopted to ensure that while we continue to grow to become a world leader in the production of oleochemicals and ensure our stakeholders' concerns and expectations continue to be effectively addressed.

In 2019 all the manufacturing sites under our group continue to be RSPO certified. Our commitment to play an active part in protecting our earth, particularly in deforestation and climate change aspects are realized through how we operate. Our organization's DNA basic building block is based on a sustainability approach. Our first core value is Sustainability and this is also clearly reflected in our Group's vision.

In 2019, we continue to actively engage with our key stake holders such as local communities and local government bodies; collaborating with these stakeholders to work on projects that are part of the United Nations 17 Sustainable Development Goals, such as No Poverty, Good Health and Well-Being, Quality Education and Industry, Innovation and Infrastructure.

This second edition of SCPL's Annual Sustainability report reflects our continuous and strong commitment to provide an accurate and transparent communication platform for our stakeholders to understand the efforts taken and contribution done towards achieving the UN's Sustainable Development Goals.



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REPORTING SCOPE AND BOUNDARIES

GRI 102-46, 102-54, 103-1, 103-2

This report is the SCPL Groups' Annual Sustainability report for the 2019 reporting period. The report covers the group strategies and approaches in dealing with challenges and opportunities from external and internal stakeholders, to remain committed in its journey to become the preferred sustainable oleochemicals producer. The report has been prepared in accordance to the Global Reporting Index (GRI) standard by selecting the Core reporting option. There are also elements of Equator Principles relevant to the Group's activities which are included in this year's annual sustainability report

such as Environmental and Social assessments and management systems, stakeholder engagement and grievance mechanism.

The scope of this report includes the group's main production site namely PT Energi Sejahtera Mas, our Oleochemicals operation plant located in Dumai, Indonesia and SCDG, our Surfactant operating plant, located in Genthin, Germany. This report is prepared using the basic principles of sustainability including Economic, Environmental and Social (EES) in accordance with the guide lines in the Global Reporting Initiative ("GRI") Standards.

ABOUT SCPL

- ◆ #1 LAB Producer Worldwide
- ◆ International, integrated and diversified Chemical portfolio
- ◆ Technological leadership
- ◆ Focused on Western World



- ◆ #2 Palm Oil Producer Worldwide
- ◆ Leader in the palm oil industry in Indonesia
- ◆ Vertically integrated operations
- ◆ Focused on Asian market

Sinarmas Cepsa Pte. Ltd. is a supplier of oleochemicals, established as a joint venture between the chemicals business of Spanish integrated energy company Cepsa and Indonesian conglomerate Sinar Mas Group.

Headquartered in Singapore and with production facilities in Lubuk Gaung, Indonesia as well as Genthin, Germany, our company is founded on strong synergies of its partners:

Golden Agri-Resources Ltd (GAR) is the world's second largest producer of palm oil with integrated operations and a strong presence in the APAC region, and Cepsa as a world leader in the Linear Alkyl Benzene (LAB) surfactant industry with a wide portfolio of chemical products and a leading presence in the Western hemisphere. In 2019 we expanded our business by opening a storage product site in Malaysia, namely Sinar M Cepsa Sdn. Bhd.

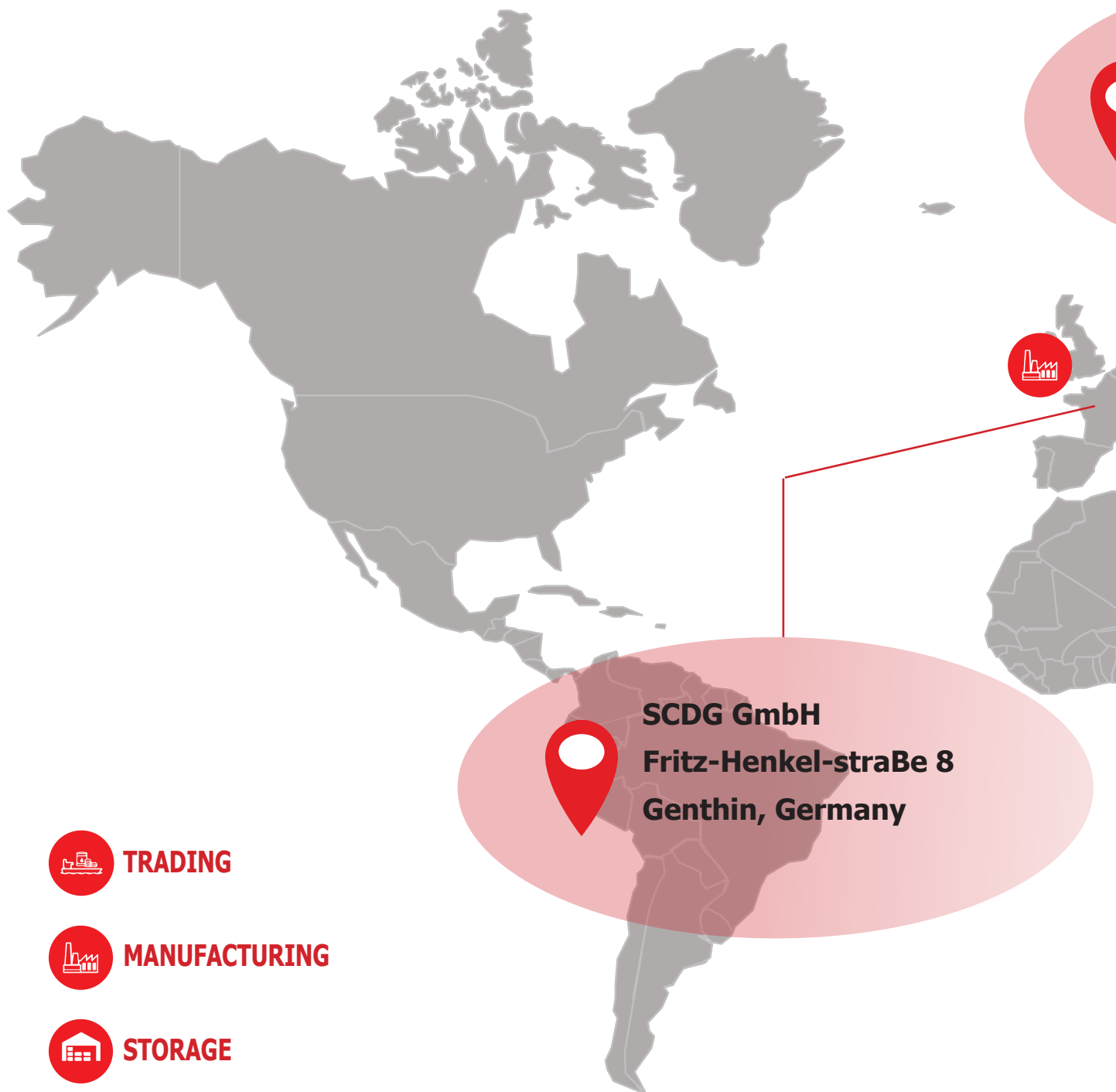


" We are steadily and continuously growing to compete as a leading global player in the fatty alcohol surfactants market"

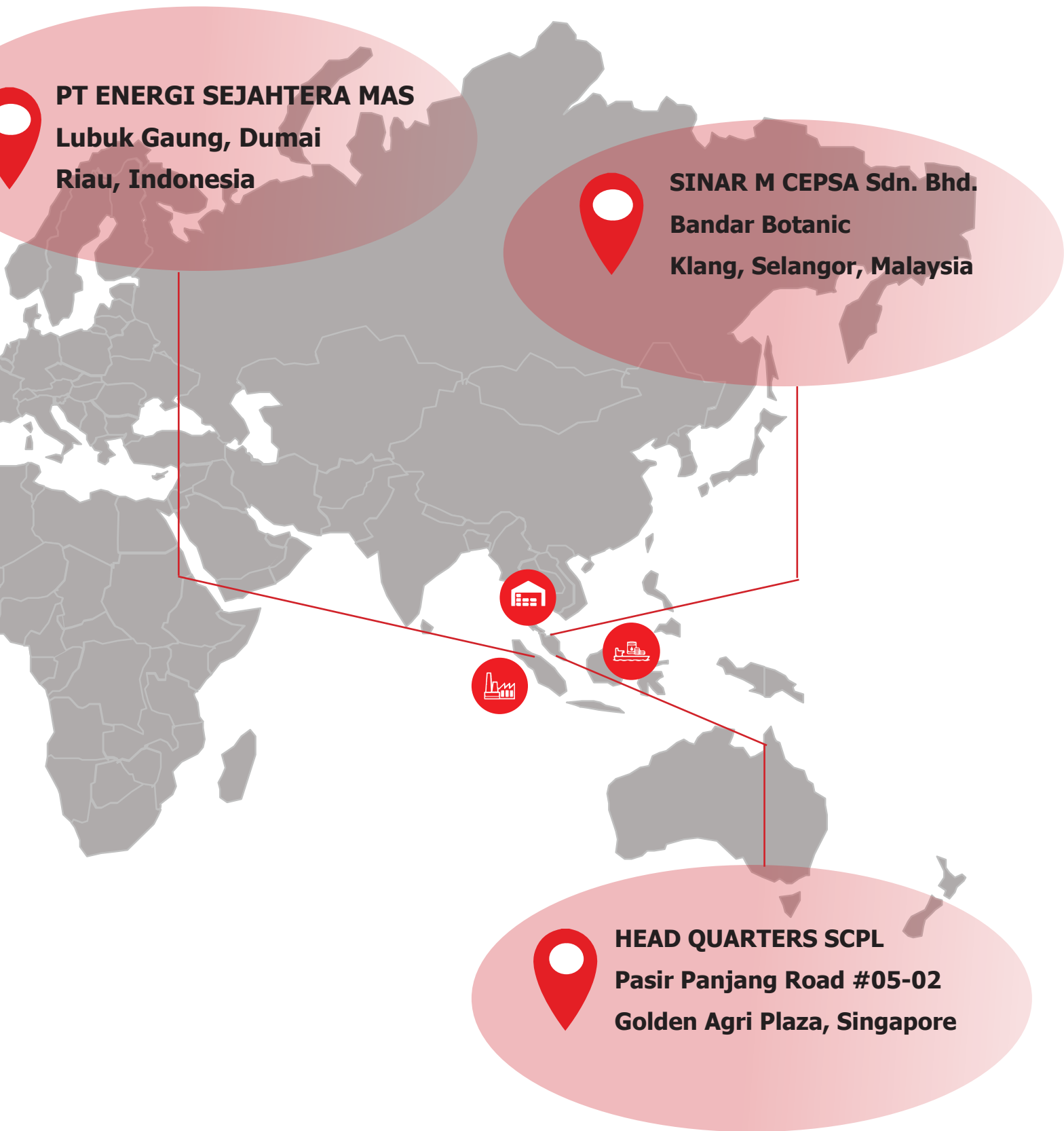
LOCATION AND OPERATION

GRI 102-3, 102-4, 102-6

Our customer base covers 5 key continents, and are grouped into 4 operational areas, namely Asia Pacific, Europe, Africa & Middle East and Americas.



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PT ENERGI SEJAHTERA MAS

**Lubuk Gaung, Dumai
Riau, Indonesia**

SINAR M CEPSA Sdn. Bhd.

**Bandar Botanic
Klang, Selangor, Malaysia**

HEAD QUARTERS SCPL

**Pasir Panjang Road #05-02
Golden Agri Plaza, Singapore**

OUR VISION AND VALUE

To become a **global leading player** in the fatty alcohol surfactant market focused on creating value for our customers and stakeholders while being a **responsible and sustainable** corporate citizen in all the communities where we are present.



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CORE VALUES



SUSTAINABILITY AND SAFETY

We take commitment to the safety of people and at facilities in daily operations, analysis of risks and the management of change process, the organization and products, as well as the involvement of all personnel in prevention activities.



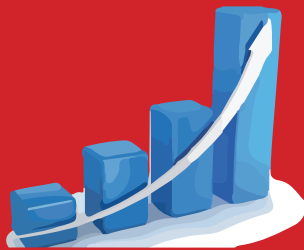
INTEGRITY

We value professional honesty, trustworthiness and high ethical standards.



SOLIDARITY

We work in unity amidst individuals with common interests, a positive attitude and mental support within our group.



CONTINUOUS IMPROVEMENT

We take pride in our work and continuously improve to achieve desired results



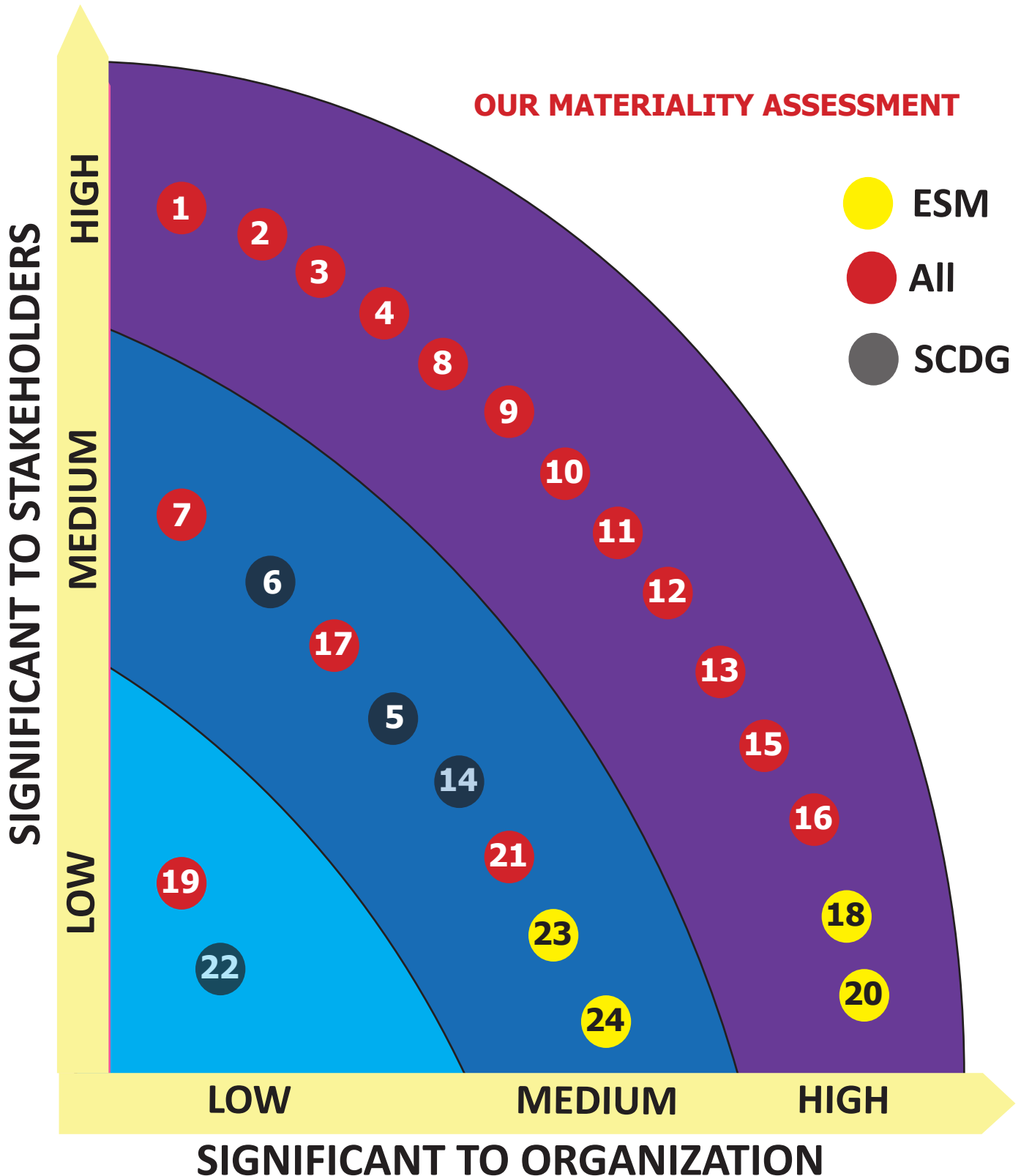
INNOVATION

We seek for better approaches and embrace changes to adapt our business to the market environment

ENGAGING OUR STAKEHOLDERS

GRI 102-40

The process of identifying key stakeholders are done by evaluating the impact of the Group's activities to the affected groups, primarily in our 2 manufacturing sites; PT Energi Sejahtera Mas (PT ESM), in Dumai Indonesia and Sinarmas Cepsa Deutschland Genthin (SCDG), in Genthin Germany. The impact assessments were done based Economic, Environmental and Social criteria as stated in the GRI standard. The materiality matrix established is as follows:



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Employees

1. Career Growth
2. Health and Safety
3. Wages and Benefit

Local Community

4. Employment Opportunity
5. Basic Village Infrastructure Development
6. Demography
7. Local Economic Growth
8. Air and Water Pollution

Investors

9. Profitability
10. Business Continuity

Customers

11. Product Safety
12. Sustainable Supply
13. Product Certification
14. Product Quality

Government

15. Compliance with Regulation
16. License

Suppliers

17. Payment
18. Natural Gas Supply
19. Social Assessment (Local Supplier)
20. Waste Transport

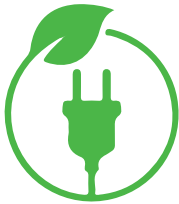
Group Association

21. Information Sharing
22. Training

NGO

23. Sustainability Commitment
24. Collaborative Project

OUR MILESTONES AND PROGRESS



ENERGY EFFICIENCY

1

Successful Conversion of fuel for Thermal Oil Heater (TOH) from Diesel to LNG on 1st September 2018

6

Successfully completed 2nd BWRO Project to improve SWRO quality, hence cooling tower blowdown percentage was reduced from 16% to 8%

5

Reduction of Nitrogen through modification of Liquid Nitrogen purifier



RESOURCES CONSERVATION

7

Reused concentrated additional raw water

10

Reduction of annualized bottom ash generation through segregation of waste up to 18%



POLLUTION PREVENTATION

11

Reduction of fuel consumption



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2

Full utilization of Natural Gas for TOH & Hydrogen Plant started on September 2019 onwards.

3

Increase of condensate recovery as much 55%

Hydrogen consumption by > 50%
and close monitoring.
Purchase reduced by 90% /year

4

Diversion of power supply for non critical users to PLN hence maximise the compulsory off take from PLN by 3,084,000 kwh/year and reduce Coal consumption by 2638 ton / year

Water BWRO as addition
of WTP by 228,860 m3.

8

Catalyst of unit 111 extended beyond design capacity by 50%

9

Re-utilization of scheduled waste. e.g. Act. Carbon, filter cakes and bacteria sludge as fuel for boilers,

Carbon footprint through conversion of
from diesel to Natural Gas up to 52%

12

Eradicated the used of marine pollutant from MeOH to NG.

SUSTAINABILITY



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OUR SUSTAINABILITY PILLARS

1 MARKET PLACE AND SUPPLY CHAIN

2 WORK ENVIRONMENT AND INDUSTRIAL RELATION

3 SOCIAL AND COMMUNITY ENGAGEMENT

4 ENVIRONMENTAL AND ENERGY MANAGEMENT

5 INNOVATION THROUGH TECHNOLOGY AND R&D



SUSTAINABILITY APPROACH



PEOPLE

Sustainable Mindset

In determining strategic decisions we always consider sustainability aspects such as the environment, society and business continuity.

PROCESS

Continuous improvement

Furthermore, the decisions that we take are carried out via a continuous improvement process. In our industrial process chain, we have carried out many continuous improvement and innovation actions in accordance with our sustainability goals, such as energy efficiency, resources conservation, and pollution prevention

IMPACT

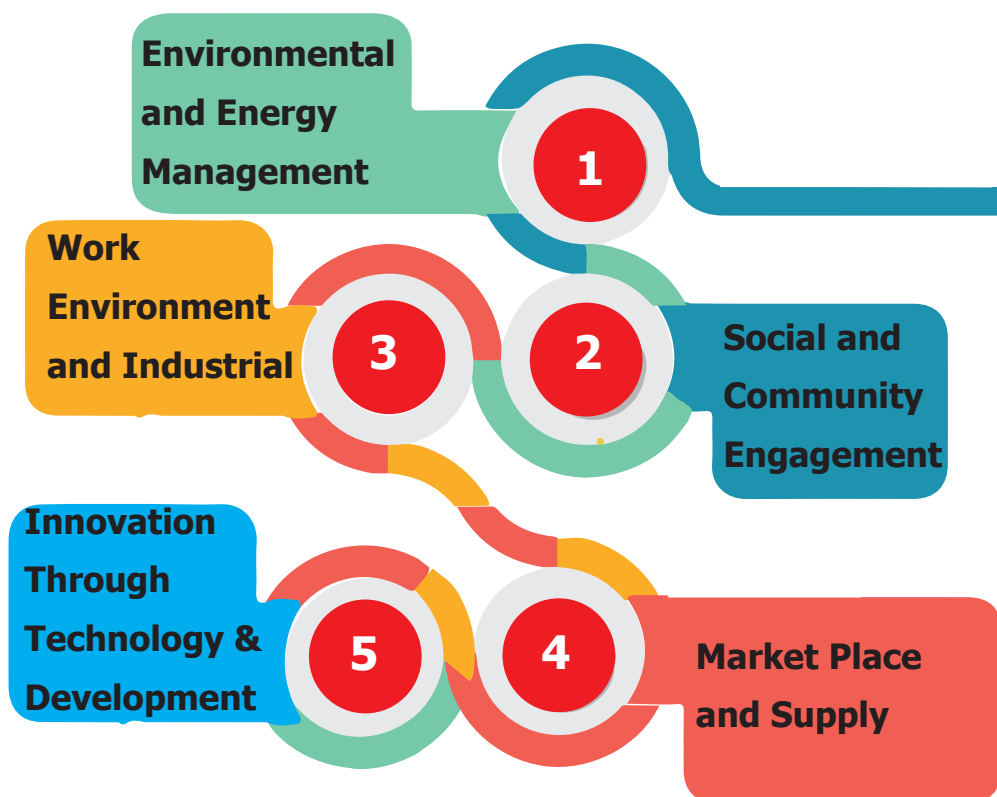
Ensuring that all activities performed at the manufacturing sites impart positive, long term and sustainable impact to the economy, environment and the local communities.



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SUSTAINABILITY PRINCIPLES



GRI 102-43

We want to ensure that SCPL's operations will impart positive impact to the socioeconomic development of its surrounding communities, develops its people and continues to preserve and protect the local environment. We strive for continuous improvements in energy conservation and in the efficiency of our processes. Core to this are our 5 key Sustainability Principles:

Principle 1: Environmental and Energy Management

1. Maximize energy performance, reduce operating expenses and increase shareholder value by actively and responsibly managing energy consumption.
2. Demonstrate commitment to our community and leadership in our industry, by reducing environmental impacts associated with energy use.
3. Report and reduce greenhouse gas emissions.
4. Improve Waste Management.

Principle 2 : Social and Community Engagement

1. Respecting the right of local communities to be informed and consulted about company's activities.
2. Responsible handling of concerns, complaints and grievances.
3. Responsible resolution of conflicts.
4. Open and constructive engagement with local, national, and international Stakeholders.
5. Positive economic, social and community development.
6. Empowering people through community development programs.
7. Respecting Human Rights.

Principle 3 : Work Environment and Industrial Relations

1. Recognizing, Respecting and Strengthening the rights of workers
 - a. Practice ethical recruitment.
 - b. Prohibit the use of child labour and take measures to prevent the use of such labour in connection with our activities.
 - c. Prohibit the use of forced or bonded labour and take measures to prevent the use of such labour in connection with our activities.
 - d. Provide employment contracts to all workers in a language they understand.
 - e. Ensure our wage administration including distribution, schedules and language used are direct, timely and clear.
 - f. Ensure all workers are paid a wage equal to or exceeding the legal minimum wage.
 - g. Production target is used to calculate premium on top of the minimum wage.
 - h. Ensure working hours meet legal requirements.
 - i. Ensure all overtime is voluntary and compensated at a premium rate consistent with national law or Collective Labor Agreement (CLA).
 - j. Respect workers' freedom of association and the right to collective bargaining.
 - k. Ensure diversity within our workforce.
 - l. Practice zero tolerance of sexual and all other forms of harassment and abuse.



Principle 4: Market Place and Supply Chain

1. Traceable and transparent Supply Chains.
2. Support to suppliers.
3. Due diligence approach.
4. Compliance with all relevant national laws and international certification principles and criteria

Principle 5 : Innovation Through Technology & Development

1. We embrace technology innovation as part of our business process enhancement to meet customers' needs for on spec environmentally friendly products aligned to Quality Management System that we apply to all areas where SCPL operates. SCPL innovates to enhance its business process and deliver value to its customers.
2. Continuous Improvement and Innovation drives our team to review and find new ways to promote the efficiency and effectiveness of our business processes and products. We value new innovative ideas or initiatives from our internal stakeholders.

GRIEVANCE HANDLING

GRI 102-53

In affirming our commitment towards transparency and an open and inclusive dialogue with its stakeholders, SCPL has established a Grievance Handling Procedure that enables its stakeholders to bring issues of concern relating to all activities at the local, national and international levels. Our Grievance Handling Procedure ensures that Sinarmas Cepsa addresses grievances in a responsible and timely manner and helps us to monitor the performance in meeting our sustainability commitments.

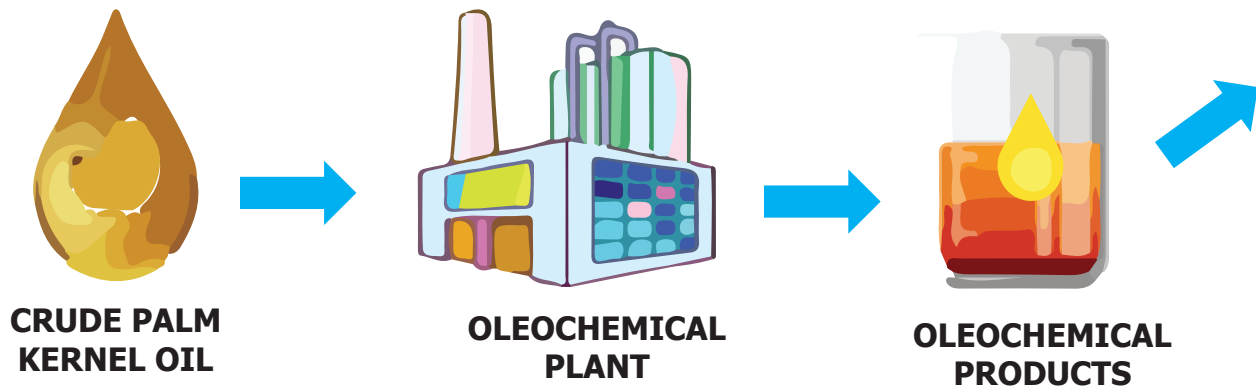
Grievances can be submitted to:
Sinarmas Cepsa Pte. Ltd.
E-mail:
grievance@sinarmascepsa.com



Addressed to:

Grievance Handling Team
Sinarmas Cepsa Pte. Ltd.
Golden Agri Plaza
108 PasirPanjang Road, #05-02
Singapore 118535

SUPPLY CHAIN AND PRODUCT GROUP

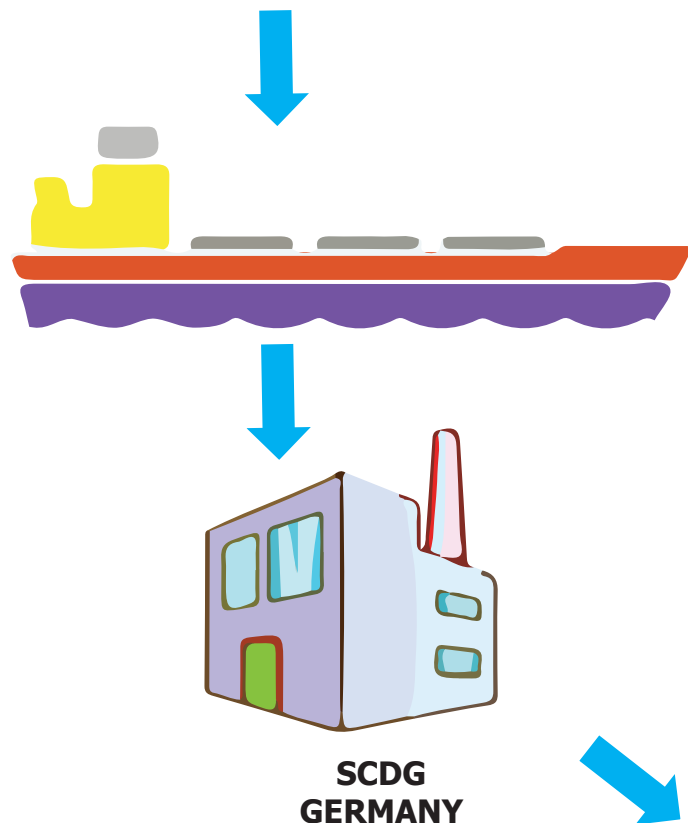


Our Primary Product

GRI 102-2



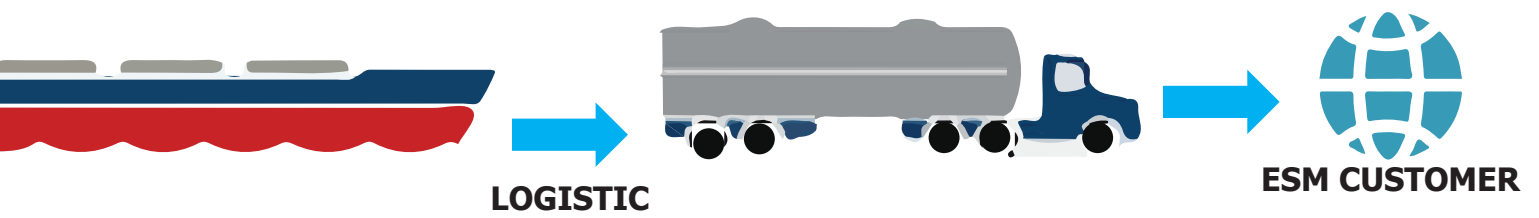
1. Fatty Acids and Glycerine
2. Fatty Alcohols: CepSinol®
3. Fatty Alcohols Ethoxylates: CepSinol®-e
4. Anionic Surfactant Cepsinol: CepSinol®-es / CepSinol®-s



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SUPPLY CHAIN MODEL

GRI 102-9



INDUSTRIAL RELATION

GRI 102-13

SCPL being one of the key players in the oleochemicals industry, actively participates and gets involved with activities and forums organized by key associations in the oleochemicals industry and the industrial sector. This networking is crucial in building up appropriate strategies and up to date approaches when dealing with sustainability matters in the context of oleochemicals business amongst others.



Asosiasi Produsen Oleochemical Indonesia (APOLIN) is an industry association for Indonesian oleochemical companies that aims to enhance co-operation and the industry's advancement. PT Energi Sejahtera Mas has been a member of APOLIN since June 28, 2017. Many tangible benefits were gained via joining this association, one of which is as a platform to communicate, share information and advance the industry's development.

APOLIN has become a communication bridge between the oleochemicals industry, the government and international stakeholders in order to guide industry relevant policies or directions to enhance competitiveness at both national and international levels. It also fosters and establishes a transparent and professional business climate and helps the industry realize synergies to optimize the potential of the oleochemicals industry in Indonesia.

This association is able to provide the assistance needed by its members to overcome common obstacles faced and can provide timely advice and input to the government in an effort to advance the Indonesian oleochemical industry and establish cooperation with organizations related to this sector both at home and abroad.



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PCQI Training organized by AOMG in Kuala Lumpur, Malaysia

The Asean Oleochemicals Manufacturers Group ("AOMG") is established to represent its member companies in the oleochemical industry on key industry regulatory, technical and latest global developments. One of AOMG's mission is to promote the formation of reliable and responsible production of oleochemicals without prejudicing normal competition between oleochemicals producing companies.

Membership of Association

The list of our membership in various key industry associations are as listed below.

No	Name of Organization	Scope	Status
1	Indonesian Oleochemical Manufacturers Association	National	Member
2	Human Resource Community	National	Member
3	Riau Environmental Dept. Discussion Forum	Local	Member
4	Paguyuban Sinarmas	National	Member
5	Asean Oleochemical Manufacturers Group	International	Member



In managing its environmental control and monitoring, PT ESM has consistently complied to all environmental regulations regulated by the government under the Ministry of Environment and Forestry (KLHK). In 2019, PT. ESM participated in the "SIMPEL" application for environmental monitoring reporting. In addition, PT ESM also uses the "SIRAJA LIMBAH" and "FESTRONIK" applications to report its B3 waste management.



The Paguyuban Sinar Mas is a forum that aims to bring together all Sinarmas member companies which operate in specific cities or areas such as Dumai to provide a platform for the collaboration and building of synergies amongst its members not only in tapping into market opportunities and human resource management, but also for various beneficial social welfare activities. PT ESM has contributed in every activity organized by the Sinarmas Association such as blood donation drive, donation distribution to the community and other social activities that provide benefit to its' local communities.

SOCIAL AND COMMUNITY ENGAGEMENT

GRI 413-1, 413-2

We believe that in carrying out its business activities, companies must apply sustainability principles so that its existence and activities can have a positive impact to its surrounding communities and environment in a positive and sustainable manner. We apply sustainability principles through carefully identified, planned and implemented Corporate Social Responsibility ("CSR") programs to meet the needs of our local community. In 2019, we prioritized our CSR activities along the fields of economy, education, environment, health and religion.

Blood Donation Drive

Under our Sustainability Development Goals 3, Health and Well Being; one of the activities in 2019 that was organized was a Blood Donation Drive. This program is a collaborative effort with the Indonesian Red Cross Society, Dumai and conducted in PT ESM. This activity was participated by ESM employees, our indirect workers from cleaning services and security service personnel. The close collaboration with the Dumai Red Cross Society enabled us to collect 50 bags of blood within 4 hours with a total of 80 donors. As a responsible organization, we are fully committed to continue to collaborate with any associations and non-governmental organization to improve the health and wellbeing of our local communities.



Mass Circumcision

The mass circumcision program which has become an annual activity organized by PT ESM, has continued to provide a safe and free platform for local children to fulfill one of their key religious obligations. Our site in Dumai is always in close cooperation with the local heads of community in the Sungai Sembilan sub-district, to identify children from poor families who require assistance to participate in this program. In 2019, 60 children from 4 villages, RT 09, RT 10, RT 11 and RT 12 were involved and the activity was coordinated with and fully supported by the Sungai Sembilan Government Health Clinic. The program has enabled the poor families to send their children for the circumcision process in a safe and clean environment at no costs to them.



Building Mushola

One of the long-term community projects that is currently being executed (work in progress) is the construction of a Muslim prayer house, Mushola Al-Anshor which is situated opposite our site in Lubuk Gaung, Dumai. The construction of the site commenced in November 2017 and is expected to be fully completed in 2020. The construction of this prayer house helps support the religious faith of our local community and foster positive relationships with them in a meaningful manner.

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



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Donation of Sacrificial Animal for the Eid Celebration

A majority of the local community in Dumai are Muslims. One of the two biggest religious occasions celebrated by them is Eid ul-Adha, where a prominent ritual is to sacrifice a domestic 4 legged animal such as a cow, goat and/or sheep deemed HALAL from the perspective of the Islamic religion. In 2019, the Company donated a cow to the Al-Iman Mosque, situated about 100 meters from its site in Dumai. The meat from the sacrificial animal was then distributed to the local community with priority given to less fortunate families to assist with their Eid ul-Adha celebration.

MoU of Education Programs

In the area of education, PT ESM is in close collaboration with Dinas Perindustrian (Industrial Department) to help in developing the future work force. A memorandum of understanding (MoU) was signed between 7 vocational colleges in Dumai to accept students from these colleges under the PT ESM Student Apprenticeship Program. The program is designed to equip the students with the right skills and knowledges to enable them to be competent and competitive in the current economic environment.



Groceries and Cash Donation for the poor and orphans

As a responsible organization and in line with our efforts to achieve our Sustainable Development Goal No. 1 ("SDG 1") which is "No Poverty"; in 2019 our site in Lubuk Gaung, Dumai organized a program to provide support to the local communities under the categories of poor families, orphans and elderly people. Under this program, groceries are provided to the poor families and elderly people. A once off cash donation is handed to the orphans. 100 individuals from 4 surrounding neighbourhoods have benefited under this program. From this 100 individuals; 35 were under the poor category, 25 were elderly and 40 were orphans. The donations were handed during religious festivities with the aspired added benefit of bringing joy and uplifting spirits during such festive periods. Another 2018 program under the same SDG 1 continues to be implemented in 2019, which is the cooperation between one of the local private religious school, Al-Amin to operate a mini cafe in the canteen at PT ESM.

Mangrove Re-planting

A mangrove re-planting project which was supposed to be continued in 2019 was put on hold due to limited resources. Nonetheless we continue to work with the NGO from the environmental lovers chapter to oversee the progress and growth of the mangrove trees that were planted in 2018. The 2018 replanting project has helped in improving and revitalizing the ecosystems at the Nerbit Besar river which flows beside the site in Lubuk Gaung.





**“We continuously strive for
among our people a**



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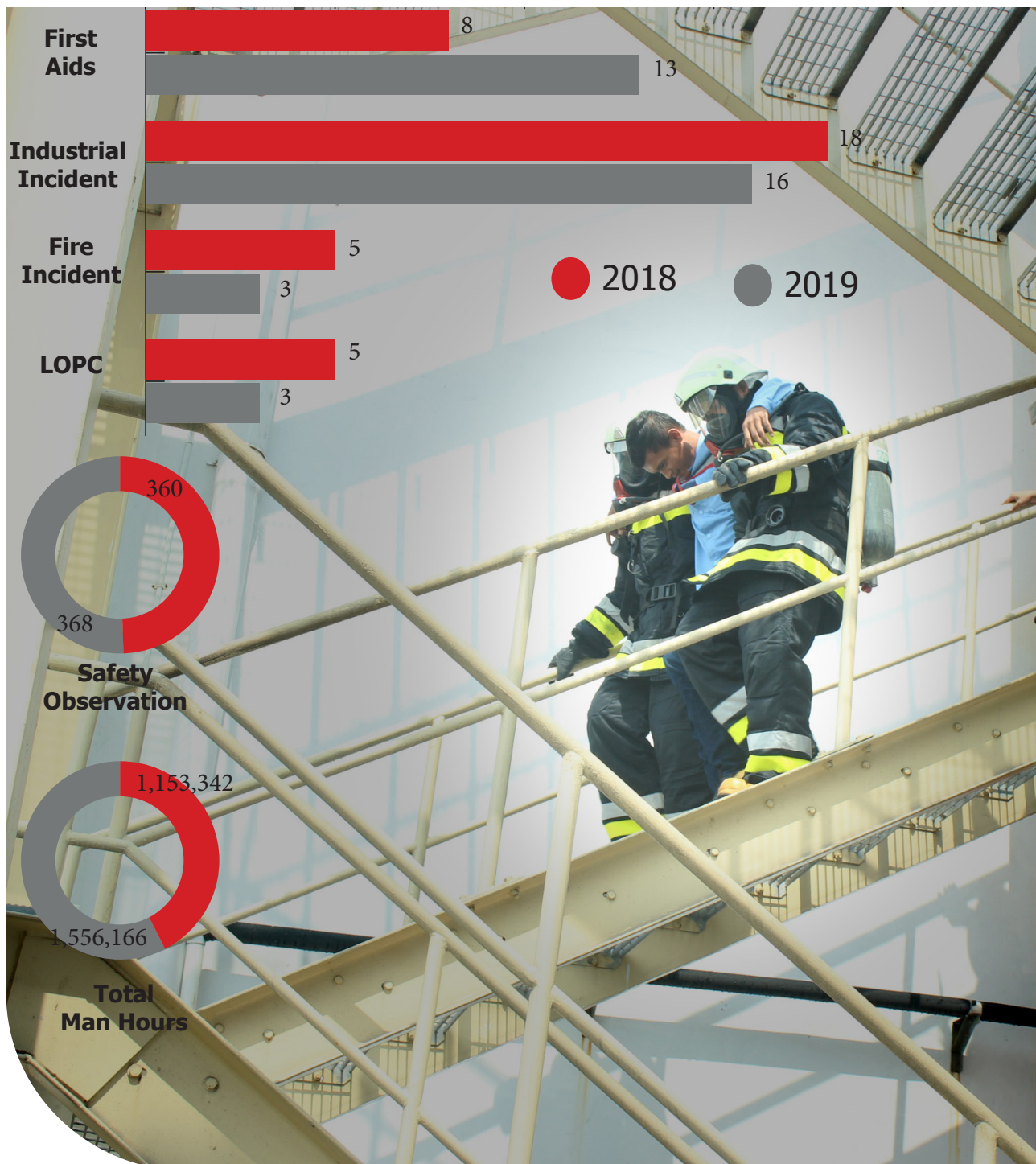
**“better and stronger Solidarity
and local communities”**

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1, 403-2, 403-3, 403-4

Everyone's safety is of utmost importance to our management. Our group is committed to always providing a healthy and safe work environment for all of its employees, contractors and visitors. One of the programs carried out this year is a safety flash back which aims to increase safety awareness at PT. ESM.

PT ESM Safety Result Summary



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Industrial incidents decreased by 2 cases, fire incident decreased by 2 cases, and LOPC has decreased by 2 cases in 2019 because ESM had implemented the Safety Fundamental program in 2019 thereby reducing the level of incidents on site. Our target for 2020 is to further reduce incident rates via the safety fundamentals programs undertaken.

Safety man hours increased in 2019 as ESM undertook its Turn Around project in January 2019 which brought in additional contract laborers. LTI and LTIR for 2018 and 2019 were respectively nil.



No	Date	Type of Drill	Location
1	April, 24th 2019	Fire drill	Jetty
2	June, 25th 2019	Fire drill	CFPP
3	August, 30th 2019	Fire & Evacuation drill	Admin Building
4	December, 26th 2019	Fire & Spillage drill	Container Yard

At ESM, emergency response drills were held 4 times in 2019, in accordance to a schedule approved by management. The activities involved an ERT (Emergency Response Team) that is on standby in their respective work areas. The category of drills conducted during 2019 were fire drill, evacuation drill, and spillage drill. The purpose of the drills were to train the readiness of the emergency response team.

SCDG held one emergency response drill on 26.11.2019. In addition to the plant staff, a maintenance company was also involved, which was activated in a secluded area. Defects could be eliminated that would have been critical in a real alarm case. A large-scale exercise with the local fire brigade could not be carried out due to external reasons and will take place again in 2020. Overall, the Genthin plant is very well positioned in the event of an alarm. LOPC decreased from 1 in 2018 to zero in 2019. No fire incident nor industrial incident occurred in 2019.

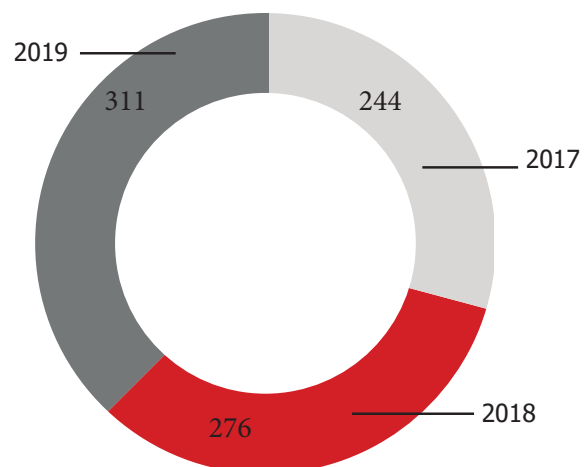


HEALTH PROGRAMS



The Medical Checkup ("MCU") conducted by ESM consists of 2 stages, (i) Pre-employment MCU and (ii) periodic MCU once a year. The periodic MCU in 2019 was held on November 18-20 2019 with 311 employees from all departments. The purpose of the regular medical checkup is to know the health status of employees and prevent occupational diseases.

The advanced program of periodic MCU involves the monitoring of body weight and blood pressure. Monitoring of expected body weight in accordance with the Body Mass Index (BMI) categorization of Overweight, Obesity or Morbid Obesity is done once every 3 months. Blood pressure monitoring for employees who have high blood pressure (Class 1 & 2 Hypertension), is done once every 3 months.



Medical Check up for Employee

The number of employees who participated in MCU periodically increased from 2018 to 2019 by 35 personnel due to the addition of new employees in 2018 who have not attended the MCU but have worked for 1 year.



SAFETY PROGRAMS



Safety Fundamental

Safety Fundamental Program is a basic program of work safety which involves several areas such as Permit To Work (PTW), Working at Height (WAH), Transfer of Product (TOP), Management of Change (MOC), Motorized Vehicle (MOV), Confined Space Entry (CSE) and Lock Out Tag Out (LOTO).

The ESM site is divided into 10 areas and each area is represented by 1 Safety Champion who will run a Safety Fundamental program such as Mandatory Training for employees, Tool Box Talk, Safety Fundamental Patrol and promotive programs such as the installation of Safety Fundamental posters, signs and other safety promotion programs.

At year end, the effectiveness of the Safety Fundamental program is assessed based on the results of the employee questionnaire, the average assessed value of the questionnaire reached 92. Some safety fundamental programs will be increased to further enhance our employees' understanding of safety, e.g. the Confined Space Entry (CSE) program.



Safety Riding

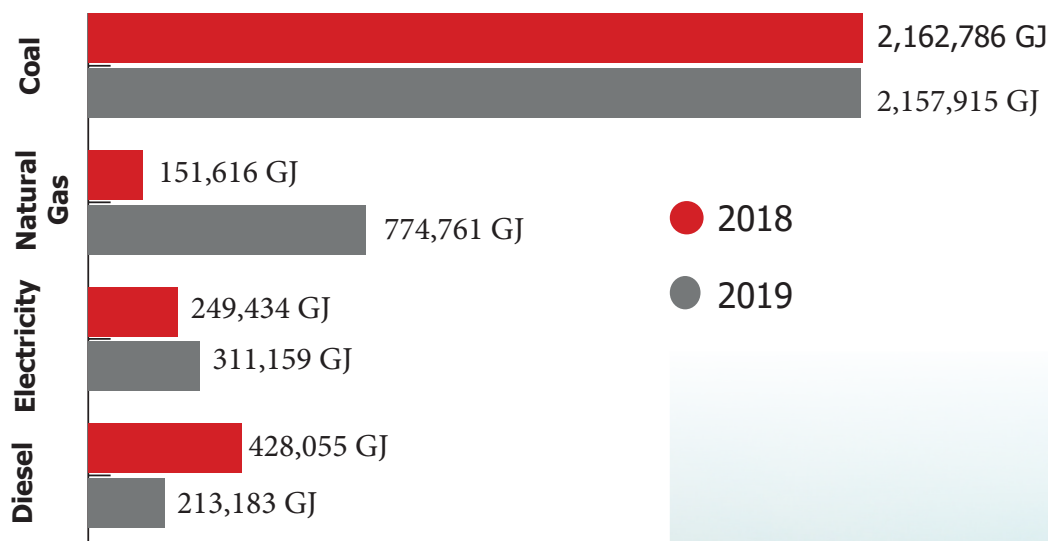
ESM in collaboration with one of the motorcycle companies (HONDA) conducted a Safety Riding Training on August 20th 2019. This activity was attended by representatives of each department, with a total of 42 employees. The purpose of this training is to increase our employees' safety awareness in riding motorbikes on the highway. Another key training that was carried out was the First aid training (27 employees) which was delivered by our company doctors where employees' were taught Basic Life Support and injury management amongst others.

ENERGY MANAGEMENT

GRI 302-1, 302-4

Our manufacturing sites, namely PT Energi Sejahtera Mas and SCDG, Genthin continuously strive to optimize their energy consumption. Our Genthin site was certified with ISO 5001:2008, Energy Management Systems in 2019. Our site in Dumai is working towards its Energy Management certification in 2020. Several initiatives have been implemented in 2019 to further optimize the energy consumption across all our manufacturing sites.

Energy Consumption by PT ESM

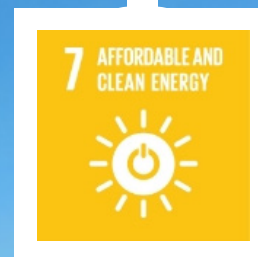


In 2019, the consumption of Natural Gas increased significantly whilst Diesel consumption reduced. The reason for this trend in 2019 is due to the change of fuel in our Utilities operations from diesel to natural gas. This has helped in reducing ESM's carbon foot print by 52%. Natural Gas is a cleaner and lower-emission generating energy source. In terms of usage of energy derived from coal and electricity, there were no significant changes between 2018 and 2019. Overall, plant load remained the same.

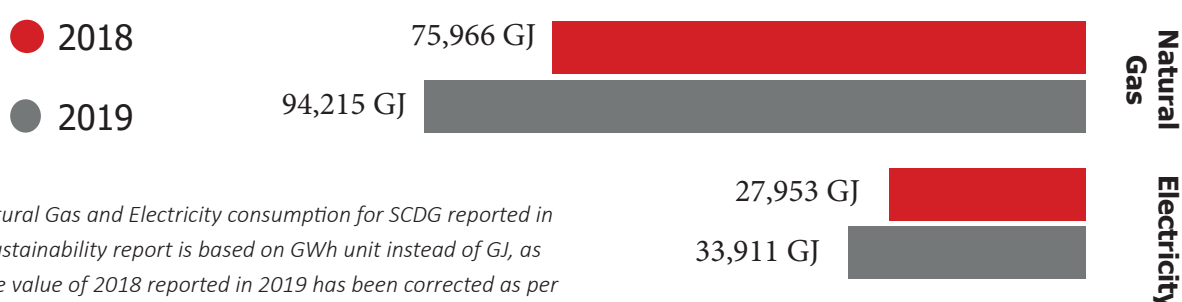
ESM has several programs related to energy use in the coming year as set out in its Operations Sustainability Program 2020. The program includes optimizing energy consumption in the plant process, installing monitoring units to monitor energy effectiveness, replacing motors and devices with higher efficiency and replacing energy sources for road lighting into solar cells.



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Energy Consumption by SCDG



* The Natural Gas and Electricity consumption for SCDG reported in 2018 Sustainability report is based on GWh unit instead of GJ, as such the value of 2018 reported in 2019 has been corrected as per GRI standard reporting for energy which is using GJ"

SCDG generates steam using natural gas and for the electricity consumption, 18% of the electricity is used to produced compressed air whereby most of this compressed air generated is sold to neighboring companies. In 2019, due to the increase in production as compared to 2018, there was higher steam and electricity consumption. In 2019, SCDG successfully pursued several energy targets and engaged in several innovative projects to reduce its energy consumption. Promising energy saving projects are also planned for the coming years including energy savings due to production parameter, heat recovery, new improved facility parts, monitoring of consumer electricity, steam and compressed air, media losses, etc.

ENERGY
MANAGEMENT
SYSTEM
CERTIFIED

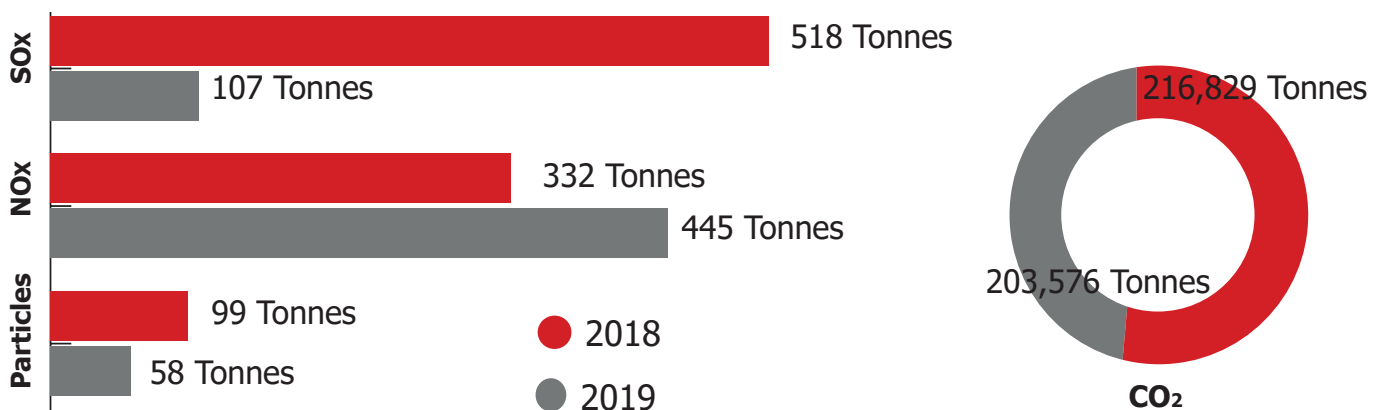


EMISSION CONTROL

GRI 305-1, 305-7

It is the responsibility of everyone to play an important role in making our world a better place to live in. And as an organization, SCPL has put in place a process to continually reduce the emission of hazardous gases and particles from our manufacturing sites. A robust control and monitoring process are established at our manufacturing sites in Lubuk Gaung, Indonesia and Genthin, Germany to ensure that we are strictly adhering to the law and regulations related to emission control.

Emission by PT ESM



In 2019 there was a decrease in SO₂ polluting gas emissions, total particulates and CO₂ compared to the previous year. The reduction in the emission of these pollutants was due to better quality of coal used compared to 2018. The increased fixed carbon content of coal used in 2019 was offset by a decrease in total sulfur content. In addition, the performance of ESP in reducing total particulate emissions was also optimal and well monitored compared to 2018 which experienced several damages. When compared to 2018, in 2019 the total particulate pollutant load decreased by 42%, CO₂ decreased by 6.2%, and SO₂ decreased by 80%.

However, the NO_x gas emission increased by 34% in 2019. There are several characteristics of coal that can affect NO_x emissions, including nitrogen content, volatile matter and grain fineness. The higher the nitrogen content and flying substances in coal, the higher the volume of nitrogen oxides produced.

Increased nitrogen content in coal always causes an increase in NO_x emissions. Whereas an increase in the content of flying substances results in an increase in NO_x emissions under normal combustion conditions, but NO_x emissions will decrease in further combustion conditions. The quality of coal used in 2019 does have an increase in volatile matter levels of 0.07%, but it does not have significant effect on Nox emissions. In addition, NO_x emissions generated from pollutant sources still meet quality standards that apply in Indonesia.

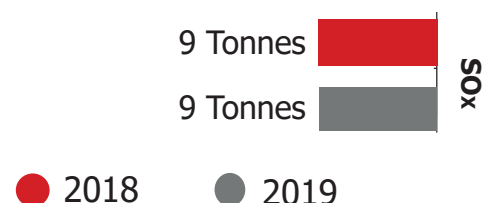


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The emissions investigation in 2019 showed that SCDG is very far below the limits for SOx and total organic carbon permitted in Germany. Before the exhaust air gets into the ambient air, it is freed of harmful components through various cleaning steps. Furthermore, there are regular emissions tests required by the state. NOx is not included in the exhaust gas from SCDG.

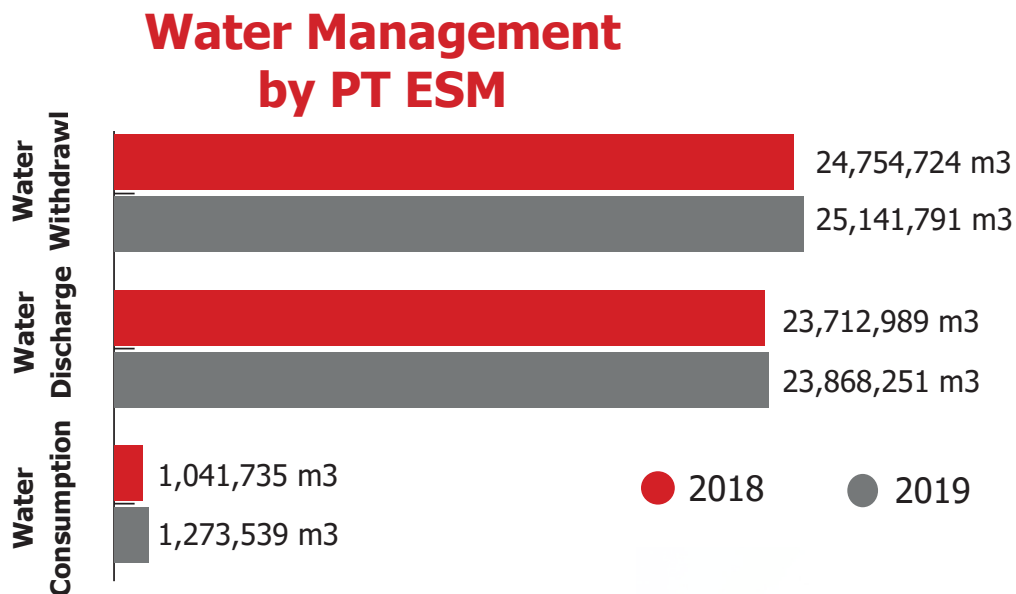
Emission by SCDG



WATER MANAGEMENT

GRI 303-1, 303-3, 303-4, 303-5

Water is an essential resource for our daily lives as well as an important resource for the operations of our manufacturing sites. We are therefore committed to the safeguarding of water resources around the areas of our operational facilities. The water management strategy adopted by the Company places a high emphasis on process optimizations for the efficient and effective use water resources and minimization of wastage.



Seawater withdrawal in 2019, increased by 2% compared to 2018. The withdrawal of sea water (which is the primary source of raw water) increased as a result of the increase in water consumption by 22% in 2019. Water consumption is closely related to the increased production rate in 2019. Nonetheless, water discharge removed to a body of water only increased by 1%.

To reduce the amount of water withdrawal, ESM made various efforts to use its' water more effectively and efficiently. The Energy Department attempted to increase the use of condensate water as one of its key programs under the 2019 Operations Sustainability Program. Utilization of condensate water increased from 5 mt/day to 16 mt/day in 2019. The condensate water can be reused as an additional source of raw water to support the main raw water source; i.e. sea water. In 2020, the Energy Department plans to utilize water discharged from the WWTP to be reused as an additional source of raw water for up to 18% of the WTP unit's requirements.

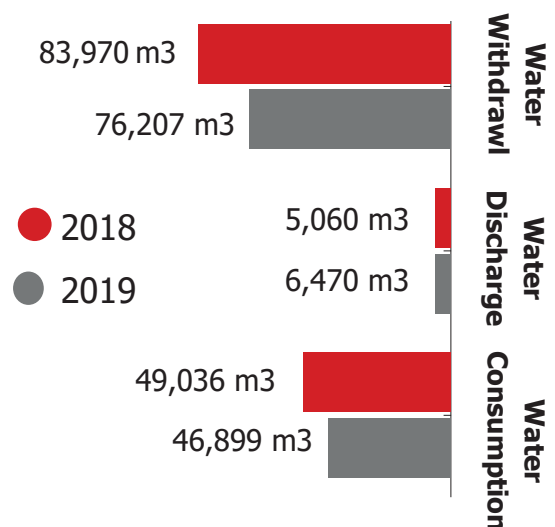


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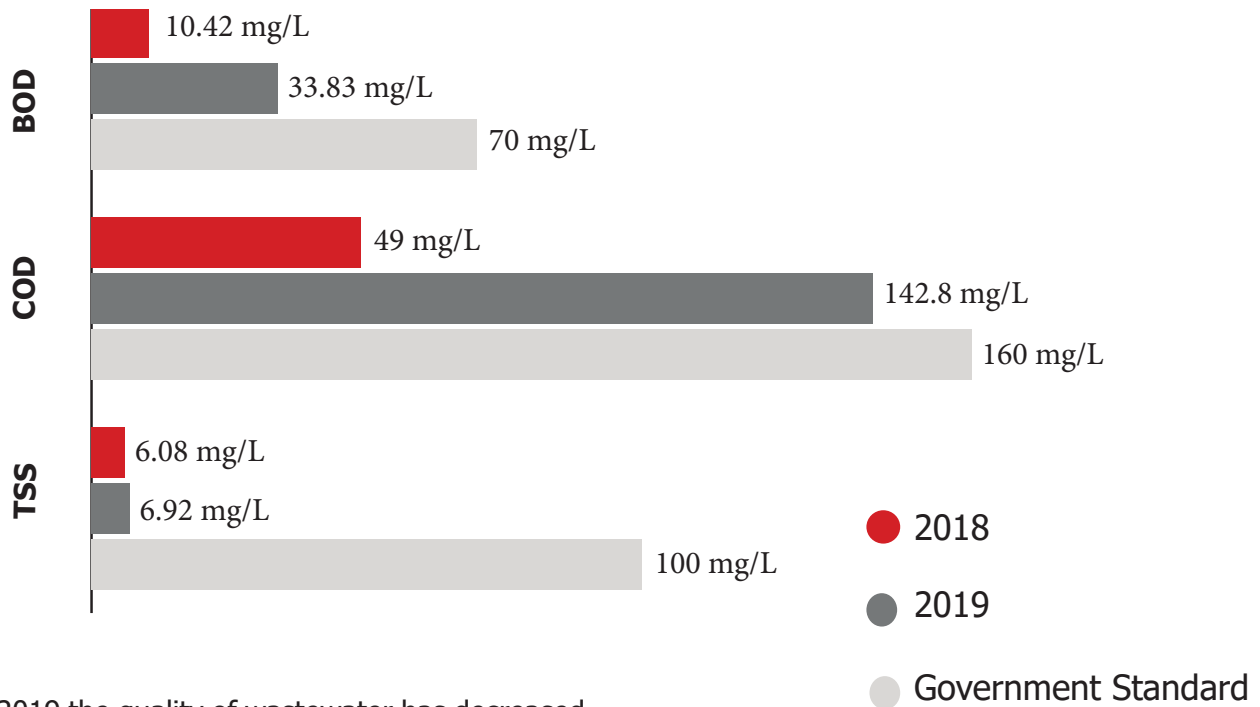
Water Management by SCDG

The withdrawal of lake water decreased compared to 2018. The lake water is used to generate cooling water in the cooling towers of SCDG. Although the production volume has increased, the municipal water consumption has increased only insignificantly.



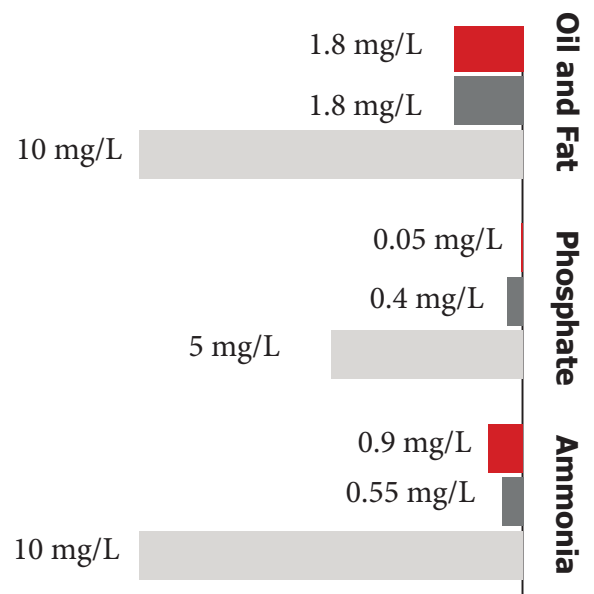
EFFLUENT MONITORING

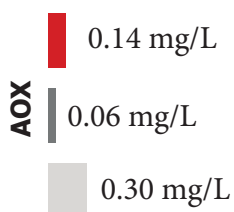
The parameters of our effluent are closely monitored and robustly controlled to ensure our effluents are conforming to local rules and regulations at all times. We also continuously exert efforts to improve our waste treatment facilities for better control of the effluent discharged from our manufacturing sites.



In 2019 the quality of wastewater has decreased compared to the previous year 2018. The highest increase seen in the BOD and COD parameters. The highest increase in COD and BOD content occurred in January 2019, while the BOD and COD content in February-December 2019 does not look significant compared to the previous year. Periodic maintenance activities were carried out in January 2019. During the activities, the COD and BOD content in the wastewater produced increased high enough. Although, after being processed at WWTP, the final effluent of wastewater still meets the quality standards.

To overcome the increase in COD and BOD in certain activities, the effectiveness of WWTP units to reduce the content of COD and BOD parameters needs to be improved. Studies about increasing the effectiveness of microbes in reducing the content of COD and BOD by adding waste decomposing bacteria are being conducted by the Department of Energy.





- 2018
- 2019
- Government Standard

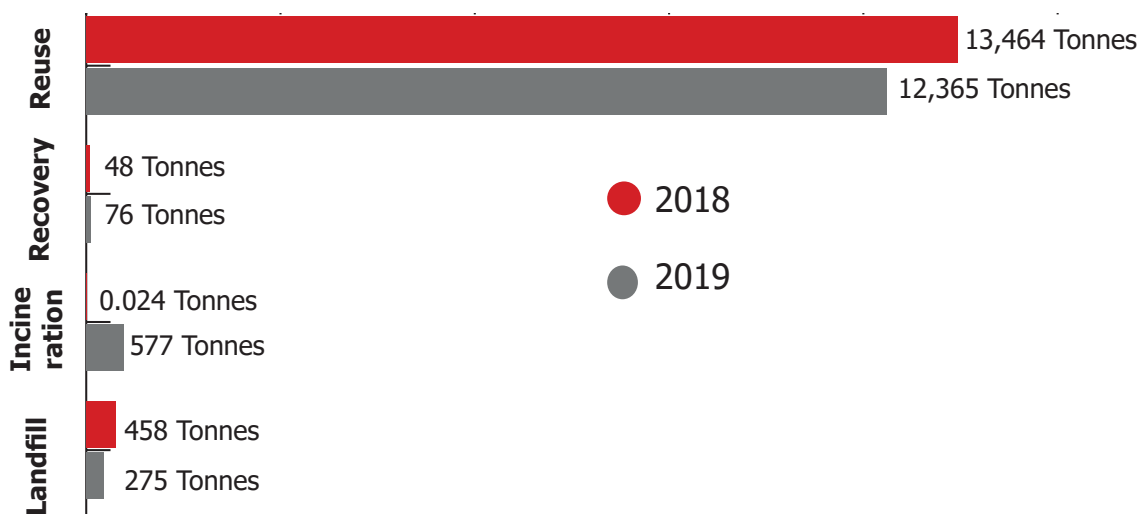
SCDG uses an external wastewater treatment plant to treat the wastewater generated from its production processes. The parameters that are mandatory to comply with local authority regulations are AOX and Heavy metals. SCDG wastewater does not contain Nitrogen Phosphate or Ammonia additives. Heavy metals only get into the wastewater through corrosion. A part of the wastewater is freed from accumulating dioxane by its own wastewater treatment plant before it is transferred to the municipal wastewater treatment system.

WASTE MANAGEMENT

GRI 306-1, 306-2

As a responsible oleochemicals producer, our manufacturing sites diligently observe the highest standards in handling its waste disposal process. On top of that, we are continuously working to identify and improve the right methodology to minimize waste generated in our operations.

Hazardous Waste by Disposal Method



Compared to 2018, amount of waste managed using incinerators increased significantly in 2019 due to a change in the disposal method; several types of waste that were previously disposed via landfill are now disposed via incineration.

Overall B3 waste disposal decreased by 5% in 2019 compared to 2018. ESM succeeded in reducing the amount of B3 waste especially bottom ash by improving the quality of its coal used in 2019. One of the Operations Sustainability Programs in 2019 was to separate the silica sand contained in the bottom ash for reuse in the Boiler Fluidized Bed. This has reduced bottom ash waste up to 18%.

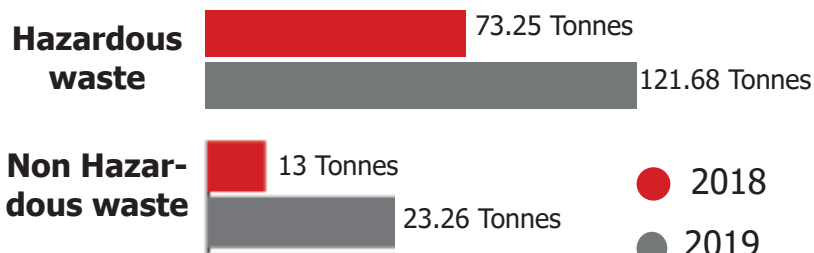
ENVIRONMENTAL
MANAGEMENT
SYSTEM
CERTIFIED



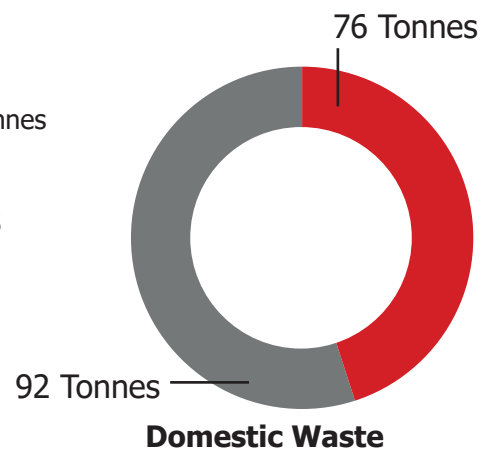
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Total Hazardous and non Hazardous Waste by SCDG



Total Domestic Waste by PT ESM



In 2019, the amount of hazardous and non hazardous waste at SCDG increased due to its higher production rate. We recognized the problem early and set ourselves the target of continuous improvement to minimize the waste generated. An important waste saving project was already completed in 2019.

In 2019, there was a 21% increase in waste heap compared to 2018. The increase in waste heap was due to an increase in the purchase and usage of packaged goods. To mitigate this, waste recovery programs with the 3R principle are planned for in the coming year.

EMPLOYEE MANAGEMENT

GRI 102-8, 102-41, 401-1, 401-3, 402-1, 404-1, 404-2, 405-1

We value our people as the core foundation of our organization and our people management policies are built around this value. In general, our group's total work force has increased in line with our organization's growth. Equal opportunities are given to every employee for them to grow and appropriate platforms are provided to ensure that our people can perform to their fullest potential without any prejudice.

Total Number of ESM Employee



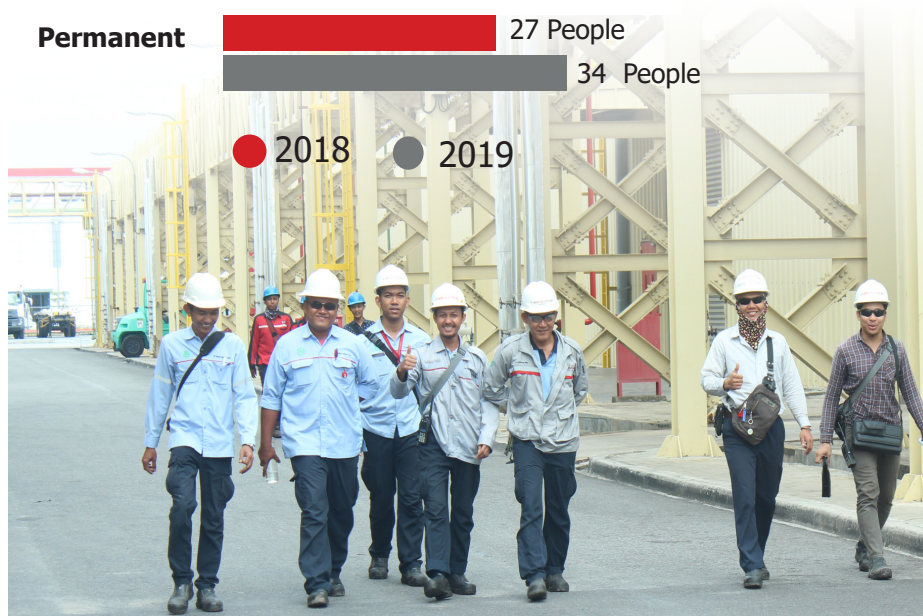
* Number of indirect workers is an estimation as it might change based on the company's requirement

Total Number of HQ Employee



* The number of permanent employee for PT ESM and HQ reported in 2018 was inaccurate due to mis-interpretation of the GRI standard. In 2019 report, the employee number of PT ESM and HQ for 2018 have been corrected according to GRI classification."

Total Number of SCDG Employee



In 2019, our Group's work force comprises of 436 employees. This is an increase of 65 personnel compared to 2018 in line with the growth of our operations. Permanent employees increased by 57 whilst contract Employees increased by 8.



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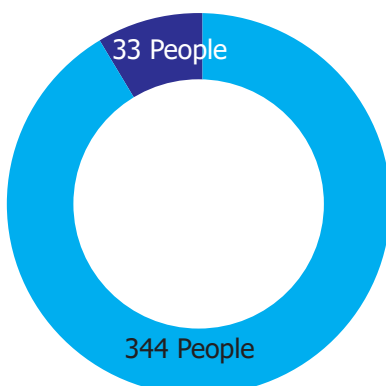


SOLIDARITY IN DIVERSITY

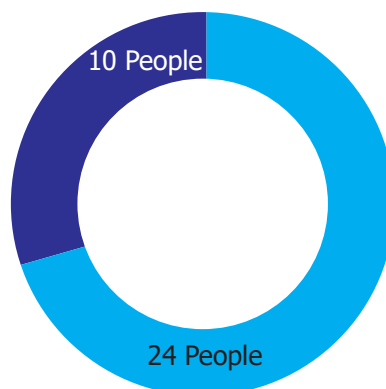


Employee 2019 Breakdown by Gender

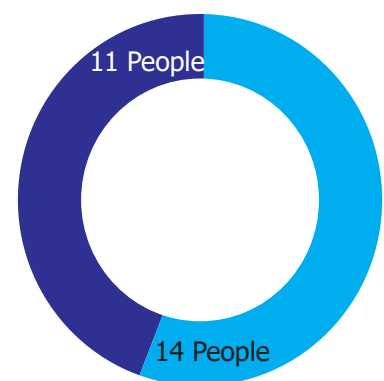
● Male ● Female



ESM



SCDG

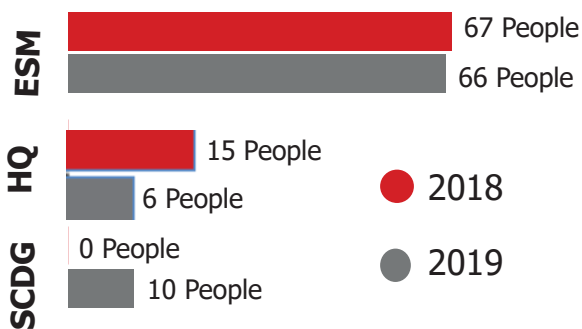


HQ

EMPLOYEE RECRUITMENT AND ATTRITION

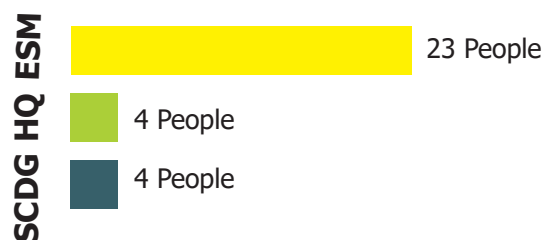


Employee Recruitment



In 2019, the total number of new employees recruited at our site in Dumai was 66 people, where there was a decrease of 1 person compared to 2018. The recruitment of non-local employees has increased by 6 people, while the recruitment of local employees has decreased by 7 people in 2019. Decrease in employee recruitment from local communities occurs because we were unable to obtain the people with the right skill sets to fill the positions required by the company in 2019.

2019 Employee Attrition



Our site in Genthin, Germany saw an increased in new hiring from none in 2018 to 10 personnel in 2019. However our HQ saw a decrease in new hiring with only 6 new hires in 2019 against 15 in 2018.



EMPLOYEE DEVELOPMENT



	Total Training (Hour)		Average per Employee	
	2018	2019	2018	2019
ESM	10,409	11,909	30.26	30.7
HQ	26	107	2	4.28
SCDG	716	1,013	26.52	29.79

In 2019, ESM held 173 training programs, consisting of 30 in-house programs, 33 external programs and 110 internal programs. The increase in internal training from the previous year was supported by the empowerment of our personnel in knowledge sharing and improved capabilities by ESM's employees in conducting internal training.

To support this internal training program in 2019, a Train the Trainers training was held which was attended by 27 ESM employees. This program aims to improve the ability of participants to become competent presenters and prepare participants to become internal ESM trainers in company sanctioned trainings.

To improve employee soft skills, in 2019 the company also held a personal development training program that covers leadership, teamwork and communication skills which its employees could apply in their daily work. In addition to in-house or internal training, the company still provides opportunities for employees to take part external training held outside the company.

Training Hours at our HQ and Gentin site has also increased in 2019. We are committed to continue providing the best opportunities to our employees to increase their knowledge and improve their competencies to prepare them to face current challenges and embrace future growth.

EMPLOYEE COMMUNICATION AND WELLBEING



INDUSTRIAL RELATIONS THAT SUPPORT HUMAN RIGHTS

To nurture positive and conducive relationships amongst its employees, PT ESM operates with the principle of mutual respect in establishing employment relationship with its employees. The employee of ESM is given the freedom to participate in an association.

ESM formed a Bipartite as its Employee Communication Forum ("ECF") based on a notification letter to all its employees; i.e. circular number: 001 / FKK-ESM / XI / 2018 Dumai dated December 19th, 2018 and endorsed by the government, via the Department of Manpower Dumai on April 10th, 2019, Deed Number: 560 / DTKT-HIPK / BIPARTIT / 14. In this bipartite, the members composition between employees and management are well balanced.

This bipartite platform serves as a reference for all employees at ESM to resolve any problem arising in the organization and is managed jointly between the management and employees. The bipartite platform Forum is used as a forum for communication, consultation and discussion to create a harmonious and dynamic industrial relation between the employees and management.



LABOR MANAGEMENT

The Employee Communication Forum besides being a forum for Industrial relations also serves as a forum for employees to organize activities involving employees such as sporting activities, cultural activities and social activities. Some of the activities that have been organized are Breakfasting Together during month of Ramadhan, Sahur On The Road, Sports Tournament, Independence Day Celebrations, Religious celebrations such as Hari Raya and Christmas.



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HEALTH AND SOCIAL BENEFIT FOR EMPLOYEE



PARENTAL LEAVE

To ensure our female employees with new born babies are provided with excellent care, PT ESM regulations regarding Maternity Leave or Miscarriage is stated in our Company Regulations under article 24;

Before delivery 1.5 months, approximately forty five working days.

After delivery 1.5 months, approximately forty five working days.

Total maternity leave is 3 months, approximately ninety working days

HEALTH AND SOCIAL SECURITY

One of the programs implemented in PT ESM for its employees' health and social security benefit is the JAMSOSTEK program which is in accordance with applicable regulations and laws. The program includes Work Accident Insurance (JKK), Death Assurance (JK), Old Age Insurance (JHT) and Pension Insurance (JP). For Health Care guarantee (JPK), PT ESM utilizes Health Insurance Agencies such as (BPJS Kesehatan) and Simas Assurance.

ETHIC AND COMPLIANCE

GRI 205-1, 205-2, 406-1, 407-1, 408-1

SCPL is committed to running all its business activities with integrity and in accordance with strict legal and ethical standards. All employees are required to follow the Company's Code of Conduct. The Code of Conduct is a set of guiding principles in our effort to uphold ethical and professional business practices and guide us in complying with applicable legislative and ethical requirements.



FREEDOM OF ASSOCIATION

Our employees are given the right to establish, join and participate in any lawful associations. All individuals are allowed to engage in free speech without fear of retribution. This is manifested through the establishment of an Employee Communication Forum which is a platform for our employees to voice out any issues and concerns related to their well being as well as the Company's operations.



NO DISCRIMINATION

In doing business, we uphold the value of no discrimination in whatever situation we deal with. Our people are equally treated and respected regardless of gender, race, religious denomination, sexual orientation, social status, physical ability and appearance. We enshrine this value as part of our organization's core values and in our Code of Conduct.



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NO CHILD LABOUR

Our employment policy is established to be in full compliance with the International Labor Organization requirements as well as local labor laws in the respective countries where we operate with regards to child labour. We further emphasize this requirement in our Company's Rules and Regulation where no personnel under the age of 18 can be employed as an SCPL employee.

ANTI CORRUPTION

SCPL has established an Ethics Management Committee that is responsible for promoting, monitoring and enforcing the values, principles and standard code of conduct according to the Anti-Corruption Control guidelines clearly spelled out in the Whistleblowing Policy section of SCPL's Code of Conduct. This policy and its implementation affirms SCPL's commitment to implement Good Corporate Governance practices within the organization and provides an independent framework to promote responsible and secure whistle blowing without fear of retaliation.



CUSTOMER HEALTH AND SAFETY

GRI 416-1

Our highest priority is to ensure products from all our manufacturing sites undergo a rigorous process of inspection and verification to ensure that they are 100% safe to be consumed/used as intended.

In acknowledging the wide spectrum and stringent needs of our customers, both our manufacturing sites have implemented strict quality management systems.

Our commitment to safeguard our customers' health and safety is demonstrated by getting our site in Dumai to be certified with FSSC 22000 (Food Safety System Certification), GMP+B2 (Animal Feed Safety Systems) and ISO 22000 (Food Safety Management Systems). The manufacturing site in Genthin, Germany is certified with ISO 22716:2007 (Certification of Cosmetics Goods Manufacturing Practice).

SCDG Certifications



ESM Certifications



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GRI STANDARD INDEX

Our Annual Sustainability Report for the reporting period of 2019, is following the Global Reporting Initiative Index. Our second annual report disclosure strategy is based on EES activities that are critical for our business in ensuring compliance to the Group's sustainability principles.

The GRI Index below provides a reference of the information against our chosen GRI Disclosure. The SCPL Sustainability Report can also be viewed online at www.sinarmascepsa.com

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Glossary of Acronyms

List of acronyms

1. GRI – Global Reporting Initiative
2. NGO – Non-governmental organization
3. LNG – Liquefied Natural Gas
4. BWRO - Brackish Water Reverse Osmosis
5. SWRO - Sea Water Reverse Osmosis
6. PLN - Perusahaan Listrik Negara (State Electricity Company)
7. MeOH - Methanol
8. NG – Natural Gas
9. PCQI - Preventive Controls Qualified Individual
11. LOPC – Lost of Primary containment
12. CFPP - Coal Fire Power Plant
13. GJ - Giga joules
14. NOX – Oxides of Nitrogen
15. SOX – Oxides of Sulfur
16. WWTP – Wastewater treatment plant
17. WTP – Water treatment plant
18. TSS - Total Suspended Solids
19. COD – Chemical Oxygen Demand
20. BOD – Biological Oxygen demand
21. AOX - Adsorbable Organically bound halogens

