Equity Investment
PT Cisarua Mountain Dairy Tbk
Cimory Inclusive Dairy Value Chain Project (Indonesia)

This is an abbreviated version of the document, which excludes information that is subject to exceptions to disclosure set forth in ADB’s Access to Information Policy.
CURRENCY EQUIVALENTS
(as of 17 October 2021)
Currency unit = rupiah (Rp)
Rp1.00 = $0.000071
$1.00 = Rp14,059.00

ABBREVIATIONS

ADB – Asian Development Bank
capex – capital expenditure
CMD – PT Cisarua Mountain Dairy Tbk
COVID-19 – coronavirus disease
E&S – environmental and social
ESG – environmental, social, and governance
ESMS – environmental and social management system
FAO – Food and Agriculture Organization of the United Nations
FAST – Faster Approach to Small Nonsovereign Transactions
IPO – initial public offering
OP – operational priority
TA – technical assistance

NOTES

(i) The fiscal year (FY) of PT Cisarua Mountain Dairy Tbk ends on 31 December.
(ii) In this report, “$” refers to United States dollars.
<table>
<thead>
<tr>
<th>Role</th>
<th>Names and Titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice-President</td>
<td>Ashok Lavasa, Private Sector Operations and Public–Private Partnerships</td>
</tr>
<tr>
<td>Director General</td>
<td>Suzanne Gaboury, Private Sector Operations Department (PSOD)</td>
</tr>
<tr>
<td>Deputy Director General</td>
<td>Christopher Thieme, PSOD</td>
</tr>
<tr>
<td>Team leaders</td>
<td>Carine Donges, Investment Specialist, Office of the Director General (OPSD), PSOD</td>
</tr>
<tr>
<td></td>
<td>Duarte Henriques da Silva, Senior Investment Specialist, Office of the Director</td>
</tr>
<tr>
<td></td>
<td>General–Equity Investments Unit (OPSD-EIU), PSOD</td>
</tr>
<tr>
<td>Project advisor</td>
<td>Martin Lemoine, Principal Investment Specialist, OPSD, PSODa</td>
</tr>
<tr>
<td>Team members</td>
<td>Genevieve Abel, Principal Transaction Support Specialist, Private Sector</td>
</tr>
<tr>
<td></td>
<td>Transaction Support Division (PSTS), PSOD</td>
</tr>
<tr>
<td></td>
<td>Ka Seen Gabrielle Chan, Safeguards Specialist, PSTS, PSOD</td>
</tr>
<tr>
<td></td>
<td>Julian Chenoweth, Principal Counsel, Office of the General Counsel</td>
</tr>
<tr>
<td></td>
<td>Edwin David, Investment Officer, OPSD, PSOD</td>
</tr>
<tr>
<td></td>
<td>Agatha Diaz, Associate Social Development Officer (Safeguards), PSTS, PSOD</td>
</tr>
<tr>
<td></td>
<td>Manuel Erzuah, Investment Specialist, OPSD, PSOD</td>
</tr>
<tr>
<td></td>
<td>Annabelle Giorgetti, Senior Economist, PSTS, PSOD</td>
</tr>
<tr>
<td></td>
<td>Kirsty Haymon, Senior Safeguards Specialist, PSTS, PSOD</td>
</tr>
<tr>
<td></td>
<td>Rhea Reburiano-Javier, Social Development Officer (Safeguards), PSTS, PSOD</td>
</tr>
<tr>
<td></td>
<td>Manfred Kiefer, Senior Economist, PSTS, PSOD</td>
</tr>
<tr>
<td></td>
<td>Amanda Satterly, Senior Social Development Specialist (Gender and Development),</td>
</tr>
<tr>
<td></td>
<td>PSTS, PSOD</td>
</tr>
</tbody>
</table>

*a Outposted to the ADB Singapore Office.*

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
CONTENTS

PROJECT AT A GLANCE

I. INTRODUCTION 1

II. THE PROJECT 1
   A. Project Identification and Description 1
   B. Development Impacts, Outcomes, and Outputs 5
   C. Alignment with ADB Strategy and Operations 5
   D. Project Cost and Financing Plan 6
   E. Implementation Arrangements 6
   F. Projected Financial and Economic Performance 6
   G. Unique Features 6

III. THE ADB ASSISTANCE 7
   A. The Assistance 7
   B. Value Added by ADB Assistance 7
   C. Risks 7

IV. POLICY COMPLIANCE 7
   A. Safeguards and Social Dimensions 7
   B. Anticorruption Policy 9
   C. Investment Limitations 9
   D. Assurances 9

V. THE PRESIDENT’S DECISION 9

APPENDIXES

1. Design and Monitoring Framework 10
2. List of Linked Documents 13
## PROJECT AT A GLANCE

<table>
<thead>
<tr>
<th>1. Basic Data</th>
<th>Project Name</th>
<th>Cimory Inclusive Dairy Value Chain Project</th>
<th>Department/Division</th>
<th>PSOD/OPSD</th>
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<tr>
<td>Country</td>
<td>Indonesia</td>
<td>PT Cisarua Mountain Dairy Tbk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio at a Glance</td>
<td><a href="https://www.adb.org/Documents/LinkedDocs/?id=55301-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=55301-001-PortAtaGlance</a></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Sector Subsector(s)</th>
<th>ADB Financing ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro-industry, marketing, and trade</td>
<td>10.00</td>
</tr>
</tbody>
</table>

| 3. Operational Priorities | Climate Change Information | |
|--------------------------|-----------------------------||
| Addressing remaining poverty and reducing inequalities | GHG reductions (tons per annum) | 0.000 |
| Accelerating progress in gender equality | Climate Change impact on the Project | Low |
| Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability | ADB Financing | |
| Promoting rural development and food security | Adaptation ($ million) | 0.00 |
|                               | Mitigation ($ million) | 0.10 |
| Cofinancing | |
| Adaptation ($ million) | 0.00 |
| Mitigation ($ million) | 0.00 |

### Sustainable Development Goals
- SDG 1.5
- SDG 2.4
- SDG 5.a
- SDG 13.a

### Gender Equity and Mainstreaming
- Effective gender mainstreaming (EGM) ✓

### Poverty Targeting
- General Intervention on Poverty ✓

<table>
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<tr>
<th>4. Nonsovereign Operation Risk Rating</th>
<th>NA</th>
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|----------------------------|----------------|----------------------------|-----------------------|

<table>
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<tr>
<th>6. Financing</th>
<th>Modality and Sources</th>
<th>Amount ($ million)</th>
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<tr>
<td>ADB</td>
<td></td>
<td>10.00</td>
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<tr>
<td>Cofinancing</td>
<td>Nonsovereign Direct Investment: Ordinary capital resources</td>
<td>10.00</td>
</tr>
<tr>
<td>None</td>
<td>Others *</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>95.60</td>
</tr>
</tbody>
</table>

Currency of ADB Financing: Rupiah

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* Derived by deducting ADB financing and Cofinancing from Total Project Cost.
I. INTRODUCTION

1. This is an eligible transaction under the Faster Approach to Small Nonsovereign Transactions (FAST) framework. The transaction involves an equity investment of up to $10,000,000 (or Rp140.59 billion at the time of this approval) in PT Cisarua Mountain Dairy Tbk (CMD) for the Cimory Inclusive Dairy Value Chain Project in Indonesia.

2. The project will promote increased production of affordable nutritious dairy products, which will support the livelihoods of stakeholders across the dairy value chain including sourcing from about 4,200 additional dairy farmers and creating jobs for about 400 employees and 5,000 female sales agents. It will support rural livelihoods, sustain gender inclusion, and contribute to food security. It is fully aligned with the Government of Indonesia's goal of improved sustainability of farming, with a focus on achieving food sovereignty through food self-sufficiency, strengthened agricultural bio-industry systems, enhanced gender equality, and increased farmer welfare.

II. THE PROJECT

A. Project Identification and Description

1. Project Identification

3. **Food security in Indonesia.** In 2021, Indonesia ranked 69th out of 113 countries in the Global Food Security Index. Food security, which encompasses food availability, accessibility, and quality and safety, has been one of Indonesia's national development priorities for decades. Food quality and safety have lagged, an unintended consequence of the price stability policies implemented since the 1980s. Food prices are significantly higher in Indonesia than in the rest of Asia because import restrictions effectively create a tax on food. Consequently, many Indonesians are unable to afford a nutritious diet. Despite being a middle-income country, Indonesia ranked 73rd out of 117 countries in the 2021 Global Hunger Index. About 28% of children under 5 years of age suffer from stunting. At the same time, overweight and obesity are prevalent among children and adults in all income groups. On average, proteins comprise 11.7% of the average daily calorific intake of Indonesians—this is in line with World Health Organization/Food and Agriculture Organization of the United Nations (FAO) recommendations (10%-12%). However, more than 20% of the population has a serious daily protein consumption deficit, with proteins comprising less than 8.6% of their diet. Animal proteins (meat, dairy, and egg products) comprise 12% of proteins intake and 1.4% of the average total calorie intake. Urban households consume 8% more protein overall per day than rural households, including 38% more animal proteins.

4. **Pandemic impact.** Low incomes are a main factor driving households into food insecurity and malnutrition, which are closely linked to poverty. In 2020, the coronavirus disease (COVID-19)
pandemic led to a 2.1% contraction of the economy, resulting in job losses for 2.6 million people, contributing to the highest national unemployment rate in 9 years (7.1%). Although gross domestic product growth is projected to bounce back (to 4.5% in 2021 and 5.0% in 2022), the crisis has had an adverse impact on the livelihoods of many Indonesians, especially in the most vulnerable communities. In 2020, 27.6 million people were living below the national poverty line (up from 26 million people in 2019).

5. **Importance of dairy in Indonesia.** Dairy is an important industry comprising more than 100,000 dairy farmers. Smallholder farmers, owning on average three cows with less than 10 liters average daily production per head, account for about 77% of domestic fresh milk production. For smallholders, cows represent an important asset for food, income, or collateral. Cows are a safety net in times of need, and can be used as draft animals where mechanization is low. However, the small scale of farms, poor equipment, suboptimal production methods, and lack of quality dairy genetics result in inferior yields and milk quality. While dairy farming in Indonesia is vulnerable to climate change, with higher temperatures reducing milk yields and increasing the risks of diseases, farmers’ resilience to climate shocks can be improved by incorporating farmers in formal value chains, to increase incomes and enable farmers to invest in more advanced and climate resilient production methods. In 2020, domestic fresh milk production was 710 million liters, up 6.4% year-on-year. Increased production was largely driven by increased numbers of livestock heads. This is not sustainable. Per capita consumption of dairy products was at $6.0 in Indonesia in 2020, compared to $16.0 in Malaysia, $25.4 in Thailand, and $32.0 in Viet Nam. About 80% of all dairy products consumed in Indonesia are imported. As domestic output fails to meet domestic demand, reliance on imports is significant. This dependency will keep growing as dairy products become part of the everyday Indonesian diet.

6. **Gender context.** In Indonesia’s agriculture sector, women are involved in all activities, including farming, and animal husbandry, and are important actors in milk production. However, female contributions are often not formally acknowledged or rewarded. Women face cultural and gender biases and have lower education levels, less business experience, and limited access to agricultural extension services, markets, and financial services; all of these factors prevent women from contributing fully to household dairy businesses. At 53% in 2020, women’s labor force participation in Indonesia was 28 percentage points below that of men. Upon having children, women often exit formal employment and enter informal employment, as existing job models do not address mothers’ lower mobility and need for flexibility. Research has shown that opportunities for work are important for women’s empowerment, as jobs provide women with a greater say over household decisions and lead to lower acceptance of spousal violence.

7. **Government policy alignment.** Aligned with President Joko Widodo’s policy direction, the National Medium-Term Development Plan (RPJMN) 2020–2024, promotes prosperous, fair, and sustainable development. The government has set targets to improve food security (availability, access, and quality of food consumption) and agriculture: (i) reducing

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undernourishment prevalence from 6.40% in 2020 to 5.38% in 2024; (ii) reducing the prevalence of populations with moderate or severe food insecurity (Food Insecurity Experience Scale) from 5.21 in 2020 to 4.05 in 2024; (iii) increasing rice production (dry unhusked rice) from 59.63 million tons in 2020 to 67.12 million tons in 2024; (iv) increasing the value addition per agricultural workforce member from Rp36.19 million in 2020 to Rp45.44 million in 2024; (v) increasing the adoption of agricultural technology from 80% in 2020 to 95% in 2024; and (vi) increasing the Global Food Security Index score from 56.9 in 2020 to 64.1 in 2024.

8. **Project selection.** CMD is the holding company of the Cimory Group (Cimory), a leading manufacturer and distributor of dairy and consumer foods (processed meat and egg-based products) with well-established household brands in Indonesia. CMD approached the Asian Development Bank (ADB) to seek ADB’s participation as an anchor investor in CMD’s planned initial public offering (IPO) on the Indonesia Stock Exchange. The IPO proceeds will finance the organic growth of Cimory, with ADB’s investment proceeds to be applied to CMD’s capital expenditure related to the expansion of processing capacity at two of its existing dairy production facilities and working capital for its dairy business (para. 22). ADB determined CMD to be an attractive investment given (i) its leading market position in Indonesia’s fast-growing animal protein sector; (ii) its product offering boasting high nutritional value at prices that are affordable to most; (iii) its inclusive and sustainable approach to procurement (more than 9,800 smallholder farmers) and distribution (more than 2,500 female sales agents); (iv) its strong financial profile; and (v) its existing relationship with ADB.\(^\text{16}\)

2. **Project Design**

9. The project will help CMD more than triple its dairy production capacity by 2024, thereby contributing to food security, supporting rural livelihoods, and promoting women’s economic empowerment across the dairy value chain.

10. **Improved food security.** As income per capita grows, the Indonesian population is shifting towards better nutrition in the form of high-protein diets, including dairy and meat. Dairy market in retail value sales is forecast to grow at a compound annual rate of 15.4% during 2020–2025 (footnote 10). Cimory focuses on offering affordable, safe, nutritious and high-protein products. The company meets international food management certifications, ensuring adequate food safety. The project will support improved access to dairy products for end-customers, by tripling of the company’s production and distribution capacities. By 2024, annual production capacity for dairy products will reach 428,817 tons (from 117,507 tons as of 30 June 2021). Distribution expansion will target underpenetrated customer bases and markets by adding about 5,000 new sales agents (from 2,500 as of 31 December 2020) to the Miss Cimory direct distribution network (reaching about 500,000 new households per annum from about 200,000 as of 30 June 2021) and by growing other distribution channels, by 2024. As a result, Cimory will serve most of Java island, major centers in Sumatera, Sulawesi, and Kalimantan islands, and Papua province.


\(^{16}\) In 2020, ADB and CMD signed a $15 million loan (ADB. 2020. *Dairy Farmer Support and Food Security Project*. Manila) to support the company during the COVID-19 pandemic. The loan was subsequently cancelled in June 2021 because of CMD’s strong operational and financial performance in the second half of 2020. An ADB-funded TA project to train at least 1,000 women farmers in dairy farming best practices and financial literacy is being implemented by a consultant (ADB. 2020. *Technical Assistance to Gender Empowerment in dairy*. Manila).
11. **Improved rural livelihoods.** CMD sources raw milk from smallholder farmers in Central, East and West Java. In Indonesia, smallholders are affiliated to the cooperative in their vicinity. Typically, cooperatives provide free veterinarian services and technical training to their farmer-members. The cooperatives also organize collection of the milk and delivery to one or more dairy processors under fixed price agreements, based on milk quality. As part of its long-term commitment to providing decent income to farmers, CMD pays a 5%–10% premium above the rates of competing buyers. CMD also provides training to cooperative representatives, to help farmers sustainably improve productivity and quality. Accompanying technical assistance (TA) will expand the scope of trainings provided by CMD, covering best farming practices such as cow health and nutrition, calf and heifer selection and rearing, and improved sanitation to achieve higher yields and milk quality (footnote 15). The project will support CMD’s reach to an additional 4,200 farmers (from over 9,800 smallholder farmers in FY2020) and support increased volume of raw milk sourced by farmers by 2024, thereby improving farmer livelihoods and rural welfare.

12. **Women’s economic empowerment.** In 2012, CMD launched the Miss Cimory distribution program, whereby sales agents are hired and trained to sell dairy products door-to-door. The salesforce is made up exclusively of women, many of whom were previously not economically engaged and are from lower socioeconomic backgrounds. The program bypasses conventional retail supply chains, and is spread across Bali, Java, and Sumatra islands (over 30 cities). In the Indonesian context, where safe and socially acceptable employment options for women are limited, the Miss Cimory program provides an important avenue for women to participate in an empowering livelihood activity. The project will help increase the number of women sales agents working for CMD from about 2,500 as of 31 December 2020 to at least 7,500 by FY2024. In addition, an accompanying TA is in place that will support training of at least 1,000 women farmers in dairy farming best practices and financial literacy by 2022.\(^\text{17}\)

3. **Investee and sponsors**

13. The investee is CMD, a limited liability company incorporated in Indonesia in September 2004. CMD is the holding company of the Cimory Group, and the operating entity responsible for the dairy activities of the group. As an integrated dairy company, CMD covers the entire value chain, from sourcing milk to processing, then selling dairy products in Indonesia and across Asia. [Redacted].

14. The Cimory Group was founded in 1992 by Bambang Sutantio. Headquartered in Jakarta, the group has processing facilities in Central, East and West Java. As of June 30, 2021, the designated production capacity was 117,507 tons per annum for dairy products (yogurt, fresh milk, and ultra-high-temperature (UHT) milk), and 33,670 tons per annum for consumer foods (sausages, nuggets, and mayonnaise). The group centralizes all sales through its fully owned distribution company. [Redacted]. The group employs over 2,000 people. Pre-IPO, CMD is 100% owned by the founder’s family.

15. Cimory’s management team, which will remain in place post-IPO, consists of specialists with substantial industry knowledge and broad experience in finance, manufacturing, and marketing and sales. Decision-making is centralized at the group level. The management team is led by Farell Sutantio, the oldest son of the group’s founder, who has been chief executive officer of the group since 2015.

\(^\text{17}\) The TA project’s 16-month implementation phase started in September 2021.
16. ADB conducted integrity due diligence. CMD’s founders, shareholders, managers, and significant contracting entities do not appear to constitute a significant or potentially significant integrity risk, since no unresolved or substantiated adverse media or other relevant information is related to them. Tax integrity due diligence was not required.

B. Development Impacts, Outcomes, and Outputs

17. **Impacts.** The project is aligned with the Government of Indonesia’s directives and regulations on improved sustainability of farming, with a focus on achieving food sovereignty through food self-sufficiency; strengthened agricultural bio-industry systems; and increased farmer welfare (footnote 2).

18. **Outcomes.** The project will have the following outcomes: dairy supply chain in rural Indonesia expanded, and rural livelihoods improved.

19. **Outputs.** The outputs of the project will be (i) sustainable dairy processing capacity increased with gender equality enhanced; (ii) jobs generated and local economy supported by CMD’s dairy operations; and (iii) capacity of female dairy farmers enhanced.

C. Alignment with ADB Strategy and Operations

20. **Consistency with ADB strategy and country strategy.** The project is aligned with ADB’s Strategy 2030, which calls for ADB to (i) scale up its financing for agribusinesses and (ii) promote gender equality in at least 75% of its committed operations by 2030. The project will support operational priority (OP) 1 of Strategy 2030 (addressing remaining poverty and reducing inequalities) by improving the living standards of dairy farmers and sales agents. The project is consistent with three of the five elements of OP 2 (accelerating progress in gender equality) as it will economically empower women, enhance gender equality in human development, and strengthen women’s resilience to external shocks. The project will support OP 3 (tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability) through the adoption of energy efficiency targets. The project is also aligned with the Operational Plan for Private Sector Operations, 2019–2024, which aims to make direct equity investments in established medium-sized to large companies with significant growth prospects and/or the potential to gain significant market share in their industries, including in companies with existing relationships with ADB and in the context of an IPO when ADB’s participation as an anchor investor will add value by improving environmental and social safeguard systems and corporate governance. Finally, the project is fully aligned with the objective of ADB’s country partnership strategy for Indonesia, 2020–2024, which is to achieve higher, more inclusive, and environmentally sustainable growth.

21. **Consistency with sector strategy and relevant ADB operations.** The project is aligned with OP 5 (promoting rural development and food security), which calls for (i) improving rural services, attracting private sector investment, and generating jobs in rural areas; (ii) improving farmer profitability; and (iii) enabling ADB’s nonsovereign operations to provide direct support to

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agribusiness clients. The project is also aligned with the agribusiness strategy of the Operational Plan for Private Sector Operations, 2019–2024, which aims to expand the share of food brands in the portfolio because transactions in this downstream subsector have the highest return on capital, the lowest level of risk, and the potential to drive and structure upstream subsectors and to impact a large number of farmers and consumers. Finally, the project is aligned with ADB’s sovereign operations in the agriculture and natural resources sector in Indonesia.22

D. Project Cost and Financing Plan

[Redacted]

E. Implementation Arrangements

22. Table 3 summarizes the implementation arrangements.

Table 3: Summary of Implementation Arrangements

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory framework</td>
<td>CMD operates under the regulatory framework applicable to food manufacturing companies in Indonesia. Regulation of the Minister of Agriculture (“MOA”) No. 26/Permentan/PK.450/7/2017 as amended by MOA Regulation No. 30/Permentan/PK.450/7/2018 and MOA Regulation No. 33/Permentan/PK.450/7/2018 regulates milk supply and distribution. Food safety falls under the authority of the Food and Drug Control Body (Badan Pengawas Obat dan Makanan or “BPOM”), as stipulated under the Presidential Regulation No. 80 of 2017 on BPOM. The terms and conditions for food labelling and advertising are regulated by Government Regulation No. 69 of 1999.</td>
</tr>
<tr>
<td>Management</td>
<td>CMD is managed centrally (Cimory Group). Strategic decisions are made by the board of commissioners, which supervises the board of directors. The board of directors is responsible for operational decisions and execution.</td>
</tr>
<tr>
<td>Implementation period</td>
<td>November 2021–December 2024</td>
</tr>
<tr>
<td>Operational arrangements</td>
<td>CMD procures its raw milk from about 9,800 dairy farmers through 16 cooperatives in Java. Cooperatives are responsible for collecting the milk from farmers and delivering it to CMD’s processing sites. CMD’s dairy processing sites are located in Pasuruan (East Java), Semarang (Central Java), and Sentul (West Java). PT Macrosentra Niagaboga, wholly owned by CMD, distributes all products of the group to trade and food service sectors. Cimory’s products are predominantly sold on the domestic market through four distribution channels—[Redacted].</td>
</tr>
<tr>
<td>Performance monitoring</td>
<td>CMD will report on performance indicators, including output and outcome indicators.</td>
</tr>
</tbody>
</table>

CMD = PT Cisarua Mountain Dairy Tbk.
Sources: Asian Development Bank and Cimory Group.

F. Projected Financial and Economic Performance

[Redacted]

G. Unique Features

23. The project is ADB’s first equity investment in the animal protein industry in Indonesia. The dairy value chain in Indonesia has unique and powerful impacts on the sustainability of rural livelihoods and helps tackle the food security challenge in Indonesia. The company provides income, sustainable livelihoods, and employment opportunities to low-income people; therefore,

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22 The project targets increased farming profitability and is expected to contribute to COVID-19 recovery by stimulating rural economy, like the recent sovereign farming project (ADB. 2020. Indonesia: Horticulture Development of Dryland Areas Project. Manila.).
the transaction follows an inclusive business approach. Cimory is also committed to strengthening gender equality.

III. THE ADB ASSISTANCE

A. The Assistance

24. ADB will subscribe to common equity shares in CMD as one of the anchor investors in CMD’s IPO. ADB will invest up to $10,000,000 (or Rp140.59 billion at the time of this approval) from its ordinary capital resources. The IPO share price will be determined by the underwriters through a book-building process. Depending on the final IPO valuation, ADB’s stake in the company will be around 0.5%–0.7%. ADB’s investment will be subject to the IPO share price not exceeding the cap approved by ADB’s Investment Committee.

B. Value Added by ADB Assistance

25. ADB’s assistance will add value on three fronts:

(i) Resource mobilization. ADB will add value as an anchor investor during the book-building process by providing direct financing. ADB’s participation will be key in attracting longer term investors and establishing confidence in Cimory’s future access to capital markets. Environmental, social, and governance (ESG)-focused investors in particular will take comfort from ADB’s participation.

(ii) Standard setting. With ADB’s assistance, by 2022, CMD will adopt a sustainable finance framework, and carry out an energy efficiency assessment, including setting of energy savings and emissions reductions targets. More generally, ADB will support CMD in adopting or strengthening ESG standards, including in helping CMD with a corporate governance assessment and in adopting a corporate plastic waste reduction plan.

(iii) Gender inclusion. ADB will help CMD implement a gender action plan to increase women’s economic opportunities across the dairy value chain, including job creation. Training to improve farmers’ livelihoods will target female farmers.

C. Risks

[Redacted]

IV. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

23 The project is classified as an “inclusive business” because its beneficiaries (sales agents and dairy farmers) belong to the “base of the pyramid” in Indonesia. The base of the pyramid describes persons who are poor or who lack access to basic goods and services. ADB. 2019. Key Indicators for Asia and the Pacific 2019: Indonesia Country Table. Manila.

24 The amount available for investment will be net of brokerage fee of 1% payable to underwriters of the IPO and any applicable stock exchange or regulatory fees or duties.

25 Book-building is a mechanism whereby the underwriters receive bids from investors indicating the number of shares they are willing to buy and the price they are willing to pay within the band specified by the issuer. Based on the demand generated, the underwriters determine the issue price for the shares.

26 It is estimated that this energy efficiency assessment will result in energy efficiency investments as part of the project cost, corresponding to $0.1 million of climate mitigation finance from ADB’s investment.
26. ADB has categorized the project in compliance with ADB’s Safeguard Policy Statement (2009) as follows: environment (category B), involuntary resettlement (category C) and indigenous peoples (category C). In this corporate finance transaction as defined in ADB’s Safeguard Policy Statement, the use of ADB proceeds will be ring-fenced to the dairy processing capacity expansion at two of CMD’s existing facilities, located in Pasuruan, East Java, and Sentul, West Java, and to working capital allocated to dairy activities. ADB has undertaken due diligence and reviewed the potential environmental and social (E&S) impacts of the project and the measures to avoid, minimize, mitigate, and compensate for the adverse impacts in relevant documents. The E&S measures and the institutional capacity and commitment of CMD to manage the project’s E&S impacts are deemed adequate.

27. The corporate audit assessed that CMD’s operation was compliant with the statutory requirements. The current E&S management processes and practices of the company were also commensurate with the risks and impacts associated with its business and operation. CMD has an ISO 22000:2005–certified food safety management system to ensure food safety and quality control throughout the entire collection, production, and distribution process. The corporate audit suggests that, although CMD has sets of environmental, health, and safety procedures and practices in place at each facility, and corporate legal compliance oversight, there was a need to (i) develop a corporate-level environmental and social management system (ESMS) to address ADBs Safeguard Policy Statement requirements; (ii) develop a formal process to screen, categorize, review, and manage projects in accordance with ADB’s Safeguard Policy Statement; (iii) define responsibilities and designate a manager at the corporate level to oversee ESMS implementation; (iv) develop corporate environment and social monitoring and reporting requirements, including regular reporting to ADB; (v) develop corporate procedures for grievance redress and review, public consultation, and disclosure of information; (vi) develop a supply chain management and monitoring procedure focusing on dairy cooperatives and their farmers; and (vii) develop a corporate plastic waste reduction plan. These and other audit findings and recommendations have been documented and agreed upon in a corrective action plan, under which CMD will establish and adopt an ESMS satisfactory to ADB requirements prior to disbursement.

28. The two existing CMD processing facilities in East Java and West Java are on land acquired through willing buyer willing seller arrangement and CMD holds land certificates of building use rights (HGBs) for them. The site-level audit at both sites confirmed that no additional land is required for their expansion. However, CMD must assess all future expansion activities to determine whether they may result in any involuntary resettlement impacts, particularly on non-titleholders and informal land users, and address these impacts accordingly. Within the surrounding areas of the facilities live the Javanese (East Java) and the Sundanese (West Java). These groups are mainstreamed and not considered indigenous peoples under ADB’s Safeguard Policy Statement.

29. **Effective gender mainstreaming.** Following ADB’s Policy on Gender and Development, CMD has incorporated measures to promote gender equality and/or women’s empowerment in its business activities. Key features of the gender action plan are as follows: (i) develop and implement an anti-sexual harassment policy, (ii) mentorship program developed with at least 50% female participants, (iii) increase in the number of female sales agents, (iv) increase in the number of female staff, (v) meetings with Miss Cimory sales agents and a guest speaker focused on women’s empowerment messaging, and (vi) training of female farmers in

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dairy farming best practices and financial literacy. CMD will submit periodic reports to ADB on implementation of the gender measures.

30. CMD will (i) apply ADB's prohibited investment activities list, (ii) ensure that investments using ADB funds comply with ADB’s Safeguard Policy Statement and abide by national laws and regulations, and (iii) establish and maintain an appropriate ESMS satisfactory to ADB before disbursement. The ESMS will set out requirements, as applicable, for compliance with national labor laws and measures to comply with the internationally recognized core labor standards, pursuant to ADB’s Social Protection Strategy (2001). The ESMS will also contain requirements, as applicable, for information disclosure and consultation with affected people following ADB requirements. CMD will report regularly to ADB on (i) its and its investments’ compliance with such laws and (ii) the measures taken.

B. Anticorruption Policy

31. CMD was advised of ADB’s policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

C. Investment Limitations

[Redacted]

D. Assurances

32. Consistent with the Agreement Establishing the Asian Development Bank (the Charter), ADB will proceed with the assistance upon establishing that the Government of Indonesia has no objection to the assistance to CMD. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB.

V. THE PRESIDENT’S DECISION

33. The President, acting under the authority delegated by the Board, has approved the equity investment of up to $10,000,000 (or Rp140.59 billion at the time of this approval) from the ordinary capital resources of the Asian Development Bank (ADB) in PT Cisarua Mountain Dairy Tbk for the Cimory Inclusive Dairy Value Chain Project in Indonesia, and hereby reports this action to the Board.

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### DESIGN AND MONITORING FRAMEWORK

**Impacts the Project is Aligned with**

Improved sustainability of farming with a focus on achieving food sovereignty through food self-sufficiency; strengthened agricultural bio-industry systems; and increased farmer welfare (Indonesian Ministry of Agriculture Strategic Plan).\(^a\)

<table>
<thead>
<tr>
<th>Results Chain</th>
<th>Performance Indicators</th>
<th>Data Sources and Reporting Mechanism</th>
<th>Risks and Critical Assumptions</th>
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</thead>
<tbody>
<tr>
<td><strong>Outcomes</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Dairy supply chain in rural Indonesia expanded, and rural livelihoods improved</td>
<td>By 2024: [Redacted]</td>
<td>a.–c. CMD’s annual development effectiveness monitoring report to ADB</td>
<td>R: Demand for CMD’s dairy products not as strong as expected, risk of changing consumer preferences</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>R: Regulatory risk such as increases in taxes, tariffs, duties, subsidies, and new export restrictions on agricultural products</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Sustainable dairy processing capacity increased with gender equality enhanced</td>
<td>[Redacted]</td>
<td>1.–3. CMD’s annual development effectiveness monitoring report to ADB</td>
<td>R: Operational risk (e.g., equipment failure, underperformance of equipment, obsolescence, industrial accidents, disasters triggered by natural hazards, and animal diseases)</td>
</tr>
<tr>
<td>2. Jobs generated and local economy supported by CMD’s dairy operations</td>
<td>[Redacted]</td>
<td></td>
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<td>3. Capacity of female dairy farmers enhanced</td>
<td>[Redacted]</td>
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<tr>
<td><strong>Key Activities with Milestones</strong></td>
<td>[Redacted]</td>
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<tr>
<td><strong>Inputs</strong></td>
<td></td>
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<tr>
<td>ADB equity: up to $10 million ordinary capital resources (in rupiah equivalent)</td>
<td>Cofinancing (equity): $85.6 million (in rupiah equivalent)</td>
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<td></td>
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</tbody>
</table>


\(^b\) [Redacted]

Contribution to Strategy 2030 Operational Priorities
Expected values and methodological details for all OP indicators to which this project will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2). Source: Asian Development Bank.
LIST OF LINKED DOCUMENTS
http://www.adb.org/Documents/FastReport/?id=55301-001

1. Contribution to Strategy 2030 Operational Priorities
2. Country Economic Indicators