



PT SUMBER GRAHA MALUKU

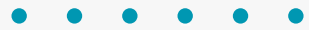
BUILT ON DISCIPLINE, DRIVEN BY RESPONSIBILITY

SUSTAINABILITY REPORT

2025



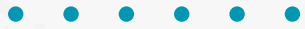
Table of Contents



1	INTRODUCTION
11	ABOUT THIS REPORT
13	PERFORMACE UPDATE
21	GOVERNANCE
29	OUR APPROACH TO SUSTAINABILITY
51	PRODUCTION
59	ENVIRONMENTAL MANAGEMENT
77	ENHANCING SOCIAL WELFARE
95	INDEX



Introduction



BUILT ON DISCIPLINE, DRIVEN BY RESPONSIBILITY

Financial Year 2025 (FY2025) marks Sumber Graha Maluku’s first standalone Sustainability Report and reflects the disciplined foundations we are building to support long-term responsible forestry in Eastern Indonesia. Operating across Industrial Forest Plantation / *Hutan Tanaman Industri* (HTI) concessions and plywood manufacturing facilities requires a commitment to rigorous standards, transparent processes, and responsible decision-making.

Under the theme “**Built on Discipline. Driven by Responsibility.**” We highlight the systems, controls, and governance structures that underpin our approach to sustainable growth. Throughout the year, we strengthened data integrity, enhanced cross-functional coordination, and improved the accuracy of sustainability-related disclosures across our operations.

A key milestone was the successful completion of the Sustainable Biomass Program (SBP) audit, with certification issued in early 2026. This achievement reflects the disciplined documentation, traceability, and operational controls embedded across our supply chain. We also advanced our energy transition by reducing reliance on diesel and integrating solar and *Perusahaan Listrik Negara* (PLN) supply into our operations.

Looking ahead, we will expand certification coverage across all HTI concessions, deepen climate-related disclosures, and initiate structured community development programmes beginning in 2026. These disciplined foundations position SGM to deliver responsible growth and contribute meaningfully to sustainable forestry development in Eastern Indonesia.

CEO Statement



Edward Tombokan
Chief Executive Officer

LEADING SUSTAINABLE FORESTRY FROM EASTERN INDONESIA

2025 marks an important milestone for Sumber Graha Maluku as we publish our first standalone Sustainability Report. As our operations mature, transparent sustainability disclosure has become essential to strengthening governance, enhancing accountability, and supporting longterm value creation.

The year unfolded amid global uncertainty – from geopolitical tensions to shifting trade dynamics and energy market volatility. These developments reshaped supply chains and raised expectations around regulatory compliance, climate accountability, and responsible sourcing. Despite these pressures, we maintained operational discipline and resilience, ensuring reliability and competitiveness across our export markets, including the United States.

Operating in Eastern Indonesia brings inherent challenges, including infrastructure limitations, weather disruptions, and workforce capacity constraints. We address these realities through disciplined execution and by embedding sustainability considerations into decisionmaking across both plantation and manufacturing activities.

A key milestone in 2025 was the successful completion of the SBP audit, with certification issued in early 2026. As only the second forestry based company in Indonesia to obtain SBP certification, we strengthened our international positioning through enhanced traceability and responsible biomass sourcing standards.

We also continued to uphold mandatory and voluntary forest management and timber legality certifications, reinforcing compliance and sustained access to global markets.

Climate responsibility remains a strategic priority. During the year, we began transitioning from dieselbased power generation to a combination of solar energy and supply from PLN, marking a tangible step toward improving energy efficiency and reducing emissions intensity.

Looking ahead, we will deepen our commitment to responsible forestry and operational excellence as we move from our establishment phase into longterm sustainable growth. Beginning in 2026, we will strengthen community development efforts, expand certification coverage, and enhance supply chain transparency to meet the expectations of global markets and the communities we serve.

Our ambition is clear: to demonstrate that responsible forest management, operational excellence, and international competitiveness can advance together. From Eastern Indonesia, we are building a resilient forestry platform grounded in integrity, disciplined execution, and longterm sustainability.

Head of Corporate Sustainability Statement



STRENGTHENING SUSTAINABILITY GOVERNANCE

The publication of Sumber Graha Maluku's first standalone Sustainability Report marks an important step in strengthening our sustainability governance and transparency. As our plantation and manufacturing operations continue to stabilise and grow, establishing a structured reporting framework that reflects both our HTI concessions and factory activities has become essential.

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards 2021. As our first dedicated report, our focus in 2025 has been on building a reliable foundation for sustainability data collection, internal coordination, and performance monitoring. Our priority is to ensure that disclosures accurately reflect operational realities across forestry management, factory production, and supply chain processes.

Throughout the year, we strengthened internal systems and cross-functional collaboration between plantation teams, factory management, compliance, and supporting functions. Improvements in environmental data tracking, energy monitoring, and supply chain traceability have enhanced the integrity of our reporting and risk management processes.

These system enhancements supported the successful completion of the SBP audit in 2025, with certification issued in early 2026. This achievement reflects the disciplined documentation, traceability, and operational controls maintained by our forestry and factory teams.

We also supported the Company's transition from diesel-powered electricity toward a combination of solar energy and grid supply, improving energy efficiency across plantation and manufacturing operations. Strengthening these operational foundations enhances not only compliance but also long-term competitiveness.

As we move into 2026, our priorities include expanding certification coverage across all HTI concessions, refining emissions tracking methodologies at the factory level, and establishing a more structured community engagement framework. Equally important, we aim to embed sustainability metrics into day-to-day operational decision-making – ensuring that sustainability becomes an integral component of how we manage performance across the organisation.

Sustainability at Sumber Graha Maluku is built through disciplined execution – in the forest, in the factory, and across our supply chain. The foundations established in 2025 position us to strengthen transparency, elevate performance standards, and contribute meaningfully to the Company's long-term resilience. We remain committed to continuous improvement and to translating sustainability commitments into measurable operational outcomes.



Dion Pratama Sitepu

Head of Corporate Sustainability

About Sumber Graha Maluku

COMPANY PROFILE | GRI 2-1, 2-61

Sumber Graha Maluku (“SGM” or “the Company”) is an integrated forestry and wood-processing company operating in Eastern Indonesia. Established as a private limited liability company under Indonesian law, SGM manages HTI concessions and operates a plywood and wood-pellet manufacturing facility that serves both domestic and international markets.

SGM operates as a joint venture that brings together upstream forestry expertise and downstream manufacturing capabilities. This integrated structure enables SGM to manage the full value chain—from plantation development and sustainable forest management to plywood production and biomass processing—supported by disciplined operational controls, responsible resource management, and internationally recognized certification standards.

Our operations are located within North Maluku Province, Eastern Indonesia where we manage HTI concessions and operate a manufacturing facility producing plywood and wood pellets. This integrated platform allows us to maintain traceability, ensure legal and responsible timber sourcing, and support long-term sustainable forestry development in Eastern Indonesia.

SGM’s commitment to responsible growth is reflected in our adherence to mandatory and voluntary certification schemes, including Timber Legality Verification / *Sistem Verifikasi dan Legalitas Kayu* (SVLK), forest management standards, and the Sustainable Biomass Program (SBP), for which certification was issued in early 2026 following a successful audit in 2025.

Through disciplined execution and continuous improvement, SGM aims to build a resilient forestry platform that contributes to sustainable economic development while meeting the expectations of global markets, regulators, and local communities.



OUR VISION & MISSION

Vision

Champion Enabler that inspires a sustainable future for all

Mission



Sustainable Sourcing

An ingrained commitment to only source from sustainable and eco-forest suppliers to build a better future.



People Empowerment

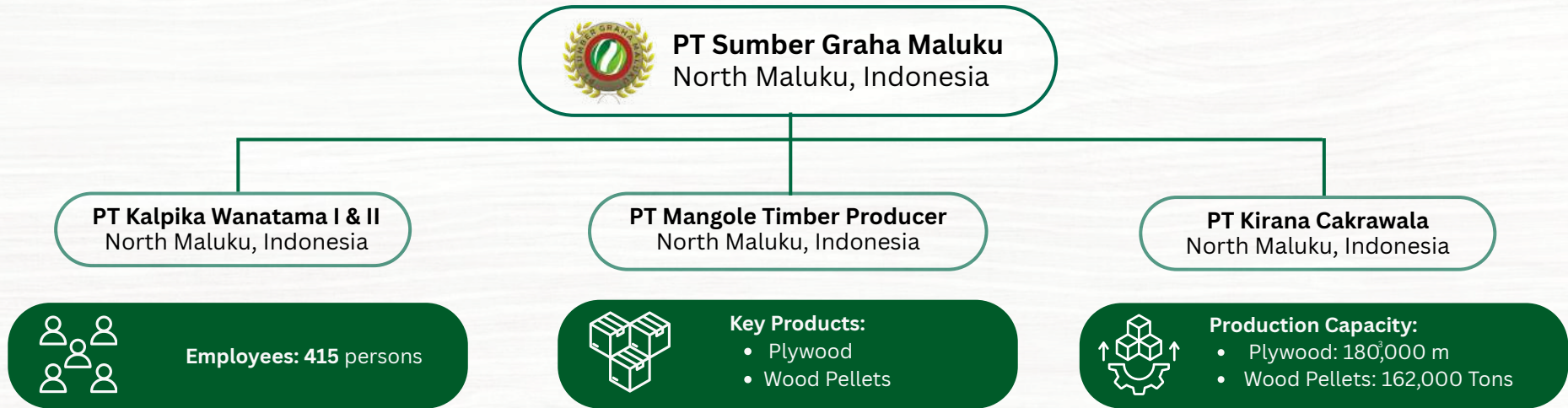
Engage, collaborate and empower the Company’s most important asset to ensure a sustainable future for all stakeholders.



Champion Economic Value

Achievable through innovative and sustainable solutions in any market in which we are present.

SHARING OUR BUSINESS EXPANSION



OUR PRODUCTS [GRI 2-6]

SGM produces wood-based products derived from responsibly managed plantation resources and integrated manufacturing processes.

Product	Description
Plywood (General Plywood, Floor Base)	Plywood is a wood product made from solid wood sheets, layered with alternating grain directions and bonded with a special adhesive.
Wood Pellets	Wood pellets serve as an eco-friendly biomass fuel for power generators, producing renewable energy from residual logs and waste generated during plywood production.

WHERE WE OPERATE [GRI 2-6, 2-7]

SGM's operations are located in Eastern Indonesia, with activities spanning:

- Industrial Forest Plantation (HTI) concessions in North Maluku
- Plywood manufacturing operations integrated with HTI.
- Wood-Pellet/Biomass processing supporting renewable energy markets
- Corporate oversight and sustainability governance coordinated across business operations

About This Report



The Sustainability Report 2025 presents Sumber Graha Maluku's (SGM) progress and challenges in managing our most material sustainability topics during the FY2025. As our first standalone Sustainability Report, it reflects our commitment to disciplined execution, responsible growth, and transparent disclosure across our HTI concessions and plywood manufacturing operations.

This report has been prepared with reference to the GRI Standards 2021, the world's most widely adopted sustainability reporting framework. Throughout FY2025, we strengthened internal data collection processes, improved cross-functional coordination, and enhanced the accuracy and consistency of sustainability-related disclosures across plantation and manufacturing activities.

In line with evolving expectations, SGM also began aligning its climate-related disclosures with the Task Force on Climate-related Financial Disclosures (TCFD). During the year, we enhanced oversight of climate-related risks and opportunities, including those related to energy transition, regulatory developments, and physical climate risks affecting forestry and factory operations. We intend to progressively deepen our climate governance and disclosure quality in subsequent reporting cycles.

Our Contact [GRI 2-3]

We welcome feedback, insights, and suggestions to support the continuous improvement of our sustainability reporting. Enquiries may be directed to:

+62 21 576 1158

<https://sgmaluku.co.id/>

Sampoerna Strategic Square, North Tower, 20th Floor, Jl. Jend. Sudirman Kav. 45-46, Jakarta 12930, Indonesia

REPORT SCOPE [GRI 2-2]



This report covers SGM's sustainability performance across:

- Industrial Forest Plantation (HTI) operations under SGM's concessions in Eastern Indonesia
- Plywood & Wood-Pellet manufacturing operations
- Corporate governance and sustainability management practices

Unless otherwise stated, all information relates to activities undertaken during FY2025. Financial data is consistent with the Company's audited financial statements where applicable. As this is our first standalone report, no restatements were required.

REPORT DISCLOSURE [GRI 2-3, 2-4, 2-5]



SGM adopts a structured and accountable approach to sustainability reporting. This report was prepared through coordinated inputs from plantation, manufacturing, sustainability, compliance, and supporting functions, and has undergone internal review and senior management approval.

The report has not been externally assured for FY2025. As our reporting systems mature, we aim to pursue external assurance in future reporting cycles to further strengthen the credibility and reliability of our disclosures.

Performance Update



BIODIVERSITY & CONSERVATION



SGM recognises that maintaining biodiversity is essential to sustaining healthy ecosystems within and around our HTI concessions. As part of our commitment to responsible land stewardship, we implemented several initiatives to minimise ecological impacts and support natural regeneration.

OUR KEY ACTIONS IN 2025, INCLUDE



- Completed High Conservation Value (HCV) and High Carbon Stock (HCS) forest for all of our concession
- Implemented buffer zone protection around riparian areas and sensitive habitats
- Initiated native species enrichment planting in selected degraded areas to support ecological recovery
- Strengthened monitoring of wildlife presence through field observations and patrols

These efforts reflect our early steps toward a structured biodiversity management approach, which will continue to evolve as our monitoring systems mature.

SUSTAINABLE FORESTRY



SGM manages HTI concessions in Eastern Indonesia and is committed to responsible forest management that supports longterm productivity and environmental integrity.

A) Plantation Management

In FY2025, we focused on strengthening plantation governance through:

- Improved harvest planning and documentation
- Enhanced timber traceability from stump to mill
- Strengthened compliance with forestry regulations
- Continued development of housing facilities, infrastructure and access roads to support safe and efficient operation

B) Certification Progress

Major milestone in FY2025 was the successful completion of the SBP audit, with certification issued in early 2026. This achievement demonstrates our commitment to responsible biomass production and international market requirements. We have successfully received international sustainable forest management certification, Programme for the Endorsement of Forest Certification (PEFC), and continue to maintain the certificate. Currently, SGM is in the process of obtaining international sustainable forest management certification for its remaining HTI plantations.

We also continued preparatory work for additional forest management certifications, including:

- Timber legality verification
- HCV, HCS and Social Impact Assessment (SIA) documentation
- Strengthening internal controls for future certification readiness
- These efforts lay the groundwork for broader certification coverage across our concessions

SUPPLY CHAIN MANAGEMENT



SGM is dedicated to strengthening its business through responsible practices and continuous transformation. The Company actively improves technology and operational efficiency to optimize production capacity while maintaining a strong commitment to sustainability. We operate an integrated plywood and wood pellet manufacturing facility supplied by our HTI concessions

SEVERAL KEY IMPROVEMENTS IN 2025



- Strengthened chain of custody documentation to ensure full traceability from plantation to finished product
- Improved production planning and process controls to enhance efficiency
- Implemented internal supplier compliance checks for supporting materials and contractors
- Enhanced data accuracy for production, energy use, and waste management

These improvements support certification integrity, operational discipline, and responsible sourcing.

ADVANCING SUSTAINABILITY THROUGH RENEWABLE ENERGY

[305-5]

SGM began transitioning toward cleaner energy sources to reduce reliance on diesel and improve operational efficiency.

FY 2025 PROGRESS

- Solar power integration at the manufacturing facility. Currently, the Company operates a solar power plant with a maximum capacity of 10.1 MWp. This facility generates 3.81 million kWh of energy, contributing to the avoidance of approximately 2,058 tCO₂ compared to grid-produced electricity
- Improved monitoring of energy consumption across operations.
- Established a 2026 target to reduce diesel-generated energy consumption by 10% of total energy use within the factory through a combination of efficiency improvements and renewable energy adoption

These steps support Indonesia's broader climate goals and strengthen SGM's long-term energy resilience, particularly in remote operational areas where energy reliability is critical.

LOOKING AHEAD

FY2025 was a foundational year for SGM. As we continue to strengthen our systems, improve data quality, and expand our sustainability initiatives, we remain committed to disciplined execution and responsible growth across all aspects of our operations.

PEOPLE & COMMUNITY DEVELOPMENT

The Company's programs reflect the interconnectedness of economic, environmental, educational, health, and social issues, recognizing their significance both within and around our operational areas. Engagement is centred on fostering strong relationships with individuals, groups, and organizations that are directly and indirectly impacted by the Company's activities. The Company believes that establishing the right adjustments, cultivating deep connections, and building trust between communities and organizations are essential for developing new pathways toward a sustainable and functioning democracy that is relevant to all stakeholders.

FY2025 COMMUNITY ENGAGEMENT HIGHLIGHTS

- Local hiring initiatives prioritising communities in Halmahera Timur and Kepulauan Sula
- Support for community events and small-scale social activities
- Engagement with village leaders to discuss employment, safety, and environmental concerns
- Strengthened grievance channels to ensure open communication

These efforts reflect our commitment to responsible social performance and long-term community partnership.



PT Sumber Graha Maluku

Operation Sites in North Maluku, Indonesia

PT KALPIKA WANATAMA II

in Mangoli Utara, Kepulauan Sula
Area: 16,704 Ha / Yield: 358.1 m³ /ha



PT KIRANA CAKRAWALA

in Miaf, Halmahera Timur
Area: 21,265 (Ha) / Yield: 128m³ /ha



PT KALPIKA WANATAMA I

in Taliabu, Kepulauan Sula
Area: 21,170 Ha / Yield: 310.2 m³ /ha



PT MANGOLE TIMBER PRODUCERS

in Mangoli Utara, Kepulauan Sula
Area: 16,704 Ha / Yield: 358.1 m³ /ha



Governance



GOVERNANCE FRAMEWORK [GRI 2-9, 2-10, 2-11, 2-12]



SGM is a private limited liability company incorporated in Indonesia and operates in accordance with Indonesian Company Law (Law No. 40 of 2007) and other applicable national regulations governing forestry and manufacturing operations.

The governance structure consists of:

- The Board of Commissioners, responsible for oversight and supervision; and
- The Board of Directors, responsible for day-to-day management and operational decision making.

The roles of Commissioner and Director are held by separate individuals in accordance with Indonesian Company Law, ensuring an appropriate separation between supervisory and executive functions.

Board members are appointed by shareholders based on professional experience, industry knowledge, and competencies relevant to forestry, manufacturing, finance, and regulatory compliance.

Given SGM's status as a non-listed Indonesian entity, governance practices are implemented proportionately to the Company's size, ownership structure, and regulatory obligations, while maintaining transparency and accountability to stakeholders, including buyers, financial institutions, regulators, employees, and local communities.

The Board of Directors retains overall responsibility for overseeing sustainability-related risks and opportunities, including environmental compliance, supply chain integrity, and ethical business conduct.

BUSINESS ETHICS [GRI 2-15, 2-16, 2-26, 205-1, 205-2, 205-3]



Board members are appointed based on experience, expertise, and relevance to the Company's forestry and manufacturing operations.

Directors are expected to maintain adequate knowledge of:

- Indonesian regulatory requirements
- Forestry and industrial plantation management
- Manufacturing operations
- Financial and compliance obligations

Where necessary, management participates in external briefings, certification updates, or regulatory consultations to maintain awareness of evolving sustainability and compliance requirements.

Performance of the Board of Directors is reviewed internally by shareholders and the Board of Commissioners based on operational performance, compliance record, and strategic execution.

A reporting mechanism is available to employees to raise concerns regarding suspected misconduct, unethical behaviour, or regulatory non-compliance. Reports may be submitted confidentially to designated management representatives. The Company maintains a non-retaliation policy to protect individuals who raise concerns in good faith.

Corruption risk is assessed as part of operational risk reviews, particularly in areas involving licensing, procurement, and supply chain transactions. Anti-corruption expectations are communicated through internal briefings, management meetings, and operational guidance to relevant functions. Employees in relevant functions are periodically reminded of anti-bribery obligations and the prohibition of facilitation payments.

During the reporting year, SGM did not record any confirmed incidents of corruption, significant legal violations, or permit revocations.

CONFLICT OF INTEREST [GRI 2-15]



Members of the Board of Directors and key management personnel are required to disclose any potential conflicts of interest related to Company transactions.

Where a conflict arises, the individual concerned must abstain from participating in discussions and decision-making related to the matter. Related-party transactions, if any, are conducted on an arm's-length basis and in compliance with applicable regulations.

BOARD COMPETENCY AND OVERSIGHT [GRI 2-17, 2-18]



SGM is committed to conducting its operations with integrity and in compliance with applicable Indonesian laws and industry standards.

The Company has established internal policies and Standard Operating Procedures (SOPs) governing:

- Legal compliance
- Ethical conduct and anti-corruption
- Management of conflicts of interest
- Reporting of violations

REMUNERATION [GRI 2-19, 2-20, 2-21]



Remuneration for the Board of Directors and Commissioners is determined by shareholders in accordance with the Company's Articles of Association. Compensation structures consist of fixed components and, where applicable, performance-based components linked to Company and individual performance. Remuneration levels are designed to be proportionate to responsibilities and aligned with long-term business sustainability.

SGM does not operate share-based incentive schemes. Detailed individual remuneration figures are not publicly disclosed due to confidentiality considerations.

SUSTAINABILITY GOVERNANCE



Sustainability oversight is integrated into the Company's operational governance structure. The Head of Corporate Sustainability reports to senior management and coordinates cross-functional implementation across plantation and manufacturing operations.

Key sustainability matters overseen by management include:

- Legal timber sourcing and traceability
- Certification compliance
- Environmental performance monitoring
- Community engagement
- Energy transition initiatives

Material sustainability risks and performance updates are reported to senior leadership on a periodic basis.

RISK MANAGEMENT & INTERNAL CONTROL [GRI 2-12, 2-16]



The Board of Directors is responsible for identifying and managing material risks, including operational, environmental, regulatory, and market-related risks.

Risk management processes include:

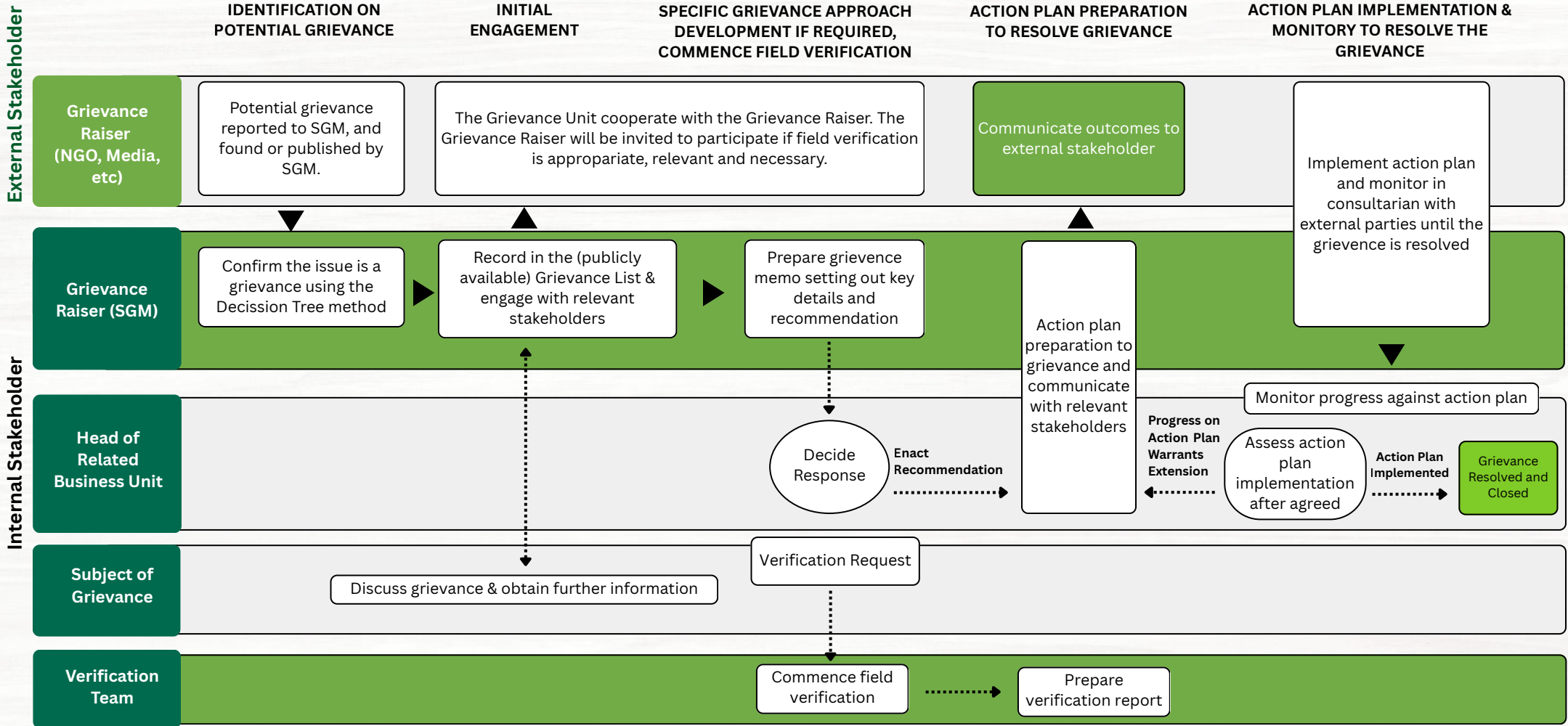
- Periodic operational reviews
- Environmental compliance monitoring within plantation and factory operations
- Certification audits (including chain-of-custody and timber legality requirements)
- Financial oversight and budgeting controls

Significant risks and compliance matters are escalated to the Board of Commissioners where appropriate. This structured oversight supports operational continuity and enhances confidence among buyers and financial institutions.

GRIEVANCE MECHANISM

In today's business landscape; Environmental, Social, and Governance (ESG) reporting is an essential activity, not only because industry regulatory bodies require it but also because it ensures that a company's principles and practices align with environmental, social, and governance principles worldwide.

ESG reporting



Our Approach To Sustainability



BOARD STATEMENT [GRI 2-17]



The Board of Directors considers sustainability to be an integral component of Sumber Graha Maluku's long-term business strategy. The Board holds overall responsibility for overseeing the Company's ESG priorities and ensuring that sustainability considerations are embedded within operational and strategic decision-making.

Sustainability oversight includes the identification of material ESG topics, monitoring of sustainability performance, and the integration of responsible practices across plantation and manufacturing operations. The Board is supported by management through cross-functional coordination that facilitates the implementation of sustainability initiatives and regular reporting on progress.

SGM recognises that forestry and manufacturing operations operate within a rapidly evolving environmental and regulatory landscape. In response, the Company has begun strengthening its internal processes for assessing climate-related risks and opportunities. As part of this effort, SGM has initiated alignment of its climate-related disclosures with the recommendations of the TCFD, focusing on governance, strategy, risk management, and performance metrics related to climate resilience.

Through this structured approach, the Board seeks to ensure that sustainability considerations contribute to operational resilience, responsible resource management, and long-term value creation.

Corporate governance focuses on identifying and managing risks and opportunities associated with climate change.

The Company engages in a systematic process to identify, assess, and manage risks arising from climate change.

This actual and potential impacts of climate change risks and opportunities are considered in the formulation of the Company's strategy, business and financial planning.

Metrics and targets are utilized by the Company as tools to assess and manage risks and opportunities associated with climate change accurately and effectively.



SUSTAINABILITY FRAMEWORK [GRI 2-23, 2-24]



SGM has established a sustainability framework that guides how we integrate responsible business principles into our daily operations across plantation and manufacturing activities. As a first-time reporter, this framework reflects the foundations we built internally to ensure disciplined execution, transparent governance, and long-term responsible growth.

The framework outlines how SGM manages environmental stewardship, responsible forestry, operational efficiency, and social responsibility across our operations in the Eastern Indonesia. It serves as both an internal guideline for decision-making and a demonstration of our commitment to accountability and transparency.

Aligned with the United Nations Sustainable Development Goals (SDGs), the framework helps ensure that our operational priorities contribute meaningfully to broader sustainability objectives. While our systems are still maturing, we have begun embedding relevant SDGs into our planning, risk management, and performance monitoring processes.

The sustainability framework has been formalised and endorsed by senior management. Oversight is carried out through regular internal reviews involving plantation, manufacturing, and sustainability functions. These reviews ensure that sustainability considerations are integrated into operational planning, compliance processes, and performance evaluations.

To strengthen internal awareness, SGM actively promotes sustainability topics among employees through briefings, internal communications, and operational discussions. This helps build a shared understanding of responsible practices and reinforces our commitment to disciplined, sustainable operations.

SGM’s sustainability framework is anchored on four key pillars that reflect our most significant impacts and opportunities:

- People – Ensuring safety, well-being, and development for our workforce and supporting local communities
- Sustainable Forestry – Managing HTI concessions responsibly, ensuring legality, traceability, and long-term forest productivity
- Production – Operating efficient, responsible manufacturing processes that minimise environmental impacts and support certification integrity
- Conservation – Protecting biodiversity, maintaining ecological functions, and supporting environmental awareness in surrounding communities

These pillars guide our sustainability priorities and form the foundation for our management approaches and performance reporting throughout this report.

PEOPLE

CREATING A SHARED VISION FOR SUSTAINABILITY



Community Engagement


Our entrepreneurial story begins with a creative idea from three tech entrepreneurs.



Employee Welfare


SUSTAINABLE FORESTRY

SUSTAINABLE SOURCING



Community Forest


Stage where we focus on a process of research, analysis, study of the market and the target audience.



Industrial Timber Plantation


PRODUCTION

DOING MORE WITH LESS



Water Management


Launch of the first local technology project dedicated to universities and higher education centers.



Energy & Emissions


CONSERVATION

CONSERVING WHAT POWER US



Zero Raw Materials from High Conservation Value Areas

Team building and training phase, brainstorming, company objectives, and roadmap.



Protection of Endangered Species

SUSTAINABILITY TARGET

To support the 2030 Sustainability Vision, SGM has decided their sustainability targets and monitoring its following annual progress continuously.

PILLAR	STRATEGIC FOCUS	2025 TARGET	
PEOPLE	Community Engagement	Increasing the welfare of local communities and in-kind investment	
	Employee Welfare	Conducting ESG refreshment training for top and middle management	Zero accidents and zero fatality targets in every Sampoerna Kayoe operation
		Zero case of Corruption	Zero case of Discrimination
		Zero case of Corruption	
		Zero case of Discrimination	

PILLAR	STRATEGIC FOCUS	2025 TARGET
SUSTAINABLE FORESTRY	Community Forest	Continue to promote the adoption of sustainable forest management certification schemes among smallholders in all regions within our operation area
	Industrial Timber Plantation	
PRODUCTION	Water Management	Reducing water intensity by 3% in 2025, with a baseline of 2023
	Waste Management	Increasing recovery rate by 3% in 2025, with a baseline of 2023
	Energy	Reducing energy intensity by 3% in 2025, with a baseline of 2023. Exploring opportunities for renewable energy sources utilization
	Emissions	Reducing scope 1 and 2 emissions intensity by 3% in 2025 aligning with net zero target assessment, with a baseline of 2023
CONSERVATION	Protection of High Conservation Value Forest (HCVF) Areas	Maintain the zero net loss of conservation values and zero raw materials sourced from HCVF areas
	Protection of Endangered Species	

GOVERNANCE STRUCTURE [GRI 2-9, 2-11, 2-12, 2-13]



SGM’s governance structure ensures disciplined oversight of sustainability-related risks, opportunities, and performance across our plantation and manufacturing operations. Sustainability governance is embedded within our organisational structure and overseen directly by senior leadership to ensure alignment with regulatory requirements, operational priorities, and stakeholder expectations.

OVERSIGHT BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors holds the highest level of oversight for sustainability matters, including climate-related risks, environmental performance, social impacts, and compliance. The Board reviews key sustainability priorities, monitors progress, and approves the disclosures presented in this Sustainability Report.

The CEO is responsible for directing the implementation of sustainability strategies across plantation and manufacturing operations. This includes ensuring that sustainability considerations are integrated into operational planning, risk management, and performance monitoring.

In line with TCFD, both the Board and the CEO receive regular updates on sustainability-related risks and opportunities, including climate-related issues, and consider these factors in strategic and operational decision-making.

SUSTAINABILITY GOVERNANCE STRUCTURE [GRI 2-12, 2-13]

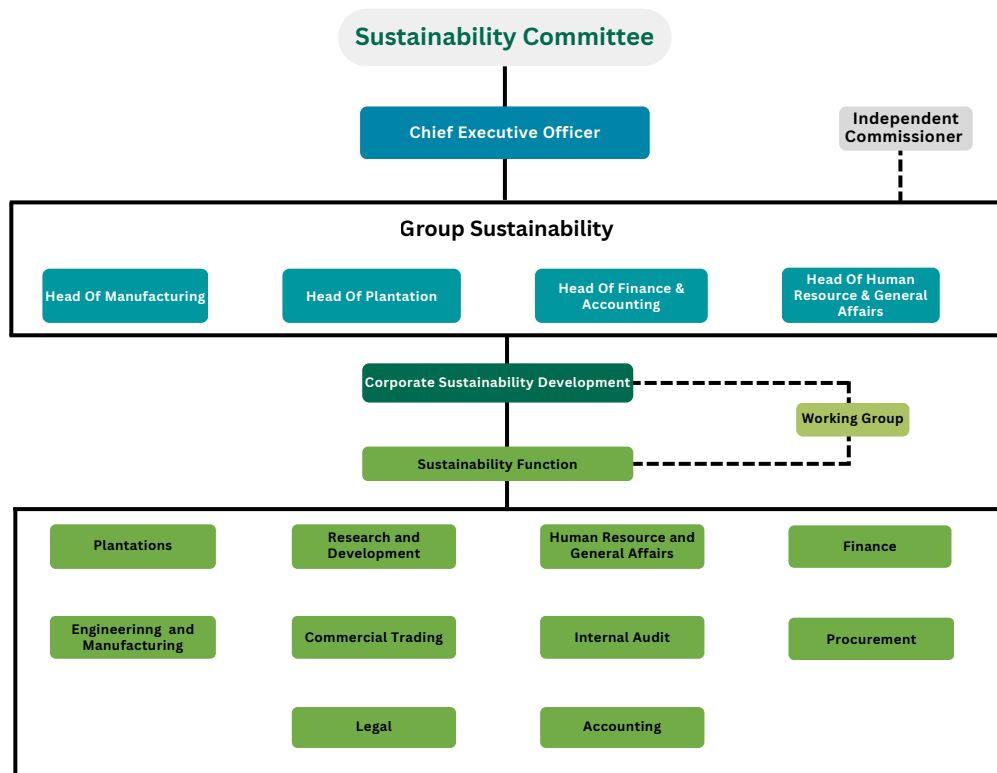


To support the Board and CEO, SGM has established a Sustainability Division responsible for coordinating sustainability initiatives, monitoring performance, and supporting compliance across the organisation. The Division works closely with:

- Plantation Management Unit
- Manufacturing Operations
- Compliance & Certification Teams
- Health, Safety, and Environment (HSE) Officers
- Human Resources and External Relations Teams

This cross-functional structure ensures that sustainability responsibilities are embedded into daily operations and that relevant functions contribute to data collection, impact assessment, and performance improvement.





SUSTAINABILITY GOVERNANCE [GRI 2-9, 2-11, 2-12, 2-13]



Sustainability oversight at SGM is integrated within the Company’s existing governance structure.

The Board of Directors retains overall responsibility for sustainability strategy and performance, while management oversees implementation across operational functions. Sustainability coordination is led by the Corporate Sustainability function, which works across plantation, manufacturing, and corporate teams to monitor performance and support reporting.

This structure enables sustainability considerations to be incorporated into operational decision-making, risk management processes, and strategic planning. Regular internal reviews are conducted to monitor environmental performance, certification compliance, and social impact initiatives. Material sustainability risks and developments are reported to senior management and the Board where appropriate.

In the process of formulating the Sustainability Report, both the Independent Director and the Commercial Director play significant roles in determining material topics and guiding the company’s sustainability direction. Additionally, the Board of Directors holds the responsibility of reviewing and approving the information presented in the Sustainability Report.

DIVERSITY AND INDEPENDENCE OF GOVERNANCE BODIES

[GRI 2-9, 2-11]



SGM values diversity within its governance structure. Members of the Board and senior leadership represent a range of professional backgrounds, expertise, and experience relevant to forestry, manufacturing, compliance, and business management.

All members of SGM’s highest governance bodies:

- Operate independently in their decision-making
- Have no familial or business relationships that could create conflicts of interest
- Do not hold concurrent positions that compromise their independence
- Bring diverse perspectives that strengthen oversight and accountability

This diversity supports balanced decision-making and reinforces SGM’s commitment to responsible governance.

CLIMATE STRATEGY AND RISK MANAGEMENT

SGM recognises that climate change presents both risks and opportunities for forestry and manufacturing operations. These may include physical risks such as extreme weather events, as well as transition risks related to evolving regulations, market expectations, and technological developments.

To address these challenges, SGM has begun strengthening its internal climate risk assessment processes. Climate-related considerations are gradually being integrated into the Company’s broader risk management framework, allowing management to identify potential impacts on operations, supply chains, and market access.

Key areas of focus include:

- Improving operational energy efficiency
- Exploring renewable energy opportunities
- Strengthening certification and regulatory compliance
- Enhancing operational resilience to climate variability

Through this approach, SGM aims to build greater resilience while supporting responsible forest management and long-term business sustainability.

DIVERSITY AND INDEPENDENCE OF GOVERNANCE BODIES

[TCFD St. S2]



SHORT TERM

RISK OPPORTUNITIES

Physical Risk

- **Drought and Wildfires:** Extreme dry seasons may increase wildfire risks, affecting plantation areas and disrupting timber supply
- **Heavy Rainfall & Flooding:** Intense rainfall may disrupt access roads, harvesting activities, and logistics routes between plantation and manufacturing sites
- **Fluctuations in Raw Material Input:** Climate variability may affect plantation yields and increase the cost of supporting materials such as glue, fuel, and chemicals
- **Rising Demand for Eco-Friendly Products:** Consumers are increasingly seeking eco-friendly products. This presents opportunities for SGM to develop and market sustainable wood products
- **Sustainable Wood Certifications:** By certifying its products, SGM can expand its market to eco-conscious consumers, enhancing brand reputation and attracting a broader customer base. Such as products certified by the Programme for the Endorsement of Forest Certification (PEFC)
- **Adoption of New Technologies:** New technologies can help SGM improve efficiency and reduce greenhouse gas emissions, lowering operational costs and contributing to sustainability goals

Transition Risk

- **Shifts in Market Preferences:** Growing consumer awareness of environmental impacts may reduce demand for non-certified or non-traceable wood products
- **Efficiency Improvements:** Investing in energy-efficient technologies and processes can reduce operational costs and carbon footprint
- **Partnerships and Collaborations:** Collaborating with stakeholders on sustainability initiatives can strengthen relationships and drive collective action towards climate resilience

MEDIUM TERM

RISK OPPORTUNITIES

Transition Risk

- **Regulatory Changes:** Governments around the world are tightening regulations related to greenhouse gas emissions and forest management. This could increase compliance costs for SGM
- **Product Competition and Changes:** The use of alternative materials such as bamboo, wood composites, recycled plastic lumber, hemp, and cork could reduce the demand for traditional plywood products. This could lead to decreased sales and market share for SGM's plywood products
- **Product Diversification:** Developing new wood-based or biomass products can meet emerging sustainability demands
- **Expansion into New Markets:** SGM can expand its market to countries with high demand for plywood and other wood products. This can open up new revenue streams and increase market share

LONG TERM

RISK OPPORTUNITIES

Physical Risk

- **Climate Impacts on Plantation Productivity:** Extreme temperatures, shifting rainfall patterns, and pest outbreaks may affect tree growth and long-term timber availability
- **Supply Chain Vulnerability:** Climate-related disruptions may affect transport routes, port operations, and logistics networks critical for export markets
- **Investment in Renewable Energy:** SGM can invest in renewable energy to reduce greenhouse gas emissions and increase resilience to climate change, such as transitioning to solar
- **Development of Sustainable Plantation Forests:** SGM can develop sustainable plantation forests to increase resilience to climate change and ensure a sustainable supply of raw materials
- **Investment in R&D:** Studying climate-resilient tree species and pest-resistant varieties can enhance plantation productivity and reduce climate risks

STRATEGIC RESPONSE TO CLIMATE-RELATED RISKS AND OPPORTUNITIES [TCFD S2]



The presence of climate-related risks and opportunities has prompted SGM to adopt a strategic, sustainable, and financially prudent approach that integrates climate considerations into our operational and long-term planning. Our strategy focuses on strengthening resilience, improving efficiency, and positioning SGM for future market expectations. [TCFD S2]

DEVELOPMENT OF SUSTAINABLE WOOD PRODUCTS:

SGM is committed to developing sustainable wood products to meet the demands of environmentally conscious consumers. This includes products like plywood and wood pellet, and other products certified by the PEFC and SBP.

INVESTMENT IN NEW TECHNOLOGIES:

SGM is investing in new technologies to improve efficiency and reduce greenhouse gas emissions. This includes advanced manufacturing processes that boost production while reducing GHG emissions, solar panel, implementing zero waste business model, and other innovative solutions.

CLIMATE-ALIGNED BUDGETING

SGM is accounting for the costs and benefits of climate change adaptation and mitigation strategies in its annual budgets. This includes considering the possibility of extreme weather events, such as flooding, that could delay operations and impact the budget.

In line with the 1.5°C scenario, SGM is in the progress of developing a carbon emission reduction scenario. This scenario includes setting a series of targets, such as reducing fossil fuel use, increasing renewable energy utilization, and enhancing green energy adoption (e.g., solar panels).

RISK MANAGEMENT

SGM fully acknowledges that climate change and its environmental impacts have the potential to significantly affect our business. To systematically identify and address these risks, we employ a dual-faceted approach that evaluates both physical and transition risks. Physical risks encompass acute and chronic climate-related disruptions, such as extreme weather events, shifting precipitation patterns, and supply chain vulnerabilities. Meanwhile, transition risks stem from evolving regulatory landscapes, policy shifts, technological advancements, and changing market expectations favoring sustainability-driven solutions. [TCFD R1]

In response, the Sustainability Committee has developed a comprehensive risk management framework, including risks associated with climate change and other environmental impacts. The Committee regularly evaluates these risks, identifies their potential impact on our operations, and designs appropriate mitigation strategies.

The results of these evaluations, along with recommended mitigation measures, are consistently reported to the Board of Directors. This ensures that climate-related risks are considered in strategic decision-making, allowing SGM to adapt effectively to changing environmental and regulatory conditions while securing long-term business sustainability.

The following are the various climate-related risks, and SGM's management of these topics: [TCFD R2]

CLIMATE REGULATORY DYNAMICS RISK

SGM manages climate-related regulatory risks by ensuring compliance with evolving environmental and forestry regulations, including the SVLK and carbon emission standards in international markets. The company also manages risks associated with the EU Deforestation Regulation (EUDR), which mandates deforestation-free products that align with environmental and climate policies. Through proactive monitoring, policy adaptation, and stakeholder engagement, SGM effectively navigates regulatory challenges to safeguard its operations and support climate resilience.

TECHNOLOGY ADOPTION CHALLENGES

SGM manages technology risks by adopting innovations to enhance operational efficiency, reduce its carbon footprint, and protect the environment. Aging machinery and equipment drive the need for technological upgrades, but this also comes with risks such as high costs, training needs, and potential operational disruptions. To mitigate these challenges, SGM conducts thorough evaluations, provides employee training, and implements regular maintenance, ensuring both efficiency and sustainability.

LEGAL AND COMPLIANCE RISK

SGM ensures compliance with local and international regulations, as well as environmental and sustainability standards, across all operational aspects. The company continuously adapts to evolving policies and certification requirements related to sustainable forest management, climate responsibility, and responsible supply chains. Through this approach, SGM proactively manages legal risks associated with non-compliance—such as sanctions, fines, or reputational impacts—by conducting both internal and external evaluations.

MARKET RISK

SGM upholds customer expectations and international market requirements by maintaining compliance with stringent environmental standards and certifications. As global demand for eco-friendly products grows, adhering to recognized ecolabel standards becomes essential, particularly for export markets.

To align with these expectations, SGM complies with various national and international certifications, such as the Japanese Agricultural Standard (JAS) and the California Air Resources Board (CARB) certification. This commitment not only strengthens SGM's market position but also reinforces its dedication to sustainable business practices, minimizing the risk of market loss while enhancing its sustainability footprint.

REPUTATIONAL RISK

Reputational risk can influence customer trust, stakeholder relationships, and long-term market access. SGM mitigates this risk through a balanced ESG strategy that includes conservation initiatives, emission-reduction efforts, and strong social compliance. Transparent reporting through our annual Sustainability Report further reinforces stakeholder confidence and demonstrates our commitment to responsible operations.

PHYSICAL RISK

SGM faces physical risks such as extreme weather events, flooding, drought, and long-term climate shifts that may disrupt operations and affect plantation productivity. To manage these risks, SGM has established operational guidelines and policies that support emergency preparedness, infrastructure resilience, and supply chain continuity. These measures enable the company to respond swiftly to physical disruptions while adapting to long-term climate trends that may affect resource availability and operational stability.

To manage these risks, SGM has established comprehensive guidelines and policies. These measures ensure preparedness and a swift response to physical risks, maintain operational continuity, and minimize supply chain disruptions. This proactive approach also enables the company to adapt to long-term climate change, securing business sustainability and environmental protection.

PROCESS FOR IDENTIFYING, ASSESSING, AND MANAGING CLIMATE-RELATED RISKS

The process of identifying, assessing, and managing climate-related risks is integrated into the overall risk management of SGM through a structured and holistic approach. The company implements the following key steps: [TCFD R3]



RISK IDENTIFICATION

- Identifying climate risks by analysing potential impacts on operations and business activities.
- Assessing changes in weather patterns, rainfall levels, and temperatures.
- Evaluating disruptions to supply chains due to climate variability.
- Reviewing vulnerabilities in infrastructure and production sites



RISK ASSESSMENT

- Conducting an in-depth assessment of identified risks.
- Analysing the probability of risks occurring and their potential impact.
- Evaluating effects on operations and business sustainability.
- Considering secondary risks arising from climate change.



RISK MANAGEMENT

- Developing risk management strategies based on assessment results
- Formulating action plans to reduce, mitigate, or avoid risks Investing in climate resilient infrastructure.
- Diversifying supply chains.
- Utilizing eco-friendly technologies Implementing adaptation policies.



INTEGRATION INTO OPERATION

- Integrating climate risk identification, assessment, and management into SGM's overall risk framework

By integrating climate-related risk management into overall risk management, SGM can be more responsive to the challenges posed by climate change. These steps help us minimize our vulnerability to these risks and ensure sustainable operational continuity in an ever-changing environment. SGM is currently in the process of conducting financial calculations to establish climate-related risks and opportunities. [201-2]

STAKEHOLDER ENGAGEMENT [GRI 2-29]



A sustainable approach relies on strong stakeholder engagement. Whether internal or external, stakeholders have key interests that shape the Company's business direction, influencing various aspects from operations and products to overall strategy. Recognizing their role, the Company has identified both internal and external strategic stakeholders who directly or indirectly impact its operations, including shareholders, customers, employees, suppliers, regulators, and the local community.

Stakeholders are invited to provide feedback, ensuring their interests are integrated into the development and enhancement of SGM’s sustainability strategies and implementation. Engagement efforts focus on meaningful interactions, understanding stakeholder expectations and concerns, and delivering measured responses to drive continuous sustainability improvements.

Stakeholders Group	Area of Interest	Engagement Mechanism	Frequency
Stakeholders	<ul style="list-style-type: none"> Financial Health Transparency Business Ethic Sustainability 	<ul style="list-style-type: none"> Regular meetings onn business performance and development Annual Report Sustainability Report 	Annually
Customer	<ul style="list-style-type: none"> Product Quality Product Specification Product Certification 	<ul style="list-style-type: none"> Product Education Customer Complain Report Customer Satisfaction Survey Corporate Website 	Regularly
Supplier	<ul style="list-style-type: none"> Supply Chain Management Legal and Sustainable Sourcing 	<ul style="list-style-type: none"> Supplier Evaluation Third Party Assessment 	Regularly
Employee	<ul style="list-style-type: none"> Health and Safety Human Rights Tallent Attraction and Retention Equal and Friendly Workplace 	<ul style="list-style-type: none"> Performance Management System Competency Education and Training Health and Safety Training 	Per Semester As Necessary
Communities	<ul style="list-style-type: none"> Employment Opportunities Community Engagement 	<ul style="list-style-type: none"> Sustainable Forest Management Training Social Engagement Seeds Distribution 	Annually As Necessary
Regulator	<ul style="list-style-type: none"> Corporate Governance and Operationn Performance Business Integrity Legal Compliance Climate Change 	<ul style="list-style-type: none"> Official Correspondence Seminars and Evaluation Third Parties Assessment 	As Necessary

MATERIALITY THROUGH STAKEHOLDER LENS [GRI 3-1, 3-2]

SGM conducted its first materiality assessment in FY2025 to identify the sustainability topics that matter most to our business, stakeholders, and long-term value creation. As this is our first standalone Sustainability Report, the entire process—including topic identification, stakeholder engagement, data consolidation, and validation—was carried out in-house by our plantation, manufacturing, and sustainability teams. This reflects our commitment to building disciplined internal systems and strengthening our own sustainability governance capabilities from the outset.

Our materiality assessment followed the GRI Standards 2021 requirements and considered the potential impacts of each topic on SGM’s business strategy, regulatory obligations, operational risks, financial planning, and stakeholder expectations. The process also evaluated how SGM’s activities may create positive or negative impacts on the environment, workers, communities, and the broader value chain.

The outcome of this assessment guides our sustainability priorities, management approaches, and reporting focus. It ensures that our efforts remain aligned with responsible growth, disciplined operations, and long-term value creation for all stakeholders.

IDENTIFICATION

Material topics identification follows GRI standards and analysis from the previous year issues. This process helps define key factors of Environmental, Social and Governance (ESG) related to sustainability topics.

PRIORITIZATION

After the issues identified, topics are prioritized based on their significance to SGM and its stakeholders. This decision involves materiality questionnaires distribution to internal and external stakeholders to assess impact levels.

VALIDATION

The Validation of material topics depends on the results of the materiality questionnaires. After the validation, nine key topics will be selected and sent for the final approval by the Board of Directors and Board of Commissioners.

REVIEW

The approved material topics undergo a final review by the Board of Directors to reassess their urgency, categorized as high or very high. This step also incorporates an evaluation of past reports to ensure progress tracking and consistency.

OUR MATERIALITY PROCESS [GRI 3-1, 3-2]



SGM applied a fourstage approach aligned with the GRI Standards to determine material topics and define report content.

IDENTIFICATION

Potential sustainability topics were identified based on:

- GRI Standards 2021
- Regulatory requirements
- Industry practices in forestry and woodprocessing
- Internal risk assessments
- Operational realities in Eastern Indonesia

This step established a long list of ESG topics relevant to SGM's operations.

PRIORITIZATION

Identified topics were prioritised based on:

- Their significance to SGM's business model and longterm strategy
- Their potential environmental and social impacts
- Their relevance to internal and external stakeholders

Stakeholder perspectives were gathered through internal discussions, operational insights, and engagement with teams across plantation and manufacturing functions.

VALIDATION

The prioritised topics were reviewed and validated by senior management to ensure alignment with:

- Corporate objectives
- Risk management frameworks
- Compliance requirements
- Operational priorities

This validation confirmed the final list of material topics for FY2025.

REVIEW

Material topics undergo periodic internal review to assess:

- Changes in operational context
- Emerging risks and opportunities
- Evolving stakeholder expectations
- Progress in sustainability implementation

This ensures that SGM's materiality assessment remains relevant and responsive as our sustainability maturity grows.

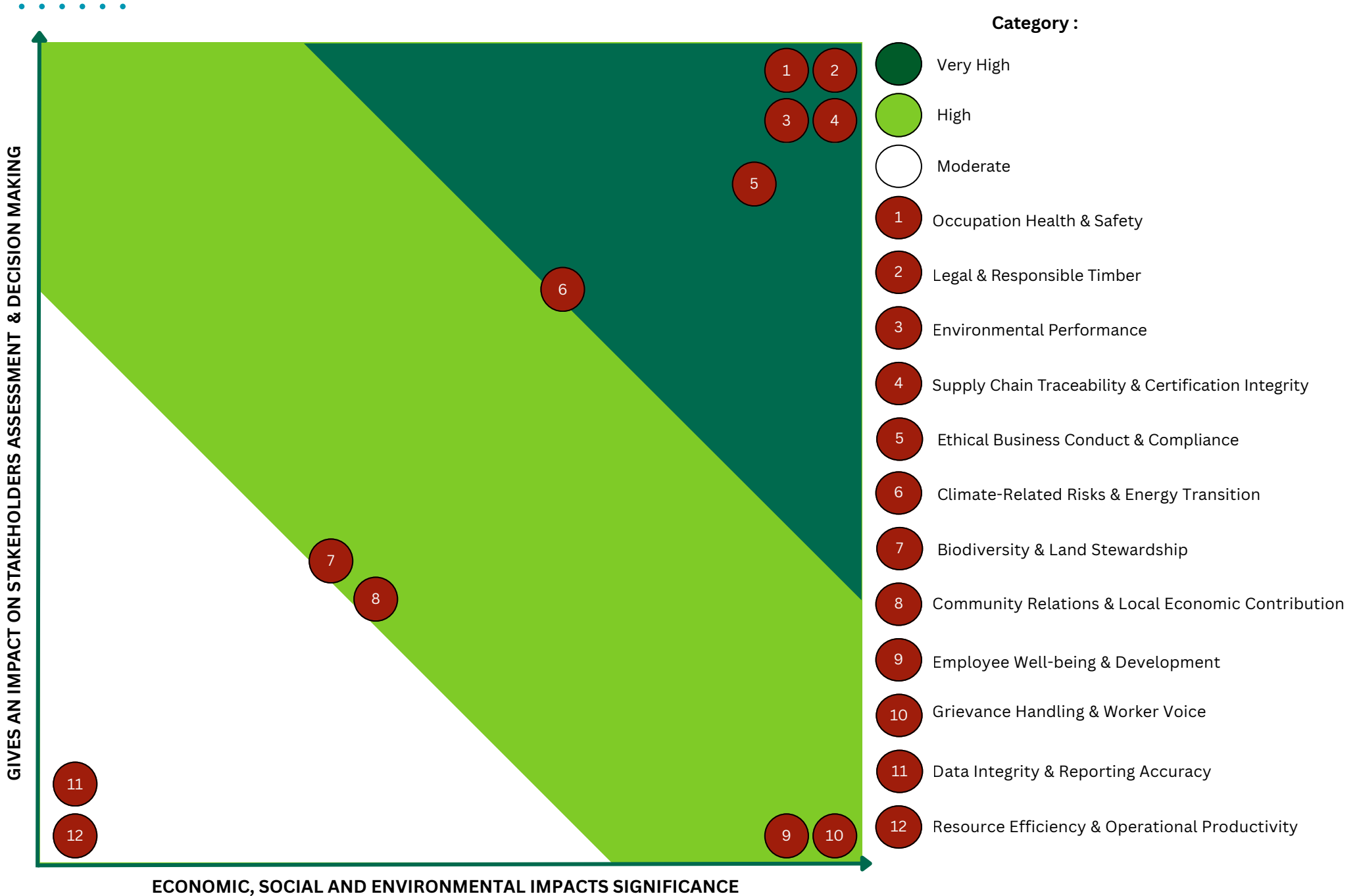
OUR FY 2025 MATERIAL TOPICS

As this is SGM's first reporting cycle, the material topics reflect the most significant impacts and priorities across our HTI and manufacturing operations. These include:

- Occupational Health and Safety
- Legal and Responsible Timber Sourcing
- Environmental Performance (energy, emissions, waste, water)
- Employee Well-being and Development
- Ethical Business Conduct and Compliance
- Community Relations and Local Economic Contribution
- Climate related Risks and Energy Transition
- Supply Chain Traceability and Certification Integrity
- Biodiversity and Land Stewardship

These material topics and stakeholder insights form the foundation of SGM's sustainability strategy. They guide our management approaches, operational priorities, and reporting focus as we continue strengthening our internal systems and advancing responsible growth across our HTI and manufacturing operations.

MATERIALITY MATRIX



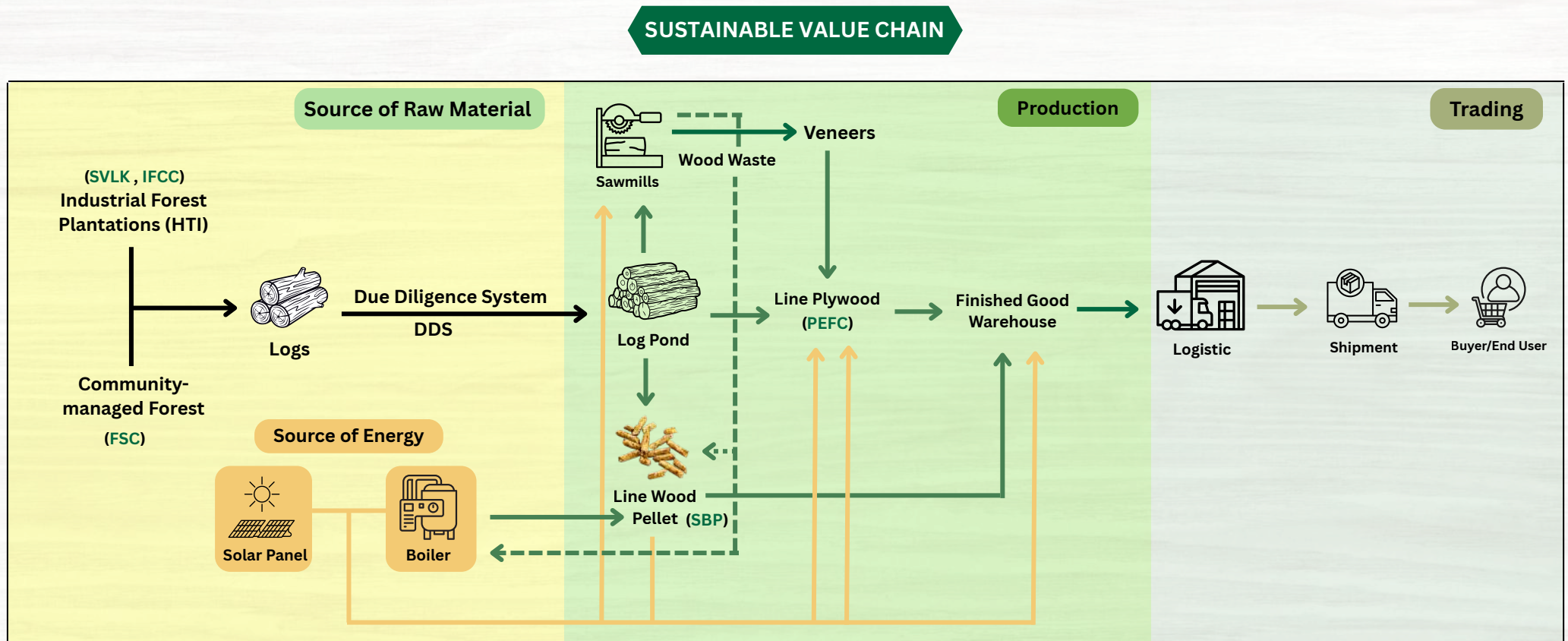
Production



TRANSFORMING OUR VALUE CHAIN [2-6, 3-3, 414-1, 414-2]

As a company within the timber industry, SGM is committed to sustainable sourcing practices, placing integrity and business ethics at the forefront of its relationships with its supply chain partners and suppliers. Recognizing the significant impact of its operation on the environment and humans, SGM established rigid policies to ensure all supply chain actors adhere to all applicable standards and regulations. For instance, the Company requires suppliers to adhere to the National Sustainable Forest Management Standard – SVLK. SGM’s supply chain is built through a diverse network of supply chain partners, comprising the forest plantation community, suppliers, wood manufacturers, factories and refineries, trading houses, and customers. The interconnected ecosystem stretched from Indonesia’s green origin to the international market. Delivering its quality, SGM sources its goods and services from a pool of suppliers and other supply chain actors enabling operational efficiency to create exceptional plywood with a shared commitment of sustainability.

Before entering into any partnership, SGM evaluates suppliers through a screening process that includes both performance indicators and social criteria. This early assessment helps us promote ethical practices, safeguard labour rights, and minimise the risk of negative impacts within the supply chain. It also sets the tone for a relationship built on transparency and shared responsibility. [414-1, 414-2]



RESPONSIBLE BUSINESS [B-3]



Wood is inherently an environmentally friendly material, and at SGM we see this as both a privilege and a responsibility. Our commitment to responsible business practices extends across economic, social, and environmental dimensions, supported by technology, innovation, and a clear long-term direction through our 2030 Sustainability Vision. This vision outlines our sustainability objectives and targets, while the responsibility for implementation sits with the relevant functions across the company to ensure that every part of our operations moves in the same direction.

Our values and Code of Ethics form the foundation of this commitment. They guide how we work, how we make decisions, and how we interact with partners and communities. In line with these principles, SGM has achieved PEFC certification for both our timber plantations and our manufacturing facility in North Maluku. This milestone reflects more than compliance – it signals our dedication to embedding credible global standards into the way we manage forests, source materials, and operate our supply chain. The integration of these standards strengthens our environmental stewardship while supporting the well-being of the communities around us.

Beyond certification, SGM continues to implement initiatives that promote sustainability and community development. One of our longstanding efforts is the annual distribution of seedlings to farmers, suppliers, and local communities. These seedlings support smallholder farmers, encourage biodiversity, and contribute to both conservation areas and production landscapes. Through these initiatives, we aim to strengthen relationships while supporting the long-term health of the ecosystems we depend on.

In 2025, the Group continued advancing its renewable energy strategy. As we move through 2026, we remain committed to expanding these efforts and embedding sustainability deeper into every aspect of our operations.

ADVANCING SUSTAINABILITY THROUGH BIOMASS ALTERNATIVE

Since 2023, SGM has expanded its business portfolio by entering the biomass fuel market through the production of wood pellets, offering a renewable alternative to conventional fossil-based fuels. Located in Eastern Indonesia, our wood pellet facility continued to scale its operations in 2025, producing more than 71,208 tons of biomass fuel for domestic and international markets. As more companies transition toward cleaner energy pathways, SGM provides a sustainable option that supports operational decarbonisation and long-term climate goals.

To ensure responsible sourcing and production, SGM manages its biomass feedstock through a traceable system aligned with the SBP framework. In 2025, the company processed 32,556 m³ of wood sourced from company-managed plantations and controlled sources. The production process does not involve non-renewable inputs, reinforcing a closed-loop, renewable cycle that aligns with global expectations for sustainable biomass. [301-1] [301-2]

Compared to conventional solid-based fuels, wood pellets offer a more sustainable alternative, delivering lower or near-zero carbon emissions, reduced land impact, and minimal waste residue, making them an ideal choice for various industries. When used as a substitute for standard coal, wood pellets can prevent approximately 114,583.51 tons of CO₂ emission annually. Furthermore, transitioning to wood pellets can significantly reduce the consumption of 46,947.37 tons of standard coal, reinforcing companies' commitment to promote cleaner and sustainable energy solutions.

PRODUCT CERTIFICATION [B-3]



SGM is dedicated to continuously providing sustainable improvement and maintaining product quality for its stakeholders, with certification serving as a valid feature of this commitment. As of 2025, SGM holds a comprehensive portfolio of international standards ensuring efficiency, quality, and sustainability value throughout its operation flow from factory origin to the hands of customers.

The certifications held by SGM are integral to maintain international quality standards for high-level quality systems and responsible production, as well as complying with relevant local and international regulations. Through this process, SGM has successfully ensured full compliance with regulations, preventing any instances of nonconformity that could result in sanctions or fines for the company. [2-27]

SGM currently holds the CARB Phase 2 certification, which verifies that our products comply with strict formaldehyde emission requirements for composite wood products. This certification reflects our commitment to producing materials that meet high health and safety expectations in global markets. In addition, SGM is actively progressing toward achieving the JAS certification, which will further expand our access to premium markets and strengthen our position as a trusted supplier of responsibly manufactured plywood.

The application of third-party certification systems adds significant value to our operations. They enhance material traceability, reinforce responsible sourcing practices, and ensure that our products meet the expectations of customers who prioritise ethical and sustainable procurement. More than a regulatory requirement, these certifications reflect SGM’s commitment to building a responsible supply chain and supporting our partners as they transition toward more sustainable pathways. By adhering to international standards, SGM strengthens legality, trust, and credibility while contributing to broader sustainable development goals.



To ensure quality and legality, SGM facilities have implemented the SVLK, a certification recognized by the European Union (EU). This certification is actively promoted by the Indonesian government to reach greater recognition in the international markets enhancing its credibility. All SGM facilities and associated documents, including export permits and V-Legal Documents, have undergone stringent verification processes to comply with the EU Timber Regulation (EUTR). This compliance aligns with Indonesian law and meets the import requirements for plywood-based products entering the EU's market.



Certificate Name	Implement On (Product)	Brand
California Air Resource Board (CARB)	Plywood	SAMAMA
Timber Legality Verification (SVLK)	Plywood	SAMAMA
Chain of Custody Programme for the Endorsement of Forest Certification (CoC-PEFC)	Plywood	SAMAMA
Sustainable Biomass Program (SBP)	Wood Pellet	
Chain of Custody Programme for the Endorsement of Forest Certification (CoC-PEFC)	Wood Pellet	

ASSOCIATIONS MEMBERS [2-28]



ASOSIASI PENGUSAHA HUTAN INDONESIA (APHI)

APHI serves as a platform for companies domiciled and/or operating within Indonesia’s legal jurisdiction that hold Forest Utilization Business Licenses for Natural Forests / *Perizinan Berusaha Pemanfaatan Hutan dari Hutan Alam* (PBPH-HA) and Timber Forest Product Utilization Business Licenses / *Perizinan Berusaha Pemanfaatan Hasil Kayu dari Hutan Tanaman* (PBPH-HT). As an APHI member, the SGM actively engages in fostering a competitive and responsible forestry industry while advocating for sustainable forest management practices, regulatory compliance, and the continuous enhancement of industry standards.

ASOSIASI PANEL KAYU INDONESIA (APKINDO)

Serves as a unifying body for companies operating within Indonesia’s wood panel industry, APKINDO plays a pivotal role in advancing a sustainable and competitive industry by promoting higher production standards, regulatory compliance, and the adoption of environmentally responsible practices. As an esteemed member of APKINDO, SGM actively contributes to strengthening the industry's competitiveness, championing sustainability principles, and ensuring adherence to responsible forest resource management policies. Through its involvement, SGM reinforces its commitment to fostering an ethical, resilient, and forward-thinking wood panel sector.

Environmental Management



SUSTAINABLE FOREST MANAGEMENT 13-31

SGM recognizes the profound impact of forest management on biodiversity and ecosystem services that necessitate concrete action. At the same time, we believe that sustainable forest management not only supports operations but also embodies the Three Hands philosophy, emphasizing collaboration with stakeholders toward a more sustainable business model.

SGM's commitment to sustainable forest management practices aims to maintain healthy, productive, and well-managed forests, ensuring plants are managed optimally, preventing premature harvest, reducing the use of harmful pesticides, providing appropriate management of high conservation value areas, forest fire prevention training, and educating financial planning to support the sustainability of farming incomes.

The company actively collaborates with local communities and farmers to promote sustainable and responsible forestry practices. Several programs have been implemented, including:

NURSERY

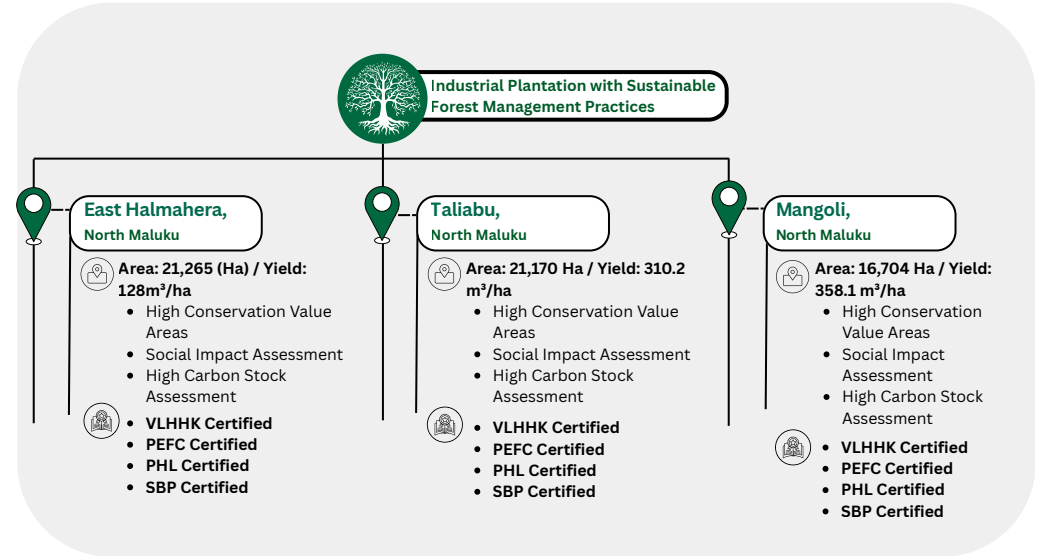
The nursery program aims to create temporary shelters for plant seeds to adapt to actual conditions to produce the best quality seedlings. As part of the Company's commitment to strengthening environmental sustainability, nursery capacity continues to be expanded. Currently, the Company operates nursery facilities in five different locations, with the newest nurseries established in Taliabu, North Maluku and East Halmahera, North Maluku. By the end of 2026, the total production capacity of plantable seedlings has reached 3,530,000 seedlings.



FOREST CONCESSIONS 1304-11

Our HTI concessions cover about 59,000 hectares in Eastern Indonesia, showcasing a commitment to sustainable practices through forest management. This endeavour creates opportunities for upstream activities in managing and operating industrial plantation forests, benefiting people and the environment.

By the end of 2025, PEFC Forest Management (FM) certifications and SVLK has been successfully obtained for the 23,022 hectares concession in both Taliabu and Mangole island, North Maluku. Additionally, several ground assessments such as (SIA), (HCS), and (HCV) areas have been completed for areas in and around the concession by licensed parties. We work collaboratively with relevant stakeholders to create and comprehend sustainable visions for the future of communities. The program development includes infrastructure development, construction of public facilities, and job creation.



FOREST PROTECTION

As an HTI operator, SGM carries a significant responsibility to safeguard the forests under its management. Our approach to forest protection is firmly rooted in compliance with government regulations, particularly the Minister of Environment and Forestry Regulation No. P.32/MENLHK/SETJEN/KUM.1/3/2016 on Forest and Land Fire Control. This commitment is reflected in the establishment of trained core and backup firefighting teams, supported by essential infrastructure, monitoring posts, and operational procedures designed to prevent and respond to fire risks effectively.

SGM maintains a comprehensive forest protection governance framework that integrates fire prevention, security enforcement, and conflict-resolution mechanisms. Fire risk mitigation is a central component of this framework. We deploy early-detection systems, conduct routine patrols across the concession, and implement post-fire recovery measures to restore affected areas. Capacity-building programs are regularly carried out for employees and local communities, strengthening shared awareness and preparedness. Water points across the concession are also inspected routinely to ensure sufficient availability for fire suppression efforts.

Protecting forest integrity goes beyond fire management. SGM enforces strict security measures to prevent unauthorized activities such as wildlife hunting, land encroachment, illegal logging, and mining. These efforts help maintain ecological balance and uphold the legal boundaries of our concession. When conflicts arise, particularly those related to land tenure or resource use, SGM prioritizes structured and transparent engagement with local communities. Our conflict-resolution approach emphasizes dialogue, respect, and mutually agreed solutions.

In addition, systematic monitoring of plant pests and diseases forms part of our integrated forest management strategy. By identifying threats early and responding promptly, SGM helps maintain forest health and productivity, ensuring that our HTI operations remain sustainable and resilient over the long term.

PRESERVED AREAS [304-1, 304-2]



Given the issue of climate change, SGM consistently engages its stakeholders in efforts to minimize operational impacts throughout the environmental value chain, focusing on areas such as climate, water, biodiversity, and forests. This commitment is demonstrated through Sustainable Forest Management, maintaining or enhancing forest resources appropriately and preserving biodiversity-rich areas. [3-3]

The Company recognizes the potential direct and indirect impacts of its operations. Through a structured monitoring framework aligned with various certifications and global standards, we have identified these impacts and acknowledged that certain activities—such as habitat conversion due to harvesting processes, effects from construction, transportation, or infrastructure development—may contribute to the decline of species, biodiversity, or habitat degradation if not properly mitigated.

[304-2]

To mitigate these impacts and preserve biodiversity, we have implemented several conservation programs, including:

No	Conservation Area Management	Implemented Activities
1	Conservation Area Boundary Management	Arrangement of boundaries includes creating a ± 1-meter trail and marking boundary signs with an X-shaped mark on trees at the conservation area's borders
2	Review of Activities within the Conservation Area	Inspection of canopy conditions, boundary signs, hunting activities, disturbances, and damages occurring in the conservation area
3	Reforestation Program	Planting activities in areas experiencing degradation or in an open or scrubland condition to maintain or restore the conservation area's functions
4	Installation and Maintenance of Signage Boards	<ul style="list-style-type: none"> Installation of signage, information boards, and warnings in the conservation area to prevent protected areas from operational activities Maintenance activities include cleaning the boards from weeds, dirt, branches, or trees obstructing them, and replacing damaged signage
5	Erosion Monitoring and Control	<ul style="list-style-type: none"> Monitoring activities to prevent, inhibit, and control soil erosion in land development, waterways, and construction sites MConstruction of sediment traps as a measure for erosion control and mitigation caused by activities such as forest area clearing, infrastructure development, and forest operational activities
6	Environmental Monitoring	<p>Environmental review and evaluation encompass:</p> <ul style="list-style-type: none"> Water quality monitoring: measuring the impact of operational activities on water sources as mitigation and pollution control efforts Sound and air monitoring: measuring noise levels, sound pollution, and air quality to maintain environmental conditions Biota monitoring: measuring population

No	Conservation Area Management	Implemented Activities
7	Management of Hazardous and non-Hazardous Waste	The collection, separation, and storage of Hazardous (B3) and Non-Hazardous (Non-B3) Waste resulting from operational activities are efforts to preserve the environment from damage caused by waste produced during forest management activities
8	Identification and Utilization of Non-Timber Forest Products (NTFPs)	The utilization of economically valuable Non-Timber Forest Products (NTFPs) within the conservation area aims to enhance the local community's economy

CONSERVATION

SAFEGUARDING BIODIVERSITY [304-1, 304-2, 304-3, 304-4]

Biodiversity conservation plays a crucial role in sustaining life and maintaining ecosystem health. SGM is committed to protecting natural habitats by integrating biodiversity management practices that reduce and prevent operational impacts on ecosystems within its areas of operation. [3-3]

We continuously engage with local communities to ensure the conservation areas remain protected and unchanged. We have identified that significant potential impacts within community areas include land clearing and animal hunting, which may lead to deforestation, habitat degradation, or the loss of rare and protected species due to limited community awareness.

Therefore, we have undertaken several initiatives in collaboration with the community, such as:

Potential Impact	Activities
Animal Hunting Protected	<ul style="list-style-type: none"> Conducting training for Farmer Groups to identify critical, rare, threatened, vulnerable, endemic, and protected species, including those listed in CITES Appendix I & II Performing periodic monitoring of protected, endemic, and endangered species Developing and enforcing policies that prohibit hunting of critical, rare, threatened, vulnerable, endemic, and protected species under Indonesian law and CITES Appendix I & II Inspecting and maintaining signposts that provide information on the prohibition of hunting protected wildlife

Potential Impact	Activities
Water Pollution Due to Operational Activities Plantations Around the River	<ul style="list-style-type: none"> Monitoring community activities utilizing river resources Collaborative management with stakeholders on river conditions Joint monitoring of river water quality with stakeholders
Land Clearing Activities that Pose a Threat to Water Quality and Water Availability	<ul style="list-style-type: none"> Advocating for Village Regulations on river management Installing and inspecting signs for river conservation awareness Conducting periodic monitoring through FGDs, outreach, and warning signs Collaborating with stakeholders to protect and preserve rivers. Holding regular consultations through FGDs, workshops, and outreach programs

Monitoring and observation results indicate the presence of endangered species in the conservation areas.

LOCATION	TOTAL IDENTIFIED FLORA & FAUNA BASED ON THE IUCN RED LIST							TOTAL
	CR	EN	VU	NT	LC	DD	NE	
PT Kalpika Wanatama I - HCV	2	1	10	7	139	-	4	163
PT Kalpika Wanatama II - HCV	3	2	9	7	147	2	7	177
PT Mangole Timber Producers	1	6	5	4	108	-	-	124
PT Kirana Cakrawala	-	1	1	3	71	1	9	86

Protection Status
 CR : Critically Endangered
 EN : Endangered
 VU : Vulnerable
 NT : Near Threatened
 LC : Least Concern
 DD : Data Deficient
 NE : Not Evaluated

In addition to species monitoring, the company continues to collaborate with local communities through various programs. These initiatives, carried over from 2023, reflect our commitment to maintaining ongoing efforts in environmental stewardship and community engagement.

WATER INTERACTION [303-1, 303-2, 303-3, 303-4, 303-5]



Water is a vital resource for humanity and the environment. According to BPS, Indonesia produced approximately 5,14 billion m³ of clean water in 2022, while half of the world's population faced some level of water scarcity over recent years. Recognizing the critical importance of water availability in Indonesia, SGM has developed a responsible and strategic approach to managing its consumption. As part of the responsible management of water resources and to minimize environmental impact, SGM implements various responsible water management practices throughout SGM's operations including steam generation, heating, cooling, and cleaning purposes. This approach enables the company to monitor water consumption and manage its intake effectively, preventing overuse and irresponsible discharge. [3-3]

MEASURED INTAKE & RESPONSIBLE DISCHARGE

Prior to sourcing the water, SGM ensures that the location has not experienced water stress or shortages. Clean water is sourced from groundwater and rivers (<100 mg/L total dissolved solids) with sufficient volume to be used by both the company and the surrounding community. For human consumption, SGM relies on ground water. SGM continues to monitor water usage to ensure responsible consumption and to prevent excessive withdrawal from natural sources.

Water enters SGM's operations from various sources, stored, and then distributed for designated purposes. Water is mainly utilized to support operational activities, with a significant portion used as a boiler medium to soak and steam logs before further processing into the necessary products. As steam becomes the gas form of liquid, much of the water is lost in the process, and the remaining is discharged as wastewater.

Discharge water flow from the industrial and domestic usage is directed into the Wastewater Treatment Plant (WWTP) after being assimilated with other pollutants from previous activities. The plant treats the wastewater before finally releasing it back into the environment as effluent ensuring the discharged water is properly treated to mitigate potential negative impact on the environment.

CIRCULAR WATER MANAGEMENT

To optimize water usage, SGM adopts water recycling practices or circular water wherever possible. Water utilized in operational processes, such as heating and cooling, is reclaimed and reused within the production cycle. This approach effectively reduces the demand for raw water sources and minimizes the ecological impact of freshwater intake.

SGM has implemented various initiatives to reduce clean water consumption and enhance water efficiency. The company has sought to increase its level of water recycling by reusing water to support operational activities, particularly in the log pond area.

RESPONSIBLE EFFLUENT MANAGEMENT

SGM ensures its effluent management aligns with applicable regulations to minimize the environmental impacts of water effluent. Through effective and responsible treatment methods, SGM monitors effluent quality and utilizes the latest technologies in the WWTP to ensure discharged water meets established standards. All water intake, usage, and discharge processes comply with governmental regulations and are reported to relevant authorities. SGM refers to the Indonesia regulation to showcase adhere into the waste effluent:

- Industrial Liquid Waste Regulation Ministerial Decree No. 4 of 2014 (Appendix VII) for Plywood Companies
- Domestic Liquid Waste Regulation Ministerial Regulation No. 68 / Men.LH / 2016 (Appendix 1)

Throughout the daily recording, SGM continuously monitors the quantity of water discharged and the quality of treated wastewater to ensure compliance with specified discharge standards. If non-compliance or deviations from the standards occur, corrective measures are promptly implemented within the WWTP treatment process, followed by laboratory retesting to confirm effectiveness.

WASTE

SGM has implemented a comprehensive waste management to efficiently manage produced waste across all operating units. Waste generated from the manufacturing process is categorized into hazardous waste (B3) and non-hazardous waste (non-B3). SAMKO's waste management system is aligned with Indonesia regulation of:

- Government Regulation No. 22 of 2021 - Implementation, Protection, and Management of the Environment
- Government Regulation No. 101 of 2014 - Management and Treatment of Hazardous Waste (B3)
- Ministerial Regulation No. 06 of 2021 - Procedures and Requirements for the Management of Hazardous Waste (B3)

Aware of the impacts in our waste production, SGM is committed to implementing effective and compliant waste management practices. The company carefully determines the most suitable treatment methods for each waste category to prevent pollution, enhance safety, and mitigate potential risks.

At SGM's premises, hazardous waste predominantly comes from solid bases such as adhesives & resins, packaging, and grinding residues. In accordance with national regulation, SGM adhered to the procedure of storing the Generated Waste into Licensed Landfill / *Tempat Pembuangan Sampah* (TPS) and engaged with licensed waste management partners to properly handle disposal and treatment of the waste.

Types of Waste	Processing Method	Unit	2025
Hazardous Waste			
Used glue	Transported by licensed third parties	Tons	89.98
Oil			37.00
Contaminated packages			-
Medical waste			-
Fluorescent lamp			-
Drum			0.94
Oil filter			1.13
Accu			-
Resin/lab waste			-
Rotary knife gram			2.80
Total hazardous waste			
Non-hazardous waste			
Wood waste	Reused	Tons	7,470.10
Total non-hazardous waste			7,470.10

Non-hazardous waste at SGM primarily comes in the forms of organic or inorganic waste from human activities including wood waste and food waste. To lower pollution numbers, SGM reuse most of the wood waste as pallets or as firewood as machinery fuel to prevent direct disposal. On the contrary, non-hazardous waste with limited recycled potential are properly sorted and transported through licensed third parties for the appropriate treatment. SGM continues to maintain a robust recovery rate from log processing, achieving a recovery rate of 53%, a high ratio of usable plywood or veneer produced from the total log volume produced.



Furthermore, SGM's adherence to proper environmental management practices is demonstrated by the fact that, during the reporting period, no complaints were received regarding alleged pollution, and no sanctions were imposed related to environmental management violations.

UNDERSTANDING OUR CLIMATE IMPACT

METRICS AND TARGETS [TCFD M1, M2, M3]



As SGM publishes its first Sustainability Report, 2025 serves as the baseline year for our climate-related metrics and targets. Establishing this baseline enables the Company to strengthen climate governance, improve internal data systems, and measure progress more consistently in future reporting periods.

SGM has begun assessing climate risks and opportunities using scenario-based approaches aligned with the recommendations of the Task Force on Climate-related Financial Disclosures. While our climate scenario analysis capabilities are still developing, we are gradually building internal systems to evaluate how climate-related developments may affect our operations, supply chain, and long-term resilience.

At this stage, SGM has not yet incorporated formal emission reduction pathways aligned with global climate scenarios such as 2°C or lower. However, the Company continues to take practical steps to reduce environmental impacts, including improving energy efficiency and increasing the use of renewable energy sources.

One significant initiative is the installation of solar photovoltaic systems near our Mangole operations, covering approximately 10 hectares. This facility contributes renewable electricity to operational activities and supports Indonesia’s transition toward cleaner energy.

Building on these initiatives, SGM has introduced its first climate-related performance target:

Reduce energy intensity and Scope 1 & Scope 2 emissions intensity by 3% by 2026, using 2025 as the baseline year.

This initial target represents a pragmatic starting point for a company reporting climate metrics for the first time while demonstrating SGM’s commitment to continuous improvement in environmental performance.

ENERGY [302-1, 302-2, 302-3, 302-4, 302-5]



Energy is essential to SGM’s operational activities, particularly in supporting manufacturing processes and facility operations. The Company monitors energy consumption across its operating units to identify opportunities for improved efficiency and responsible resource use.

Energy consumption at SGM primarily consists of purchased electricity and fuel used for operational equipment and supporting facilities. To ensure consistent reporting, energy data is consolidated centrally and converted into Gigajoules (GJ), enabling standardized measurement across different energy sources.

Energy monitoring forms an important foundation for improving operational efficiency and supporting SGM’s broader climate-related commitments. Energy sources are categorized to identify energy providers and consumption patterns, including direct energy generated from fuel consumption and indirect energy obtained from purchased electricity.

Energy Consumption

Energy Sources	Unit	Products	
		Plywood	Wood Pellet
Direct Energy	GJ	14,997	44,421
Indirect Energy		24,597	44,428
Total Energy Consumption		39,594	88,849

Energy Intensity

Indicator	Plywood	Unit	Wood Pellet	Unit
Total Energy Consumption	39,574	GJ	88,849	GJ
Total Production	32,556.10	m³	71,207.65	Ton
Energy Intensity	1.22	GJ/Ton	1.25	GJ/m³

As 2025 represents SGM’s baseline year, future reports will enable year-on-year comparison and performance tracking.

RENEWABLE ENERGY AND EFFICIENCY INITIATIVES [302-1, 302-4]



As part of its efforts to support the transition toward cleaner energy sources, SGM has begun incorporating renewable energy into its operations. Solar photovoltaic systems have been introduced at selected facilities to supplement electricity consumption and reduce reliance on conventional energy sources. These initiatives represent an early step in strengthening the Company’s energy transition strategy while supporting long-term emissions reduction efforts.

SGM will continue to explore opportunities to enhance energy efficiency and expand the use of renewable energy where feasible.

EMISSION MANAGEMENT [305-1, 305-2, 305-4]



SGM monitors GHG emissions generated from its operational activities to better understand its climate impact and support responsible environmental management. The Company’s emissions inventory follows internationally recognized methodologies, including the Greenhouse Gas Protocol and guidelines from the Intergovernmental Panel on Climate Change (IPCC).

The inventory currently focuses on:

- Scope 1: Direct emissions from fuel combustion and operational activities
- Scope 2: Indirect emissions from purchased electricity
- Scope 3: Value chain emissions (currently under assessment)

As this report represents SGM’s first Sustainability Report, 2025 serves as the baseline year for emissions measurement and performance tracking.

SGM will continue strengthening its emissions monitoring system to support future climate management and disclosure.

GHG EMISSIONS OVERVIEW |305-1, 305-2, 305-4|



SGM is compiling its GHG emissions inventory for the 2025 reporting year. This inventory establishes the Company’s baseline for tracking emissions performance and evaluating progress toward its climate-related targets.

SCOPE 1 EMISSIONS

Scope 1 emissions are direct GHG emissions from sources owned or controlled by the Company. For SGM, these include fuel combustion in operations and emissions from land sector activities. Our baseline assessment shows that a significant portion of total emissions arises from Scope 1 sources across SGM’s operations and supply partners. These data will serve as the foundation for future reduction initiatives.

SCOPE 2 EMISSIONS

Scope 2 emissions are indirect GHG emissions from the generation of purchased energy consumed by the Company. For SGM, these are primarily linked to electricity consumption and diesel fuel use, given limited grid access at certain operational sites. In 2025, we began transitioning from diesel fuel to solar power. Expanding solar photovoltaic facilities and improving energy efficiency are key priorities to reduce Scope 2 emissions. These efforts form part of our broader decarbonisation strategy and long term transition toward renewable energy.

GHG Emissions

Emissions Source	Unit	Plywood	Wood Pellet
Scope 1	tCO ₂ e	8,429.16	15,916.19
Scope 2		32,556.10	759.18
Total Emissions		0.26	16,675.37

Emissions Intensity

Plywood

Indicator	Unit	Value
Total Emissions	tCO ₂ e	8,429.16
Total Production	m ³	32,556.10
Emissions Intensity	tCO ₂ e/m ³	0.26

Wood Pellet

Indicator	Unit	Value
Total Emissions	tCO ₂ e	16,675.37
Total Production	Ton	71,207.65
Emissions Intensity	tCO ₂ e/Ton	0.23

This baseline will allow SGM to track emissions performance and evaluate progress toward its emissions intensity reduction target in future reporting periods.


SCOPE 3 EMISSIONS (ASSESSMENT PHASE) |305-3|

SGM recognizes that emissions across the value chain may represent a significant portion of its overall climate impact. As part of its ongoing climate management efforts, the Company has initiated a preliminary assessment of potential Scope 3 emission sources across its value chain.

Due to current data availability limitations, Scope 3 emissions are not disclosed in this reporting period. SGM plans to progressively expand its emissions inventory to include relevant Scope 3 categories as internal data systems and supplier engagement improve in future reporting cycles.

Scope 1


Direct



Fuel (Diesel) Combustion

Scope 2

Indirect



Electricity Indonesia Grid

LOOKING AHEAD [GRI 3-3, TCFD M1, M3]



With 2025 established as the baseline year for climate-related metrics, SGM is strengthening its internal systems to improve the monitoring and management of energy consumption and greenhouse gas emissions. The Company will continue enhancing data collection processes across operational units to support more comprehensive climate disclosures in future reporting periods.

Moving forward, SGM aims to progressively expand its emissions inventory, including the assessment of relevant Scope 3 categories across its value chain. These efforts will support the development of more robust climate strategies, including deeper integration of renewable energy initiatives and improved operational efficiency.

Through these initiatives, SGM seeks to align its climate management approach with internationally recognized frameworks, including the recommendations of the Task Force on Climate-related Financial Disclosures. The Company also recognizes the importance of supporting Indonesia's climate commitments under its Nationally Determined Contribution, while ensuring that climate considerations remain an integral part of SGM's long-term strategy for responsible growth and operational resilience.



Enhancing Social Welfare



OUR PEOPLE | GRI 3-31



SGM employees form the foundation of the organization, playing an active role in achieving the company's vision and mission. They are essential to SGM's ability to operate a sustainable business that delivers high-quality products. To support the well-being and comfort of its employees, SGM has established a human resources (HR) policy that prioritizes work-life balance for all staff. This policy is designed to cultivate a positive work environment, enabling employees to maximize their professional potential. The company manages employees from recruitment to the end of employment, ensuring a structured and supportive work experience. By providing comprehensive benefits, prioritizing health and safety, fostering a supportive workplace, offering career development opportunities, and ensuring continuous training and development, SGM empowers its diverse workforce, strengthening a culture of inclusivity and shared growth.

SGM's human resource management policies and systems are built on fundamental human rights principles, ensuring the prohibition of child labor, the elimination of any form of forced or compulsory labor, the protection of occupational health and safety, and adherence to best practices recognized at both national and international levels.

SGM values diversity within its workforce and actively fosters an inclusive work environment that respects employees from various backgrounds, cultures, and experiences. As part of this commitment, SGM ensures equal opportunities for all individuals, regardless of age, gender, race, religion, or nationality, while firmly opposing any form of discrimination.

ANTI-DISCRIMINATION

SGM is committed to fostering a healthy and inclusive social environment by emphasizing the principle of tolerance towards differences. The Company firmly rejects all forms of discrimination and demeaning behavior based on race, religion, gender, political opinions, and other discriminatory factors. The effectiveness of Sumber Graha Maluku (SGM)'s antidiscrimination policy is evidenced by the absence of reported incidents related to discrimination during the reporting year.



PREVENTING CHILD LABOR, FORCED LABOR AND WORKPLACE DISCRIMINATION | GRI 408-1, 409-11



There are various challenges in developing remote areas, and as a labor-intensive company, SGM is committed to preventing incidents of forced and child labor by implementing stringent policies that comply with prevailing labor laws, including regulations on working hours and the minimum employment age. Following Indonesian labor laws, working hours are limited to 40 hours per week, seven hours per day for six working days, or eight hours per day for five working days. These labor standards are also expected to be upheld across our supply chain, including suppliers.

The Company strictly adheres to regulations prohibiting the employment of individuals under 18 years of age, in line with International Labor Organization (ILO) standards and Indonesian legislation. The Collective Labour Agreement further promotes these principles by prohibiting discrimination, forced labour, and child labour. Sumber Graha Maluku (SGM) promotes its business development through the principles of integrity, transparency, and professional conduct, in alignment with government regulations.

In addition, the Company adheres to applicable legal regulations, such as:

- Law Number 1 of 1970 concerning Occupational Safety and Health
- Law Number 13 of 2003 concerning Manpower
- Law Number 11 of 2020 concerning Job Creation
- Republic of Indonesia Law Number 24 of 2011 concerning Social Security Organizing Bodies
- Minister of Manpower Regulation Number 17 of 2021 concerning Procedures for Adjusting Minimum Wage

EMPLOYEE COMPOSITION | GRI 2-71



SGM values diversity as a key asset that strengthens its competitiveness. Employees from various backgrounds bring unique perspectives and experiences, fostering innovation and helping the company navigate challenges. SGM upholds equal treatment for all employees, offering development opportunities based on performance and competence. The principle of tolerance, which is deeply ingrained in SGM's culture, is reflected in the diverse demographics of its workforce, encompassing gender, age, and educational backgrounds.

As of the end of 2025, SGM employees were recorded at 415 people. The following data illustrates SGM's employee composition, obtained from the Human Resources Division record.

Number of Employees Based on Employment Status

Employment Status	Male	Female
Permanent Employee	146	21
Contract Employee	204	44
Total	350	65

Number of Employees Based on Employee Category

EMPLOYMENT CATEGORY	MALE	FEMALE
Full-time Employee	350	65
Part-time Employee	-	-
Total	350	65

Number of Employees Based on Working Areas

Working Area	Male	Female
Mangole Branch/Unit	350	65

Number of Employees Based on Age Group

Age Group	Male	Female
18-30	127	34
31-40	97	9
41-50	64	6
>50	77	1
Total	350	65

Number of Employees Based on Designation Level

Designation Level	Male	Female
Directorate Head	1	-
Division Head	4	-
Department Head	26	1
Area Head	61	7
Team Leader	157	32
Non Staff	117	9
Total	366	49

WORKPLACE EQUALITY [GRI 405-1, 405-2]



As a company operating in the wood processing industry with mill and forestry operations, SGM recognizes that operational roles in these areas may be less appealing to women. We also face challenges in recruiting female leaders to fill senior management positions in remote areas within our mill and forestry units.

Diversity in Highest Governance Bodies

Board	2025	
Male	2	
Female	0	
Board	2025	
	Male (%)	Female (%)
41-50	100%	0
>50	100%	0

EMPLOYEE RECRUITMENT AND TURNOVER IGRI 401-1

SGM is committed to building a solid and high-performing team through regular recruitment via internal and external channels. Internal recruitment includes promotion, rotation, and transfer, while external recruitment involves job openings for qualified candidates. The selection process is conducted objectively and transparently, ensuring equal opportunities regardless of ethnicity, religion, race, group, or gender.

[3-3]

The employee recruitment and selection process aligns with human rights principles and labor regulations, ensuring all employees meet the legal working age of 18, in accordance with ILO Convention No. 138. Throughout the reporting year, no violations related to child labor were recorded. Additionally, SGM strictly prohibits forced labor in compliance with Indonesian laws, including Law No. 13 of 2003 on Manpower and Law No. 39 of 2004 on Human Rights. [408-1, 409-1]

2025, the Company actively recruited new employees to support its business expansion and fill vacancies left by resigning employees. Below are the details of the composition of new employees:

New Employees by Gender [401-1]

Gender	Number	Rate
Male	159	38%
Female	35	8%
Total	194	47%

New Employees by Age [401-1]

Group Age	Number	Rate
18-30	82	20%
31-40	56	13%
41-50	38	9%
>50	18	4%
Total	194	47%

SGM experiences employee turnover, which refers to the rate at which employees leave the company and are replaced by new hires. Employee turnover occurs due to various reasons such as retirement, downsizing of unit affiliation, and career changes. In 2025, the company recorded an employee turnover rate of 4.82%, which represents a decrease compared to the previous year. [401-1]

Employees Turnover by Gender

Gender	Number	Rate
Male	6	1%
Female	14	3%
Total	20	5%

Employees Turnover by Age

Group Age	Number	Rate
18-30	9	2%
31-30	4	1%
41-50	6	1%
>50	1	0%
Total	20	5%

EMPLOYEE RIGHTS

In the context of fulfilling employee rights, SGM adheres to national labor laws and government regulations, ensuring that wages and remuneration are paid, with no difference in salary ratios between male and female employees, both permanent and contract employees.

Wages are adjusted to meet the minimum wage set by the provincial government in each operational location, and SGM also provides benefits such as health insurance, Government Health Insurance (*Badan Penyelenggara Jaminan Sosial/ BPJS - Kesehatan*), Government National Social Security (*BPJS - Ketenagakerjaan*), pension funds for permanent employees, maternity leave, and maternity benefits. In SGM's human resources management policy, all employees are hired on a full-time basis, reflecting a commitment to providing stable and consistent employment opportunities. [401-2]

COLLECTING BARGAINING AGREEMENT

Freedom of association for workers is a fundamental right recognized globally and guaranteed by legislation in Indonesia. We respect workers' rights to associate and organize by forming the employee union of SGM. This union serves as a vital link between employees and the company, enabling workers to voice their opinions and participate in decision-making processes concerning their rights.

The company management and employees maintain a harmonious industrial relationship through a Collective Labor Agreement (CLA) that is jointly formulated by both parties. The CLA encompasses terms of employment as well as the rights and responsibilities of both the company and employees. All employees are covered under this agreement, with labor unions operating on a voluntary basis. [2-30]

In addition to encompassing various essential aspects that serve as guidelines for employees and companies in managing employment relationships, CLA also regulates significant operational change notifications such as organizational restructuring or company acquisition plans. If these changes directly impact employees, the company will provide notification to the workers.

PROFESSIONAL DEVELOPMENT

Employee training is a critical investment for the future of the company. Competent employees in their respective fields produce higher-quality products and services, ultimately enhancing the company's competitiveness. The company conducts regular training sessions in technical skills, management skills, and leadership qualities, open to all employees from field supervisors to corporate executives. [3-3]

In addition to competence, the Company realizes that character development is an important factor in driving business growth. SGM focuses on developing soft skills and managerial skills for leaders to maximize capabilities, optimize performance, and strengthen effective and inclusive teamwork in each division. [404-1]

Performance evaluations play an important role in shaping how SGM supports employee growth, compensation decisions, and career development. Recognising that consistent evaluation is essential for building a capable and motivated workforce, SGM has introduced a Key Performance Indicator (KPI) that will be assessed at the end of 2026.

This KPI is designed to ensure that performance evaluations become a regular and structured part of our people-development cycle, rather than an occasional exercise. Through this commitment, SGM aims to build a more transparent, supportive, and accountable performance culture that helps employees grow and contributes to the company's long-term success. [3-3, 404-3]

The professional development programs designed by the Company not only enhance employees' competencies but also extend to field workers, equipping them with essential managerial skills, technical expertise, and functional capabilities. Technical training is customized to meet site-specific requirements, aligning with regulations and mandatory professional certifications. These include HSE Training and Certification, Education and Training of Forest Management Technical Personnel / *Tenaga Teknis Pengelola Hutan* (GANISPH), and Internal HSE Induction, ensuring compliance and operational excellence across all levels. [404-2]

OCCUPATION ACCELERATION PROGRAM (OAP)

The Operation Acceleration Program (OAP) was first introduced by our parent group, Sampoerna Kayoe, in early 2018 as a long-term investment in people. The program was designed to cultivate a new generation of strong, competitive leaders – individuals who combine technical capability with the resilience, discipline, and determination needed to drive high-performance, sustainable plywood operations. Over the years, OAP has become an important platform for shaping future leaders who understand not only production excellence but also the principles of responsible and sustainable manufacturing.

Beyond leadership development, the OAP encourages a mindset of continuous improvement. Participants are challenged to identify opportunities for operational efficiency, innovation, and sustainability, helping embed a culture where improvement is not a project but a habit. By nurturing talent with a deep understanding of sustainable practices, SGM is laying the foundation for long-term operational success.

In 2025, the OAP entered a new cycle across all units, including the Forestry Plantation & Manufacturing Plant in Mangole, North Maluku. This cycle places strong emphasis on personalised development – offering tailored training modules, regular coaching sessions, and opportunities for participants to learn directly from senior leaders, program alumni, and industry professionals. The goal is to create a learning environment that is both structured and dynamic, giving participants the tools and confidence to grow into future operational leaders.

Looking ahead, SGM is also developing strategies to retain high-performing trainees once they complete the program. These strategies include clearer career pathways, opportunities for advancement, and competitive compensation structures that recognise potential and performance. Through these efforts, the OAP continues to evolve as a cornerstone of SGM's commitment to developing people who will shape the future of our operations.

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DECENT AND SAFE WORKING ENVIRONMENT

OCCUPATIONAL HEALTH AND SAFETY (OHS) MANAGEMENT SYSTEM [403-1, 403-7, 403-8]

SGM prioritizes Occupational Safety and Health (OHS) as the foundational element of all operational activities to protect employees and achieve the target of zero occupational accidents. To realize this goal, SGM has developed an Occupational Safety and Health Management System (OHSMS) that adheres to various national and international standards, including:

- Law No. 1 of 1970 concerning Occupational Safety
- Law No. 13 of 2003 concerning Manpower
- Law No. 36 of 2009 concerning Health
- Government Regulation (PP) No. 50 of 2012 on the Implementation of Occupational Safety and Health Management Systems
- Minister of Manpower Regulation Number 5 of 2018 concerning Occupational Safety and Health in the Work Environment
- ISO 45001:2018 on Occupational Safety and Health Management Systems

The OHS standards of SGM apply across all operational areas and must be adhered to by all employees, business partners, and any parties involved in SGM operations without exception. Each Operational Head is responsible for implementing OHS measures, supported by a competent team. [3-3, 403-1, 403-8]

OHS practices are also stipulated in the Collective Labor Agreement, representing a shared responsibility to achieve zero accidents and zero fatalities across all SGM operations. The implementation of the OHSMS encompasses health, safety, and environmental (HSE) management through the establishment of Standard Operating Procedures (SOPs) set by management.

The SOPs include:

- Procedures for Occupational Safety and Health
- Procedures for Hazard Source Identification, Risk Assessment, and Contract Review
- Procedures for Emergency Preparedness and Response
- Procedures for Fire Handling
- Procedures for Monitoring and Measurement
- Procedures for Material Processing and Transfer
- Procedures for Communication and Consultation
- Procedures for Design Review

SGM’s OHSMS covers all workers, activities, and work areas, including other parties with an interest in the Company. As part of this system, occupational safety and health procedures are implemented through routine briefings at the start of work, with information disseminated on a weekly and monthly basis. Guests and contractors are also provided with an introduction to the factory area, which includes information on hazards and facilities related to occupational safety and health procedures while on company property. Additionally, the entire factory is equipped with visual banners and posters, SOPs, and work instructions in each operational area. [3-3, 403-1, 403-7]

The Company provides personal protective equipment (PPE) in accordance with occupational safety and health standards, including masks, gloves, and protective goggles, which are routinely checked for appropriateness and availability. Compliance checks are also conducted for all employees working in high-risk areas. [403-7]

The following is the number of employees covered by the occupational health and safety management system. [403-8]

Staff Status	2025
Permanent Employees	100%
Fixed-term Employees	100%
Internship	100%

HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION [403-2]



Consistently identifying work-related hazards and assessing risks is a crucial and fundamental step in implementing OHS at the workplace. Through integrated SOPs within the OHSMS, SGM conducts hazard source identification, risk assessments, and control studies to establish appropriate goals and objectives for OHS-related activities.

The Company defines work-related hazards that pose a risk of accident with a high degree of consequence based on the identification and assessment of hazards and risks. The process of determining a hazard can be based on the possibility and impact of that hazard on workers, tools and goods, and the cost incurred to mitigate it.

Types of work-related hazards with a high degree of consequence are chemical hazards, physical hazards, and mechanical hazards. Hazards caused by chemicals which, if inhaled or in contact with the skin, may cause harmful effects, such as combustion smoke, liquid or gas. Physical hazards are dangerous temperatures, namely too cold or too hot, insufficient or excessive lighting that can interfere with vision, and noisy equipment that can interfere with hearing. Finally, mechanical hazards potentially come from moving objects or processes that can cause collisions, cuts, punctures, scratches, or falls. [403-9]

SGM identifies and assesses work-related hazards and risks based on the number of workers experiencing health problems due to their tasks. Noise exposure levels and their impact on health (measured by noise levels below 85 decibels (dB) or hours of exposure) indicate potential health hazards. Additionally, dust in the factory poses respiratory risks. Following risk assessment, the Company prioritizes medium and high-risk categories in the annual occupational health and safety plan, which includes goals, objectives, and programs. At year-end, an evaluation of occupational health and safety procedure performance is conducted. [403-2]

The approach to workplace safety encompasses a multifaceted strategy aimed at eliminating hazards and minimizing risks to ensure the well-being of employees. This strategy is reflected in comprehensive safety programs, which include scheduled safety training sessions, pre-work safety briefings, the strategic placement of safety signs, continuous monitoring of high-risk tools and machinery, and regular hazard patrols. For noise hazards, the Company optimizes machine maintenance, provides an operator station that can be isolated from the machine, and provides PPE in the form of ear defenders, ear plugs, or adjusting the noise level. For dust-related hazards, the Company routinely carries out cleaning of the machine and factory environment and maximizes the suction function of the blower to the powder storage and equips workers with masks while working. [403-10]

SGM respects the right of employees to refuse and leave work situations that are believed to pose a risk to safety and health. This is permissible as long as it is reported to superiors, work supervisors, or the occupational health and safety unit. The Company guarantees confidentiality and provides protection for employees who report risky and dangerous conditions so that they avoid pressure or retaliation resulting from the report.

To optimize the results of the process of identifying hazards and risks related to work, the Company encourages all employees to contribute by reporting any findings, input, or complaints related to work and hazardous situations. Employees can immediately report hazards in their work areas directly to supervisors or indirectly through the hazard identification application. Afterwards, the supervisor immediately stops the work and takes steps to eliminate the reported hazards. Every report or input from employees related to occupational health and safety procedures to incidents of work accidents or near misses that occur will be followed up with an investigative process to find the cause of the problem. Through an investigative process, the Company makes recommendations for short-term (corrective action) and long-term (system improvement) actions. [403-2]

OCCUPATIONAL HEALTH SERVICES [403-3, 403-6]



OHSMS implementation provides essential health services and ensures health insurance coverage for all employees. The Company provides health services in the form of polyclinics at each of its main factories or plantations. SGM also works closely with clinics or hospitals around the operational area. Apart from being one of the measures to deal with work accidents and work-related illnesses, the health facilities the Company provides function as an initial health check for new workers and regular health surveillance every year. These measures are part of the process of identifying and eliminating hazards and minimizing risks related to occupational health and safety. [403-3]

Health insurance provided to employees is in the form of the government's BPJS Kesehatan and a health insurance program in collaboration with private health insurance. Insurance can be used by employees to stay healthy as a mitigation measure to eliminate risks of work-related illnesses and improve the quality of employee health. Every employee can also take medication privately at the hospital designated by the Company and the costs will be borne by the Company. [403-3, 403-6]

WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OHS [403-4]



To build a safe, conducive and proper workplace, ensuring the fulfilment of safety and health aspects, SGM develops, implements and evaluates the applied OHSMS. The Company also participates and consults with workers in operational areas.

Participation and consultation procedures are one of the basic requirements in implementing OHSMS, discussing the scope, procedures, documentation, and follow-up of occupational health and safety.

Based on the Regulation of Manpower Number 4 of 1987 on the Occupational Safety and Health Advisory Committee / *Pantia Pembina Keselamatan dan Kesehatan Kerja* (P2K3) and procedures for appointing general occupational health and safety experts, SGM has a P2K3 structure whose task is to provide advice and considerations, whether requested or not, to management or administrators regarding occupational health and safety issues with the aim of developing occupational health and safety procedures.

In addition, P2K3 is also responsible for implementing occupational health and safety procedures in the Company as well as being a means of communication and cooperation between management and employees in increasing effective communication and participation.

The P2K3 structure consists of P2K3 chairperson, P2K3 secretary, and P2K3 members, each of whom has the following duties and responsibilities:

Duties and responsibilities of the chairperson of P2K3:

- Leading all P2K3 plenary meetings or appointing members to lead plenary meetings;
- Determining steps and policies to achieve the implementation of P2K3 programs;

OHS TRAINING [403-5]



The Company is committed to maintaining and enhancing occupational health and safety management across all SGM factories, through regular internal and external training sessions and seminars. Additionally, occupational health and safety briefings are conducted at the start of each work shift for all employees to identify workplace hazards and risks. SGM also implements health promotion initiatives to emphasize the importance of occupational health and safety for employees and their families at home. These efforts educate employees on accident prevention and maintaining a healthy and safe environment, particularly in the workplace.

OHS PERFORMANCE [403-9, 403-10]



The hazards and risks inherent in every operational activity of the Company have been identified and mitigated based on the hazard control hierarchy, and the level of risk has been reduced to a level tolerated by management. Based on its policy, SGM consistently records and calculates work accidents and occupational illnesses using established procedures, with the results utilized as valuable evaluation materials to enhance the quality of occupational health and safety aspects within the Company.

This data includes records from both employees and company partners operating within the company's area. As of now, there have been no recorded cases of occupational illnesses among all employees and company partners.

In 2025, we are committed to further enhancing occupational health and safety (OHS) across all our operations. Building on the progress made in previous years, we aim to achieve zero fatalities and continue reducing workplace injuries. Our OHS management system, which includes regular safety training, hazard identification, and risk assessments, will remain a cornerstone of our efforts.

CREATING SOCIAL VALUE

COMMUNITY ENGAGEMENT [413-1, 413-2]



SGM is committed to building strong, respectful, and mutually beneficial relationships with the communities surrounding our operations in Halmahera Timur and Kepulauan Sula.

As a company operating in remote regions, we recognise that our presence directly influences local livelihoods, social dynamics, and environmental conditions. Our community engagement approach therefore focuses on empowerment, capacity building, and long-term partnership.

SGM's community programs are coordinated by the Sustainability Division, which works closely with local leaders, government representatives, and community groups to ensure that initiatives are relevant, inclusive, and aligned with community needs. These programs are designed to create positive social and environmental impacts while helping to mitigate potential negative impacts associated with our operations.

[3-3]

We recognise that our operations exist within and alongside local communities. Do this reason, SGM prioritises open communication, feedback mechanisms, and collaborative initiatives that support community well-being. Through these efforts, we aim to strengthen trust, enhance quality of life, and contribute to local economic development. [413-2]

Our community engagement efforts revolve around four interconnected themes – the environment, infrastructure, health, and education – each reflecting the needs and aspirations of the communities we work with. [413-1]

ENVIRONMENTAL INITIATIVES

In Eastern Indonesia, the environment is central to community identity and livelihoods. SGM’s environmental initiatives are designed to support local stewardship while strengthening ecological resilience around our concession areas.

Throughout the year, we continued to collaborate with communities on small-scale planting activities, providing multipurpose tree species that can support both environmental restoration and household needs. We also engaged youth groups and local residents in discussions about responsible land use, fire prevention, and conservation awareness – simple but meaningful steps that help build shared responsibility for the landscapes we depend on.

INFRASTRUCTURE SUPPORT

Infrastructure is a lifeline in remote regions, shaping how people move, gather, and access essential services. SGM supported several community-driven improvements, from maintaining access paths to helping repair shared facilities used for meetings, learning, and social activities. In some cases, we provided building materials to support community-led renovations. These contributions may be modest in scale, but they play an important role in strengthening daily life and supporting community cohesion.

HEALTH AND WELL-BEING

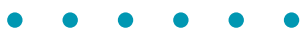
Access to healthcare can be limited in many parts of Eastern Indonesia, which makes community health support especially meaningful. At SGM, this begins with our own small polyclinic located within the operational area – a facility that serves not only employees but also members of the surrounding community. The clinic provides basic medical services, first aid, and health consultations, offering a reliable point of care in a region where such access is often scarce.

SUPPORT FOR RELIGIOUS AND COMMUNITY ACTIVITIES

Cultural and religious traditions are central to community life. SGM participates in these moments by supporting local celebrations, providing food packages during festive periods, and contributing to community gatherings. These gestures help strengthen social bonds and reflect our commitment to being present not only as an operator, but as a member of the community.

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Index



GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSIONS			
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1	Organizational details	7			
	2-2	Entities included in the organization's sustainability reporting period, frequency and contact point	12			
	2-3	Restatements of information	11, 12			
	2-4	External assurance	12			
	Activities and workers					
	2-5	Activities, value chain and other business relationships	12			
	2-6	Employees	7, 9, 10, 53			
	2-7	Workers who are not employees	10, 80.			
	2-8	Governance structure and composition	23, 25, 36, 37			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSIONS		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Governance					
GRI 2: General Disclosures 2021	2-9	Nomination and selection of the highest governance body	23, 35, 37, 38		
	2-10	Chair of the highest governance body	23		
	2-11	Chair of the highest governance body	23, 35, 37, 38		
	2-12	Role of the highest governance body in overseeing the management of impacts	23, 26, 35, 36, 37		
	2-13	Delegation of responsibility for managing impacts	35, 36, 37		
	2-14	Role of the highest governance body in sustainability reporting	23, 25		

GRI STANDARD /OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 2: General Disclosures 2021	2-15	Conflicts of interest	23, 24			
	2-16	Communication of critical concerns	23, 26			
	2-17	Collective knowledge of the highest governance body	25, 31			
	2-18	Evaluation of the performance of the highest governance body	25			
	2-19	Remuneration policies	25			
	2-20	Process to determine remuneration	25			
	2-21	Annual total compensation ratio		<ul style="list-style-type: none"> report the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees(excluding the highest-paid individual); report the ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual); report contextual information needed to understand the data and how the data is structured. 	Confidentiality constraints	In accordance with company policy, the data is not available for public disclosure yet.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Strategy, policies and practices						
GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy	32, 38, 41			
	2-23	Policy commitments	32			
	2-24	Embedding policy commitments	32			
	2-25	Processes to remediate negative impacts	27			
	2-26	Mechanisms for seeking advice and raising concerns	23			
	2-27	Compliance with laws and regulations	56			
	2-28	Membership associations	58			
	Stakeholder engagement					
	2-29	Approach to stakeholder engagement	44			
	2-30	Collective bargaining agreements	85			
Material						
GRI 3:Material Topics 2021	3-1	Process to determine material topics	46, 47			
	3-2	List of material topics	46, 47			
	3-3	Management of material topics	Available across material topics			

GRI STANDARD /OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Economic Performance 2016	201-1	Direct economic value generated and distributed	-	<ul style="list-style-type: none"> Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: (i) Direct economic value generated: revenues; (ii) Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; (iii) Economic value retained: 'direct economic value generated' less 'economic value distributed'. For all material operations, provide a breakdown of EVG&G by country, region, or market, while explicitly defining the methodology used to assess significance. 	Not applied	Not included in the material topic
	201-2	Financial implications and other risks and opportunities due to climate change	44			

GRI STANDARD /OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Economic Performance 2016	201-3	Defined benefit plan obligations and other retirement plans	-	<ul style="list-style-type: none"> If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities. If a separate fund exists to pay the plan's pension liabilities: (i) the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; (ii) the basis on which that estimate has been arrived at; (iii) when that estimate was made. 	Not applied	Not included in the material topic
	201-4	Financial assistance received from government	-	<ul style="list-style-type: none"> Total monetary value of financial assistance received by the organization from any government during the reporting period, including: (i.) tax relief and tax credits; (ii.) subsidies; investment grants, research and development grants, and other relevant types of grant; (iii.) awards; (iv.) royalty holidays; (v.) financial assistance from Export Credit Agencies (ECAs); (vi.) financial incentives; (vii.) other financial benefits received or receivable from any government for any operation. The information in 201-4-a by country. Whether, and the extent to which, any government is present in the shareholding structure. 		

GRI STANDARD /OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	23			
	205-2	Communication and training about anti-corruption policies and procedures	23			
	205-3	Confirmed incidents of corruption and actions taken	23			
Materials 2016	301-1	Materials used by weight or volume	56			
	301-2	Recycled input materials used	56			
	301-3	Reclaimed products and their packaging materials	-	<ul style="list-style-type: none"> Percentage of reclaimed products and their packaging materials for each product category. How the data for this disclosure have been collected. 	Not applied	Not included in the material topic
GRI 302: Energy 2016	302-1	Energy consumption within the organization	71, 72			
	302-2	Energy consumption outside of the organization	71			
	302-3	Energy intensity	71			
	302-4	Reduction of energy consumption	71, 72			
	302-5	Reductions in energy requirements of products and services	71			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	67			
	303-2	Management of water discharged-related impacts	67			
	303-3	Water withdrawal	67			
	303-4	Water discharged	67			
	303-5	Water consumption	67			
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	61			
	304-2	Significant impacts of activities, products and services on biodiversity	63, 65			
	304-3	Habitats protected or restored	65			
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	65			

GRI STANDARD /OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	72, 73			
	305-2	Energy indirect (Scope 2) GHG emissions	72, 73			
	305-3	Other indirect GHG emissions	74			
	305-4	GHG emissions intensity	72, 73			
	305-5	Reduction of GHG emissions	17			
	305-6	Emissions of ozone-depleting substances (ODS)	-	<ul style="list-style-type: none"> Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent. Substances included in the calculation. Source of the emission factors used. Standards, methodologies, assumptions, and/or calculation tools used. 	Not applied	Not included in the material topic
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	<ul style="list-style-type: none"> Significant air emissions, in kilograms or multiples, for each of the following: (i.) NOx; (ii.) SOx; (iii.) Persistent organic pollutants (POP); (iv.) Volatile organic compounds (VOC); (v.) Hazardous air pollutants (HAP) & Particulate matter (PM); (vi.) Other standard categories of; (vii.) air emissions identified in relevant regulations Source of the emission factors used. Standards, methodologies, assumptions, and/or calculation tools used. 	Not applied	Not included in the material topic

GRI STANDARD/ OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	-			
	306-2	Management of significant waste related impacts	-			
	306-3	Waste generated	-			
	306-4	Waste diverted from disposal	-			
	306-5	Waste directed to disposal	-			
Employment 2016	401-1	New employee hires and employee turnover	83-84			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees	85			
	401-3	Parental leave	85			
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	87-88			
	403-2	Hazard identification, risk assessment, and incident investigation	89-90			
	403-3	Occupational health services	90			
	403-4	Worker participation, consultation, and communication on occupational health and safety	91			
	403-5	Worker training on occupational health and safety	91			

GRI STANDARD/OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 403: Occupational Health and Safety 2018	403-6	Promotion of worker health	90			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	87-88			
	403-8	Workers covered by an occupational health and safety management system	87-88			
	403-9	Work-related injuries	89, 92			
	403-10	Work-related ill health	89, 92			
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	85			
	404-2	Programs for upgrading employee skills and transition assistance programs	86			
	404-3	Percentage of employees receiving regular performance and career development reviews	86			
Non-discrimination 2016	406-1	Incidents of discrimination corrective actions taken	-			
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	80, 83			
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	80, 83			
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	92, 93			
	413-2	Operations with significant actual and potential negative impacts on local communities	92			

GRI STANDARD/OTHER SOURCE	DISCLOSURE		PAGE	OMISSIONS		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 414: Supplier Social Assessment 2016	414-1	New supplier that were screened using social criteria	53			
	414-2	Negative social impacts in the supply chain and actions taken	53			

TCFD CONTENT INDEX

CODE	DISCLOSURE	PAGE
Governance		
G1	Describes board oversight of climate-related risks and opportunities.	37
G2	Describe the role of management in assessing and managing climate-related risks and opportunities.	38
Strategy		
S1	Explain the climate-related risks and opportunities the organization has identified in the shorter, medium, and longer terms.	39
S2	Explain in the impact of climate-related risks and opportunities on an organization's business, strategy and financial planning.	39, 41
S3	Describe the resilience of the organization's strategy, taking into account scenarios related to different climates, including 2°C or lower scenarios.	70
Risk Management		
R1	Describe the organization's processes for identifying and assessing climate-related risks	41
R2	Describe organizational processes for managing climate-related risks.	42
R3	Describe processes for identifying, assessing, and managing climate-related risks integrated into the organization's overall risk management	43
Metrics and Targets		
M1	Disclose metrics used by the organization to assess climate-related risks and opportunities in line with their strategy and risk management processes	70, 75
M2	Disclose Scope 1, Scope 2, and, where appropriate, Scope 3 greenhouse gases (GHG) and related risks	70
M3	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	70, 75