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# **ANNUAL ESG AUDIT REPORT – PROGRESS 2020 EXECUTIVE SUMMARY**



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## GLOSSARY OF TERMS/ ACRONYMS

### Acronym/ Abbreviation

BMP	Biodiversity Management Plan
BTPNP	Bukit Tigapuluh National Park
CPP	Community Participation Program
CHSS	Community Health, Safety and Security
CLO	Community Liaison Officer
CRT	Conflict Resolution Team
Daemeter	PT Daemeter Consulting
Ecositrop	Ecology and Conservation Center for Tropical Studies
EK	East Kalimantan
E&S	Environmental and Social
EHS	Environmental, Health and Safety
EMS	Environmental Management System
ESAB	Environmental and Social Advisory Board
ESAP	Environmental and Social Action Plan
ESG	Environment, Social, and Governance
ESMS	Environmental and Social Management System
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
FPIC	Free, Prior and Informed Consent
GM	Grievance Mechanism
GIIP	Good International Industry Practice
HTI	Industrial Forest Plantation (Hutan Tanaman Industri)
HSE	Health, Safety and Environment
HCV HCS	High Carbon Stock and High Conservation Value
HCV	High Conservation Value
HCVRN	High Conservation Value Resource Network
Hectare	Ha
ICP	Informed Consultation and Participation
IFC	International Finance Corporation
IFMP	Integrated Forest Management Plan
ILO	International Labour Organization
IP	Indigenous Peoples
KIIs	Key Informant Interviews
KPI	Key Performance Indicator
LAJ	PT. Lestari Asri Jaya
LPP	&Green Landscape Protection Plan
MoM	Minutes of Meeting
MOU	Memorandum of Understanding
MKC	PT. Multi Kusuma Cemerlang
PCR	Polymerase Chain Reaction
PPE	Personal Protective Equipment
PR	Priority Recommendation
PS	Performance Standard
RLU	PT. Royal Lestari Utama
SHE	Safety, Health, and Environment
SIA	Social Impact Assessment
SEP	Stakeholder Engagement Plan

**Acronym/ Abbreviation**

SDGs	Sustainable Development Goals
SOP	Standard Operation Procedure
TLFF	Tropical Landscapes Finance Facility
TOR	Terms of Reference
USD	United States Dollar
WCA	Wildlife Conservation Area
WFH	Work From Home
WMW	PT. Wanamukti Wisesa
WWF	World Wildlife Fund
WARSI	Indonesian Conservation Community

## EXECUTIVE SUMMARY

### Background and Overview

Ramboll Environ Singapore Pte Ltd (Ramboll) was commissioned by PT. Royal Lestari Utama (RLU) to undertake an independent Environmental, Social and Governance (ESG) review of RLU's operations within RLU's three concessions located in Jambi and East Kalimantan, Indonesia.

RLU was established in 2015 as a joint venture between France's Michelin Group (49%), one of the world's largest tire producers and Barito Pacific Group (51%). RLU strives to become a world leader in sustainable natural rubber by promoting a new model of sustainable rubber production that is economically empowering, socially inclusive, and environmentally friendly throughout the value chain.

RLU runs and manages sustainable rubber plantations in Indonesia through three subsidiaries of Industrial Forestry License (HTI), PT. Lestari Asri Jaya (LAJ), PT. Wanamukti Wisesa (WMW), and PT. Multi Kusuma Cemerlang (MKC). RLU and its subsidiaries are collectively known as RLU Group. In 2016, MKC constructed a rubber processing facility with a total capacity of 27,000 tons per year in Palaran, Samarinda City, the first natural rubber processing facility in East Kalimantan Province. The facility commenced operations in 2017.

In 2018, TLFF I Pte Ltd (TLFF) issued a USD 95 million sustainability bond to finance a loan to RLU for the development of sustainable rubber plantations in Jambi (Sumatra) and East Kalimantan. The loan was partially guaranteed by USAID and represented Asia's first corporate sustainability bond. In 2019, the &Green Fund, a blended finance impact investment fund focused on forest protection and tropical forest commodities, purchased USD 23.75 million of the longer-dated notes issued by TLFF helping to catalyse the notes issuance.

In 2020, a total of +22,000 ha of commercial sustainable natural rubber had been planted across the RLU concessions in Jambi and East Kalimantan. RLU sets aside roughly half the land for conservation, restoration, livelihoods, carbon stock protection and smallholder rubber production. The set-aside areas are intended to provide a contiguous buffer zone to protect tropical lowland forest, mega-fauna, and biodiversity hotspots around the Bukit Tigapuluh National Park (BTPNP) in Jambi.

### Objectives

This annual ESG review is an independent assessment of the ongoing implementation, compliance, monitoring and reporting of the procedures, practices and programmes set out in the Environmental and Social Action Plan (ESAP) and by other relevant standards such as TLFF ESG Standards and &Green Landscape Protection Plan (LPP). The objective of the review is to assess the progress against the ESAP based on IFC PSs, KPIs developed by the TLFF which include core objectives for Forest Retention, Improved Rural livelihoods, Reduced Emissions, and Biodiversity Protection, and KPIs presented in the &Green LPP.

### Applicable Lender Standards

The applicable lender requirements comprise:

- International Finance Corporation's Performance Standards (IFC PS) on Environmental and Social Sustainability;
- TLFF core objectives and specific Key Performance Indicators derived for RLU operations; and
- Requirements of the &Green Landscape Protection Plan (LPP).

## ESG Audit Approach

The ESG audit comprised a desk-based assessment of documents, virtual interviews, and a physical site visit to Jambi. Due to COVID-19 restrictions, the Ramboll review team was unable to conduct a physical site visit to East Kalimantan. Findings / recommendations for East Kalimantan are based on virtual interviews with RLU representatives from RLU's Head Office and document review.

It is also disclosed that a separate Ramboll team was engaged by RLU to work on a parallel advisory assignment. Potential conflict of interest was managed through establishing and maintaining separate teams, with boundaries on access to information between teams. Contact between the two Ramboll teams was also channeled through RLU.

## Summary of Findings and Recommendations

The summary below provides a brief overview of the core aspects of the RLU operations that were subject to review. It focuses on the ESG Audit Report 2019 Priority Recommendations (PR) identified and progress against these, as well as the priority findings and recommendations for 2020/2021.

While many of the ESAP actions and PRs remain open (i.e. were not able to be closed out as "compliant" during this monitoring exercise), RLU is noted to have made significant progress against both PR and against the ESAP, under challenging circumstances posed by COVID-19 restrictions.

### PS 1: ENVIRONMENTAL AND SOCIAL MANAGEMENT / STAKEHOLDER ENGAGEMENT

#### Priority Recommendations:

- Priority Finding / Recommendation (PR) for 2020 – ESG Progress Reporting Structure: Review of previous ESG monitoring reports found them complex and with heavy redundancy of content cross sections / tables, which had an influence how RLU is internally tracking, monitoring, and reporting progress against findings/required actions.
- PR 1 – Improve Document Quality to International Standards: RLU has made significant progress to address this 2019 PR. RLU engaged a team from Ramboll (independent of the Ramboll team that completed the monitoring and this Report) to provide peer review and revision of key management plans and procedures. The technical revision took a pragmatic approach, wherein revisions have centred on identifying a pathway to compliance with the IFCPS. The revised documentation is considered to form the basis for long term compliance with international standards and which now necessitates a strong focus on implementation through 2021 and beyond – including building site-level capacity to implement the provisions consistently across Jambi and East Kalimantan (EK).
- PR 2 – Improve Documentation Protocols and File Organization Systems. The progress on this PR has been the engagement of a dedicated position within RLU for document control systems. The intent of this position is also to assist in better linking up the corporate and head office systems with the site-based systems, driving efficiency and consolidation of effort across both, consistent with the provisions of ISO 9001). There is a high need to ensure effective documentation protocols as a complement to the focus on implementation required through 2021
- PR 3 – Complete Outstanding Strategic Planning Documents. The following outstanding documents remain unavailable: 1) Community Health, Safety, and Security Plan; 2) Training Strategy and Plan; and 3) Socio-economic Baseline, Social Risk Assessment and Report.
- PR 4 – Review of IFMP and Annual Monitoring Requirements.
- PR 5 – Review of Company-wide SOP Requirements and Training.
- PR 6 – Improve ESAB effectiveness through more effective ESAB meetings.
- PR 7 – Establish ESMS/ESAP Protocols.
- PR 8 – Establish Follow-up Protocols for ESG Report Recommendations.

Stakeholder Engagement:

- 2020 SEP Revision: The Stakeholder Engagement Framework and Plan (SEP) was a key document revised to better meet IFC PS in 2020. The revised document, like the other revised documents, is considered to provide a robust basis for long term compliance with the PS, however a number of gaps remain for it to be considered as a comprehensive and complete document, key among which is:
  - Vulnerable Groups
  - SEP Work Plan / Programme
  - Documentation and Evidence of Consultation and Engagement

Community Partnership Programme (CPP):

- CPP: The CPP is a core impact management, mitigation and benefit sharing vehicle for RLU. The Smallholder In-Situ Prototype Update document is noted as one component of an overarching CPP as an umbrella programme consisting of four sub-components. Given the scale of the RLU project which has community development as central to its vision, having an overarching CPP Plan that provides the strategic framework for CPP and which clearly situates the sub-components would assist in "linking" the many related community development initiatives. The need for a CPP Plan was noted in the last Annual ESG Report.
- 2020 CPP Smallholder In-Situ Prototype Revision: The CPP Smallholder In-Situ Prototype was subject to technical review and revision to align to IFC PS during 2020. The revision has substantially addressed the actions outlined in the ESAP, however still requires key input by RLU into incomplete sections prior to being considered as a final document, including:
  - Informed Consultation and Participation (ICP)
  - Plan and Budget for Expansion

External Communications and Grievance Mechanism:

- 2020 revision to Grievance Mechanism: Review of the RLU Grievance Mechanism Procedure indicates that previous recommendations / actions have been substantially addressed consistent with the requirements of international standards and guidance for Grievance Mechanisms, including IPs. The revised Grievance Mechanism has also been signed by Board as approved for use. The major focus is now on conducting further socialisation and embedding the mechanism operationally – internally and among communities.
- Grievance Mechanism Awareness Raising and Socialisation: Broader socialisation of the Grievance Mechanism beyond bi-monthly Community Forums is lacking (e.g. informally and directly with stakeholders and community members during the course of other activities). Further and ongoing awareness raising and socialisation efforts (and effective documentation thereof) is imperative. This is particularly important during the Covid-19 pandemic given need for social distancing and restrictions on movement. Differential measures should seek to be employed through 2021 that are sensitive to COVID-19. This may include scheduling additional opportunities (as possible and appropriate), and further provision of support materials to complement in-person engagement. Particular limitations were noted by RLU on engagement with IPs outside of the WCA (nomadic IPs), and, given the ongoing Covid-19 situation during 2021, adequate socialisation of the Grievance Mechanism with these groups / individuals is highlighted as a focus for 2021.
- Reporting Back to Communities: The standing agenda item on grievances in the Community Forum, does not include reporting back to communities on how RLU has taken onboard grievances, including through changes to management measures / actions. Consistent with the Grievance Mechanism Procedure which outlines overall grievance management and review (e.g. root cause analysis) including bi-annual internal audit – results / findings thereof should be periodically scheduled and communicated to stakeholders through appropriate mechanism.
- Internal Capacity to Implement Grievance Mechanism and Training: Provisions for internal employee training and awareness of the grievance mechanism are captured in a separate one page document, which is not conducive to effective consideration and operationalisation as a formal and key component of grievance management and engagement. These provisions would normally be captured formally in the associated management plan (here the SEP, or even in the grievance procedure itself).

Priority Recommendations / Required Action <sup>1</sup>	
1.	Combine in one Excel document the ESAP and ESMS matrices as proposed in this Monitoring Report to reduce complexity of action / finding tracking, monitoring, and reporting through.
2.	Finalise the ESMS documents initiated in 2020 following the 2019 ESG Audit Report recommendations, including SEP, IP Plan (Jambi) and IP Framework, CPP-Smallholder In-Situ Programme Update, Land Return Framework.
3.	Update the training programme for 2021/2022 so that it includes the provision of awareness and socialisation training in relation to the revised documentation for all RLU staff involved in implementation to drive understanding of what revisions have been made, why they have been made, how these revisions change existing practices and /or introduce new requirements / practices, and who is responsible for implementing. Conduct the training with focus on ensuring understanding of any registers, logs etc., specified in, appended to, or associated with the implementation or operationalisation of the revised documents and that these are clearly understood.
4.	The newly created position for a document control specialist in ESG should focus on better linking site and head office document control protocols, record-keeping and file organisations systems through targeted procedure develop on key aspects, enhanced IT support to facilitate links, and ongoing capacity development / training of relevant personnel to implement requirements.
5.	Nominate or engage support personnel at Jambi and EK to assist in meeting document control protocols, record-keeping, and file organisation to work with the corporate level document control specialist. Provide training on International Standards (e.g., ISO 9001) to RLU employees who are involved in supervision or management of documentation of ESAP-related activities within their job scope.
6.	Due to COVID-19 limitations in socialisation, particularly in WCA with IPs, actions for 2021 should focus on ongoing and systematic socialisation / awareness building, particularly among IPs of the revised Grievance Mechanism Procedure. Special focus should be placed on socialising the mechanism with those IPs outside of the WCA (and which are likely to have the least awareness thereof).
7.	Review and update the SEP, in accordance with documentation management protocol for review and approvals, to include socialisation / awareness raising activities related to the Grievance Mechanism (in addition to Community Forums), noting frequency, assigning responsibility, identifying target stakeholders, etc.
8.	Include periodic (recommend bi-annual consistent with internal audit schedule / root cause analyses) reporting back to communities through the Community Forum on how RLU has taken onboard grievances through changes to management measures / actions and ongoing improvement. Maintain records in engagement register/log.
9.	Conduct a review of (2021) and develop a report on (2022) the functioning/implementation of the Grievance Mechanism, as described in the original deliverable (ESG Annual Audit Report 2019).
10.	Revise the SEP to include specific section on Vulnerable Groups identification / description (which stakeholders are considered vulnerable and on what basis), and also identifying the differential measures in place for meaningful engagement with these groups.
11.	Review the SEP for an updated comprehensive stakeholder identification and mapping overview (in appendix). It is recommended to carry out the process leading to this documented outcomes as follows, using the 2021 planned socio-economic baseline study: conduct a workshop with site-based personnel to identify stakeholder groups, direct/indirectly impacted, interest in the project and potential to influence the project, and outlining key methods for engagement, nature and frequency of engagement based on mapping.
12.	Update the SEP and associated stakeholder engagement work plan / programme based on the findings from conducting the social baseline and analysis of the Project's social risks.
13.	Revise the SEP so that it includes a stakeholder engagement work programme / plan that outlines and schedules engagement activities including, frequency, methods and materials, target stakeholder groups, location for Jambi and EK. This may build on the existing Community Forum Work Plan as a separate tab.
14.	Develop a CPP framework that links the various complementary community partnership programme initiatives. This should be done post baseline / risk analysis so that the baseline findings / analysis feed into the framework development.
15.	Revise the SEP to include a specific section outlining the approach on how ICP and FPIC will be implemented in general through engagement activities, and specifically in relation to vulnerable groups, especially IPs. This may include cross-referencing to the IP Framework which includes an FPIC Flowchart process. The key point is that implementation processes and requirements for ICP and FPIC are clearly identified / referenced and accessible to assist those employees charged with implementing these requirements.
16.	Develop the "Smallholders In-Situ Rubber Business Plan Formulation" section into a thorough plan detailing how expansion will be achieved. Specific focus should include socialisation, eligibility criteria, specific efforts/mechanisms to include women, locations, and organisational structure, credit, and repayment provisions, as well as RLU personnel expansion / engagement. The Plan should draw on the Concept Note provided by P4F for expansion of the Programme.
16.	Consider reframing how CPP KPIs (Work Plan and Progress Report, and Employment Evolutions, and Number of Farmers Selling into RLU Supply Chain) are presented and reported to allow for effective, meaningful comparison against baseline numbers and previous year results (i.e. provide context).

<sup>1</sup> The priority actions / recommendations noted represent a summary of the actions identified and further detailed in the Report.

## PS 2: LABOUR AND WORKING CONDITIONS

### Employee and Contractor Database:

- To prevent child labour in the plantation, RLU has since strengthened its policy and system through Company Regulation, RLU Ethics and also through the Supplier Ethical Commitment Letter and also constantly sends reminder to estate manager not to allow their plantation workers to bring their children to work as well as to operate three kindergartens to allow the workers' children participating in the education and recreational activities. These implemented efforts have since resulted in the plantations reportedly free of child labour.
- With the RLU project progressing strongly, ensuring the contractors and suppliers will not employ children and demonstrating an effective work force management system is in place is highly important. Therefore, the completion of employee and contract worker database should be given top priority to complete in 2021 so as to help RLU identify, mitigate, and manage the risks of child labour in the supply chains.

### Priority Recommendations / Required Action

1. Operationalise the Water Consumption Monitoring Program and Waste Management Plan in accordance with the TSB assessments conducted in 2019, following the conclusion of seven (7) activity plans listed out in the RLU's waste management program.
2. Complete employee and contract worker database not later than 2021. The database should be easy to maintain and ensure the provided data is verifiable and trackable.

## PS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION

- **Waste Management:** Waste management in plantations remains challenging given that the absence of adequate facility infrastructure for waste disposal, sorting and treatment. The current waste treatment practices within the plantation areas include the operation of landfills and open waste burning where landfill is unavailable. The current activity plans developed under the Waste Management Program dated November 2020, are deemed to be appropriate for implementation at this early stage of the waste management program implementation. Additionally, design of waste management facilities was already finalised. Ramboll understood that many of the activities planned for 2020 were delayed due to COVID-19 impact, as such the waste management program is unable to be developed in full to address all aspects of the implementation plan as outlined in the TSB's assessment report. The remaining improvement plans are urged to be implemented fully as early as possible to minimise environmental pollution by waste generation in dwelling places and, should remain a priority for implementation in 2021.
- **Water Management:** There is no formal written plan established with regard to water management. Reportedly, RLU commenced water consumption monitoring in plantation at several identified locations starting 2020. In 2019, TSB conducted a survey on water supply in BU2 and provided recommendations on water supply system. Ramboll understood that the plan to install water meters for 2020 were delayed due to COVID-19 impact. As a result, water consumption monitoring program is not fully implemented as planned.

## PS 4: COMMUNITY HEALTH, SAFETY AND SECURITY

- **Transport Safety and Traffic Management Plan:** RLU developed a Transport Safety and Traffic Management Procedure in 2019. RLU confirmed collaboration with neighboring concessions holders on safety awareness signage and banners, as well as conducting periodic road safety awareness with communities. While the above actions are commended as a key initial action in response to a clear project related risk, there is a need to further identify and assess community CHSS risks and impacts of the project more broadly and address these in the form of a Community Health, Safety and Security (CHSS) Management Plan. RLU has logically sought to address the major risks related to land use and livelihoods, and indigenous peoples as a priority of the Project, however the upcoming socio-economic baseline study and risk analysis provides an opportunity for the CHSS context to be better understood, assessed, and managed consistent with IFC PS4.
- **Recruitment SOP Finalisation and Training:** While the recruitment SOP is considered to be thorough, it is unclear how this SOP is communicated and published in a meaningful and easily understandable manner to enable job seekers to understand these processes. A large proportion of the workforce is noted to come from local communities; therefore, it is important to ensure that there are adequate, and easily understandable materials available depicting the recruitment and engagement process. RLU have a clear target at maturity of providing job opportunities 16,000 people, and there is therefore a need to prioritise recruitment of local community, including developing community competence / skills in line with company needs. RLU are recommended to investigate potential cooperation with local government / training agencies and external providers on skills development, and also provision of awareness of RLU recruitment / jobs for local communities at these institutions / agencies to assist in meeting this target.

- **Security and Human Rights:** Security and conflict risks remain a key issue, considering that security patrols involve both Company staff as well as government representatives and police, over which RLU has limited control. This risk is amplified given the context within which RLU is implementing land return, which may exacerbate potential conflict between communities, between the company and land claimants without legal basis under Indonesian law, and between RLU and other concession holders in neighbouring areas. RLU is aware of these risks, indicating in interviews that key to effective security management based on the principles outlined in the Voluntary Principles on Security and Human Rights (VPSHR), is ongoing and practical capacity development of security teams and involving the broader security actors partnered with and involved in RLU's security activities. Due to COVID-19 this was indicated to have taken a backseat in 2020. There is also a risk of RLU's land return processes contributing to increased encroachment on neighbouring concession, which may result in community level conflict, and compromise relations between RLU and the concession holders. Security staff will likely be frontline in identifying potential conflict on the ground, and it is therefore imperative that they are trained in identifying and escalating any concerns they may note to appropriate RLU personnel.
- **COVID-19:** RLU has implemented a robust response to COVID-19, which was corroborated during the site visit. The company has implemented community level COVID-19 health and safety training and provided PPE with particular attention on vulnerable groups. All direct engagement with communities has been conducted in compliance with COVID-19 related protocols, including wearing PPE and maintaining physical distancing. RLU has also worked with local governments to provide food assistance to vulnerable communities most affected by COVID-19. RLU's approach to COVID-19 is to be commended thus far, and ongoing consideration of the long-term impacts thereof as part of a broader focus on CHSS baseline and risk analysis activities should be made.

#### **PS 5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT**

- The 2019 ESG monitoring report identified the need for review by qualified independent specialists of the existing Land Return Framework (LRF) and SOP in 2020. The revision is noted to provide a robust framework on which RLU may build a land return process consistent with the requirements of the IFC PS5 over the long-term. There remain a number of gaps in these documents. In anticipation of the need to proactively address the gaps, a specific Land Return Technical Assistance (TA) assignment has been established with support from &Green for 2021 to align the LRF with IFC PS1 and 5, including the development of an approach for the most vulnerable groups. As part of this process, it is planned to amend the title of the Land Return Framework to "Livelihoods Restoration Framework" as the more appropriate and more encompassing term. This change is not reflected in this Report as the associated documentation has not yet been amended.
- the frameworks for implementation consistent with IFC PS are broadly in place, but the on-the-ground implementation and embedding of these systems and processes needs to be strengthened. The priority areas, including as focus for the Technical Assistance of PS 5 and PS 7.

#### **Priority Recommendations / Required Action**

1. TA to work with RLU team to address outstanding comments in the revised LRF.
2. TA to work with RLU team to conduct further identification, and description of vulnerable groups in relation to land return, including the approach to their compensation, implementation. This includes providing a section in the LRF dedicated to vulnerable groups - identifying which groups are considered vulnerable and why. Thereafter, appropriate special measures should be documented as to how RLU ensures that vulnerable groups
3. / individuals are able to participate effectively in these activities.
4. TA to work with RLU team to provide specific guidance and capacity development to RLU teams in practical implementation of the LRF and related SOP.
5. Establish a cut-off date for eligibility consistent with GIIP, and link this to the conduct of the social baseline / questionnaire. Establishment of effective cut-off date should be a focus of the TA.
6. Include in the next revision of the LRF, clear description of the interaction of the LRF with other related plans (rather than just summarising the content of these related plans as is currently the case).
7. TA to work with RLU team to assess the adequacy operational level staffing numbers and determine staffing requirements to allow for effective implementation of LRF and ability to both meet Land Return targets and maintain and monitor activities associated with already returned land (compensation, grievances, etc.).
8. Ensure that ongoing and regular provisions for capacity building and training of RLU staff on implementation of the LRF and GIIP are included in the LRF as part of the TA revisions.
9. Develop a detailed terms of reference and scope of work for the conduct of the socio-economic baseline study and risk analysis. This should include a plan for how this will be completed, and the associated outputs. It should also provide for the development of dynamic reporting and management that recognises the scale of baseline and risk analysis required for this Project. The deployment of the questionnaires should be accompanied by training of survey enumerators to ensure that adequate responses may be elicited.
10. Review, edit, test and approve survey questionnaires prior to the socio-economic baseline study, including their logic, content, and length.
11. As part of the SEP, plan to continue to monitor the social context in which RLU operates e.g. through ongoing monitoring of demographics changes against baseline or random sampling of particular social aspects or other stakeholder engagement initiatives. Monitoring will provide "ongoing" social analysis.

## PS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

- According to the latest ESAP Monitoring plan dated December 2020, Wildlife Management Plan has been changed to Biodiversity Management Plan (BMP), Version 2.0 which was completed in November 2020 as planned. RLU is recommended to review the associated documents developed for Wildlife Conservation Area (WCA) and determine which final version of the related documents should be in place as the final guide on the implementation of wildlife management plan. Overall, the BMP has been developed to focus on determination of the biodiversity significance within RLU's concessions through studies conducted by biodiversity experts as well as monitoring plans to collect baseline data for evaluation the presence, distribution and abundance of species and ecosystems.
- PS 6 requires upfront identification of priority biodiversity features (based on the vulnerability and/or irreplaceability of species and ecosystems) at greatest risk from developments, and a rigorous application of the Mitigation Hierarchy: Avoid, Reduce, Remedy, and Offset. Where there are measurable adverse impacts for Critical Habitat qualifying features, or significant alteration of integrity or viability in Natural Habitat, PS 6 respectively requires either a net gain or net balance for these features and habitats. Although the current BMP does not fully address the PS 6 requirements pertaining to biodiversity impact assessment and to fully exercise the mitigation plans, it is understood from interviews with RLU that action plans (i.e. monitoring plans and conservation plans) developed under the BMP will help assess whether biodiversity significance thresholds under PS 6 are met when sufficient monitoring data is collected. However, the BMP did not have details available on BMP monitoring and surveillance plan to ensure the BMP is auditable and implementable.
- While the current focus of biodiversity management is to operationalise biodiversity-related management and monitoring as part of ESMP; PS 6 requires evidence that the mitigation hierarchy has been applied, that avoidance is prioritised, and that offsets are measurable and only applied as a last resort where residual impacts are unavoidable. Thus, key elements of PS 6 including the following should be clearly outlined in biodiversity management planning: 1) Biodiversity Action Plan: the action plans should thus clarify whether residual impacts on biodiversity may remain, if so, the proposed offset actions. Additionally, methods chosen to calculate loss/gain and quantify residual losses should be clearly detailed with monitoring indicators that can demonstrate compliance with PS 6; and 2) Biodiversity offset strategy: demonstrate how the project intends to implement its approach to offsets, if required, through quantification of losses and gains (i.e. identification of potential offset locations and activities using appropriate biophysical and socioeconomic criteria, to compare them, and to select preferred options for more detailed offset planning). A description of the offset activities and location(s), including the final 'loss/gain' account which demonstrates how no net loss of biodiversity will be achieved, how stakeholders will be satisfied should be recorded and described as part of 'Offset Implementation Process'.

## PS 7: INDIGENOUS PEOPLE

- IP Framework: The revision of the IP Framework was completed in 2020 and is noted to be consistent with the provisions of IFC PS7, providing the basis for IP engagement and livelihoods development. The Framework, and its Plan, have been approved by RLU management, however, there remain several aspects that need to be addressed by RLU to be able to consider it as final. RLU is noted to have recognised the priority associated with both developing and implementing the Framework and Plans, and as such a Technical Assistance assignment (TA) has been initiated for 2021. This approach demonstrates RLU commitment beyond the revision of the documents conducted in 2020, to focusing on the effective implementation of the provisions therein.
- IP Plan (Jambi): An IP Plan for Jambi has been prepared that considers the three Orang Rimba (OR) clan groups that reside permanently within the LAJ concession. The Plan is commended for having substantially progressed towards completion in 2020. As with the IP Framework, there remains work to be done to flesh out certain aspects of the Plan, including.
  - The planned social baseline through the socio-economic questionnaire for Indigenous Peoples and social risk assessment that may feed into mitigation and management measures is considered critical in ensuring that the provisions of this IP Plan are aligned with impacts.
  - Key to an IP Plan is description of the results of consultation and future engagement.

- While there is an IP Work Plan, this is at a high level and to be effective and implementable should be developed to a greater level of specification (responsibilities, timing / schedule, etc.) through the Technical Assistance assignment. This would also assist site-based personnel in better planning and resourcing their activities and may also be instrumental in driving record-keeping.
- The development of corresponding IP Plans for the other IP groups in Jambi and EK is considered a secondary priority to fully developing and finalising the IP Plan for Jambi. That being said, there is a high priority associated with progressing with consultation with these other IP groups. This includes ensuring that other IP groups are considered and included as part of the upcoming social baseline and risk analysis activities. Challenges to their engagement (including vast project area and nomadism) are recognised, but do not diminish the need to demonstrate progress through 2020/21 in addressing this action.

Priority Recommendations / Required Action	
1.	TA to work with the RLU team to complete the IP Framework, including addressing existing Lender comments in the Draft and sections where content/input from RLU is missing. Obtain Board approval thereof.
2.	TA to work with the RLU team to complete the IP Plan (Jambi), and focus attention on effective implementation thereof. Completion of IP Plan (Jambi) should include addressing existing Lender comments in the Draft and sections where content / input from RLU is lacking., and the. The following should be addressed: <ul style="list-style-type: none"> <li>- Description of previous engagement outcomes demonstrating FPIC and preferences of the OR, that may then form the basis / justify livelihood enhancement activities and consultation methods.</li> <li>- Provide further detailed description of the consultation framework for future engagement based on OR preferences, clearly describing the process for ongoing consultations with, and participation by IPs. Specific attention should be placed on documenting the provisions and methods for consultation with women and those IPs that are more vulnerable (e.g. those without land).</li> <li>- Specify the grievance mechanism in relation to Ips (and specific provisions / considerations therein to ensure its accessibility).</li> <li>- Outline the budget for implementing the IP Plan and timeline of activities should be further specified.</li> <li>- Specific attention should be placed on documenting the provisions and methods for consultation with women and those IPs that are more vulnerable (e.g. those without land).</li> <li>- Specify impact indicators in the IP Plan, in addition to the existing output monitoring indicators.</li> </ul>
3.	TA to work with the RLU team to develop their capacity and provide on-the-job guidance to RLU team and IP consultants in the documentation and demonstration of FPIC, and effective implementation of the IP Plan as a whole.

**PS 8: CULTURAL HERITAGE**

- Cultural heritage has been largely addressed by RLU as part of broader processes, including the High Carbon Stock and High Conservation Value (HCSV) and High Conservation Value (HCV) assessments and reporting, as well as consultation processes as part of land return and IP engagement. During interviews with RLU, it was noted that they were in the process of finalising the HCV and HCS Report for 2020, which includes an updated identification of cultural heritage in Jambi and East Kalimantan from the previous HCV and HCS Report in 2015. The report was not available to incorporate in this monitoring report.
- Based on the previous HCV and HCS Report, the management and monitoring measures associated with identified cultural heritage significance are provided in the RLU Integrated Forest Management Plan (IFMP). It is noted that these measures reviewed in the IFMP are very high level, and that further understanding of cultural heritage should be pursued by RLU. The social baseline studies and risk analysis planned for 2021 present an opportunity for RLU to grow the understanding of cultural heritage context and impacts, and based on this develop more nuanced mitigation, management, and enhancement measures, particularly relating to IPs. The socio- economic questionnaire is noted to include questions relating to cultural heritage, that will allow for this understanding to be developed. Based on the results, specific content and actions relating to cultural heritage may need to be added to the IP Plans as well as the IFMP. Alternatively, development of a specific Cultural Heritage Management could be considered.

### **ESG Review Considerations Due to COVID-19**

The COVID-19 pandemic has challenged companies globally including the RLU Group, which has been most impacted by mobility. Past ESG efforts moving RLU towards compliance with IFC PS are noted to have been instrumental in improving resilience and safeguarding RLU against unexpected ESG risks such as COVID-19, especially in relation to labour and community health and safety provisions. As part of the Company's commitment to protect health and safety of employees and also in the communities where RLU operates, the Company implemented several measures, including, key among which include:

- No reduction in salary or other compensation. The Group also committed to paying 100% of fixed compensation to all employees, covering any medical treatment.
- To take decisions quickly and effectively, the company established a COVID-19 Crisis Management Team (COVID CMT team) comprised of RLU Group senior management (Board of Directors, General Managers, Department Heads) and also a COVID 19 Task Force (TF) at all sites. This latter TF is comprised of Safety Health and Environment team members and employee representatives from various departments. The CMT and Task Force were established in March 2020.

The Company also established a COVID-19 Protocol, and reviews work plans based on the evolving COVID 19 situation in each area. This has included instituting work at home measures for employees whose jobs can be performed from home, employee and visitor movement restrictions within the plantations, COVID-19 Polymerase Chain Reaction (PCR) tests for all site visitors or employees showing symptoms or the close contacts of confirmed cases based on contact tracing.

## Tropical Landscape Funding Facility (TLFF) Key Performance Indicators (KPI) Progress Status

TLFF Objective	KPI	2018 Data	2019 Data	2020 Data
<b>Forest Retention</b>	Hectares of actively managed HCV/HCS forest – on concession	<ul style="list-style-type: none"> <li>Jambi: 2,000 ha</li> <li>East Kalimantan: 6,500 ha</li> </ul>	<ul style="list-style-type: none"> <li>Jambi: 2,879 ha</li> <li>East Kalimantan: 8,858 ha</li> </ul>	<ul style="list-style-type: none"> <li>Jambi: 2,879 ha</li> <li>East Kalimantan: 8,858 ha</li> </ul>
<b>Improved Rural Livelihoods</b>	Number of smallholder rubber farmers engaged as part of the CPP (part time and full time). These are farmers, not employed by RLU, but that have an agreement which defines some type of transaction between services and products (rubber).	Not available	<ul style="list-style-type: none"> <li>Jambi: 33</li> <li>East Kalimantan: 300</li> </ul> Total: 333	<ul style="list-style-type: none"> <li>Jambi: 213</li> <li>East Kalimantan: 398</li> </ul> Total: 611
	Number of smallholder households impacted by RLU CPP (to be calculated as no. of farmers x 5 given assumptions re. average household in Jambi).	Not available	1,655 persons	2,110 persons
	Number of farmers receiving training from RLU	266	804	<ul style="list-style-type: none"> <li>Jambi: 263</li> <li>East Kalimantan: 198</li> </ul>
	Number of farmers selling rubber into the RLU supply chain	Not available	333	413
	Number of jobs created under the Community Partnership Program (CPP)	Not available	Not available	Not available
	Number of jobs created outside rubber under the CPP (to include those jobs associated with local suppliers).	Not available	Not available	<ul style="list-style-type: none"> <li>Jambi: 35</li> <li>East Kalimantan: 163</li> </ul>
	Number of direct job created	<ul style="list-style-type: none"> <li>Jambi: 3,579</li> <li>East Kalimantan: 851</li> </ul> Total: 4,430	<ul style="list-style-type: none"> <li>RLU permanent employees: 1,042</li> <li>Daily labour: 3,278</li> </ul> Total: 4,320	<ul style="list-style-type: none"> <li>Head Office: 45</li> <li>Jambi: 3,302</li> <li>East Kalimantan: 912</li> </ul> Total: 4,259
	Salary range of direct RLU employees	<i>Above provincial minimum wage standard</i>	<i>Above provincial minimum wage standard</i>	<i>Above provincial minimum wage standard</i>
<b>Biodiversity Protection and mapping of threatened/endangered species</b>	No. of conservation programmes implemented	Four (4) programmes: <ul style="list-style-type: none"> <li>Forest Protection</li> <li>Wildlife Conservation Area</li> <li>Human-wildlife Conflict</li> <li>Wildlife Monitoring</li> </ul>	Four (4) programmes: <ul style="list-style-type: none"> <li>Forest Protection</li> <li>Wildlife Conservation Area</li> <li>Human-wildlife Conflict</li> <li>Wildlife Monitoring</li> </ul>	Five (5) programmes: <ul style="list-style-type: none"> <li>Forest Protection</li> <li>Wildlife Conservation Area</li> <li>Human-wildlife Conflict</li> <li>Wildlife monitoring</li> <li>Restoration (only in Jambi)</li> </ul>
	Number of species protected	5 Critically Endangered Species: <ul style="list-style-type: none"> <li>Elephant (<i>Elephas maximus sumatranus</i>)</li> <li>Tiger (<i>Panthera tigris sumatrae</i>)</li> <li>Orangutan (<i>Pongo pygmaeus morio</i>)</li> </ul> 2 Endangered species: <ul style="list-style-type: none"> <li>Mitred monkey (<i>Presbytis melalophos</i>)</li> <li>Malayan Tapir (<i>Tapirus indicus</i>)</li> </ul>	5 Critically Endangered Species: <ul style="list-style-type: none"> <li>Elephant (<i>Elephas maximus sumatranus</i>)</li> <li>Tiger (<i>Panthera tigris sumatrae</i>)</li> <li>Orangutan (<i>Pongo pygmaeus morio</i>)</li> <li>Helmeted hornbill (<i>Rhinoplax vigil</i>),</li> <li>Yellow Meranti (<i>Shorea peltata</i>)</li> </ul> 4 Endangered species: <ul style="list-style-type: none"> <li>Mitred monkey (<i>Presbytis melalophos</i>)</li> <li>Wild dog (<i>Cuon alpinus</i>)</li> <li>Otter civet (<i>Cynogale bennettii</i>)</li> <li>Malayan Tapir (<i>Tapirus indicus</i>)</li> </ul>	7 Critically Endangered Species: <ul style="list-style-type: none"> <li>Elephant (<i>Elephas maximus sumatranus</i>)</li> <li>Tiger (<i>Panthera tigris sumatrae</i>)</li> <li>Helmeted hornbill (<i>Rhinoplax vigil</i>),</li> <li>Yellow Meranti (<i>Shorea peltata</i>)</li> <li>Gaharu (<i>Aquilaria beccarain</i>)</li> <li>Orangutan (<i>Pongo pygmaeus morio</i>)</li> <li>Meranti (<i>Dipterocarpus tempehes Slooten</i>) (Endemic)</li> </ul> 8 Endangered species: <ul style="list-style-type: none"> <li>Mitred monkey (<i>Presbytis melalophos</i>)</li> </ul>

TLFF Objective	KPI	2018 Data	2019 Data	2020 Data
				<ul style="list-style-type: none"> <li>Wild dog (<i>Cuon alpinus</i>)</li> <li>Otter civet (<i>Cynogale bennettii</i>)</li> <li>Malayan Tapir (<i>Tapirus indicus</i>)</li> <li>Bornean gibbon (<i>Hylobates muelleri</i>)</li> <li>Proboscis Monkey (<i>Nasalis larvatus</i>)</li> <li>Clouded leopard (<i>Neofelis diardi</i>)</li> <li>Kapur (<i>Dryobalanops oblongifolia subsp. occidentalis</i> P.S.Ashton)</li> </ul>
	Hectares of wild life conservation areas protected	8,198 ha	Approx. 9,700 ha (round up)	Jambi: 9,678 ha
	Hectares of conservation habitats protected within the concessions	<ul style="list-style-type: none"> <li>Jambi: 18,370 ha</li> <li>East Kalimantan: 9,983 ha</li> </ul>	<ul style="list-style-type: none"> <li>Jambi: 18,370 ha</li> <li>East Kalimantan: 9,983 ha</li> </ul>	<ul style="list-style-type: none"> <li>Jambi: 18,926 ha</li> <li>East Kalimantan: 9,983 ha</li> </ul>
	Patrol coverage and reporting on illegal activity findings overtime.	<p>Patrol coverage:</p> <ul style="list-style-type: none"> <li>Jambi: 125,893 km</li> <li>East Kalimantan: 84,286 km</li> </ul> <p>Illegal activity reporting:</p> <ul style="list-style-type: none"> <li>Jambi: 22 reports</li> <li>East Kalimantan: 53 reports</li> </ul>	<p>Patrol coverage:</p> <ul style="list-style-type: none"> <li>Jambi: 107,305 km</li> <li>WCA: 59,261 km</li> <li>East Kalimantan: 81,767 km</li> </ul> <p>Illegal activity reporting:</p> <ul style="list-style-type: none"> <li>Jambi: 4 reports</li> <li>East Kalimantan: 5 reports</li> </ul>	<p>Patrol coverage:</p> <ul style="list-style-type: none"> <li>Jambi: 83,015 km</li> <li>WCA: 37,726 km</li> <li>East Kalimantan: 42,796 km</li> </ul> <p>Illegal activity reporting:</p> <ul style="list-style-type: none"> <li>Jambi: 4 reports</li> </ul>
<b>Reduced emissions from prohibitions on slash and burn in landscapes</b>	Number of trees planted	<ul style="list-style-type: none"> <li>Rubber trees planted: 1,100</li> </ul>	<ul style="list-style-type: none"> <li>Rubber trees planted: 10,000,000</li> </ul> <p>Restoration:</p> <ul style="list-style-type: none"> <li>1,113 native trees planted in Conservation Area BU3-4 and 1</li> <li>121 trees planted in Conservation Area BU1-2</li> </ul> <p>Nursery:</p> <ul style="list-style-type: none"> <li>3,132 seedlings (BU4 Ranger's Station)</li> <li>3,796 seedlings (BU1 Arboretum)</li> <li>180 seedlings in BUS</li> </ul>	<p>Rubber trees planted: 11,318,033</p> <p>Restoration:</p> <ul style="list-style-type: none"> <li>1,827 trees planted in Conservation Area (Jambi)</li> <li>1,947 trees planted in Conservation Area (East Kalimantan)</li> </ul> <p>Nursery:</p> <ul style="list-style-type: none"> <li>9,051 seedlings (Jambi)</li> <li>228 seedlings (East Kalimantan)</li> </ul>
	Number of fires registered (as reported to the authorities)	Not available	<p>Jambi</p> <ul style="list-style-type: none"> <li>LAJ: 73</li> <li>WMW: 19</li> </ul> <p>East Kalimantan</p> <p>MKC: 16</p>	<ul style="list-style-type: none"> <li>Jambi: 101</li> <li>East Kalimantan: 4</li> </ul>
	Number of hectares burnt (if any)	Not available	<ul style="list-style-type: none"> <li>Jambi: 101.04- ha</li> <li>East Kalimantan: 42 ha</li> </ul>	<ul style="list-style-type: none"> <li>Jambi: 37.05 ha</li> <li>East Kalimantan: 3.57 ha</li> </ul>
	Carbon footprint (in tCO2e)	Total: 12,836	<ul style="list-style-type: none"> <li>Jambi: 860,189</li> <li>East Kalimantan: 231,343</li> </ul>	<ul style="list-style-type: none"> <li>Jambi: 860,189</li> <li>East Kalimantan: 231,343</li> </ul>
	Greenhouse gas emissions absorbed by protected forest, planted trees (in tCO2e)	<ul style="list-style-type: none"> <li>Plantation: 365,106</li> <li>Forest: 123,286</li> <li>Total: 488,395</li> </ul>	Jambi and East Kalimantan: 628,846	Jambi and East Kalimantan: 1,370,628