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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 threatened 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 channelled 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. The bulk of previous ESG monitoring reports has been taken up with the progress reporting in the ESAP table, and the ESMS table, in which there is redundancy. Additionally, reports have provided priority recommendations, though these are not captured, tracked, and reported in either the ESAP or ESMS tables. The complexity in maintaining the associated ESMS and ESAP matrices is considered a high risk for RLU, given that this knowledge is largely held by a few key individuals at a corporate level in the Company. Understanding of, and effective use of these matrices from an operational perspective is important in driving RLU's compliance journey towards full compliance with IFC PS. Ramboll has focused on reducing complexity, through presenting a consolidated table for the ESAP and ESMS. The table may be further developed / utilised for RLU's use via Excel spreadsheet which can be "sorted" to attribute findings / actions to requirements, by priority, or by compliance status.
- 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 IFC PS. 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. The establishment of this position in 2020 is to be commended. There remain challenges associated with implementing document controls and effective file organisation across the three locations (Jakarta, Jambi, East Kalimantan). There is a high need to ensure effective documentation protocols as a complement to the focus on implementation required through 2021. The challenges described above for personnel in implementing document protocols points to a lack of available capacity in terms of resources on site to support this requirement. The engagement or nomination of dedicated support personnel on site may assist in addressing this problem. In addition, regular ongoing training of personnel to better understand the systems developed and implement them on the ground is considered essential.

- 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. ESAB meeting is conducted quarterly. Following each ESAB meeting, a written report is to be prepared to provide progress update on the implementation of RLU's ESMS and ESAP to the Board of Commissioners. Other key E&S performance KPIs (TLFF and Green) which are an important component in demonstrating RLU's sustainability and successful implementation of Environmental and Social Management goals are also included in the quarterly report for monitoring and tracking purpose. The ESAB reports were provided for review and confirmed that the meetings were held regularly as planned. The independent assessment of RLU's ESG performance was last conducted by Daemeter Consulting and the final version of that annual ESG report was issued in March 2020. Although the year 2020 is impacted by COVID-19 pandemic, the annual ESG audit 2020 was undertaken as planned. The IFMP for RLU was developed in 2018 as part of Environmental and Social Detailed Evaluation. The objective of the IFMP is to articulate the impact of RLU's ESG commitments and initiatives on spatial land use planning. The IFMP is an integrated land use plan which links to RLU's Business Management Plan for Utilization of Timber Products in Natural Forests which is subject for yearly review by the Ministry of Forest. In IFMP, thirteen (13) KPIs and sixteen (16) KPIs for spatial and land use management have been developed for Jambi and East Kalimantan concession, respectively, used for monitoring of the IFMP implementation and its effectiveness of land use plan. It is however noted that not all of the KPIs are listed in the ESAP monitoring dashboard. In reference with the list of KPIs to be included in the ESAB Quarterly Report provided in the ESAP Monitoring Document, December 2020, there are: (1) five (5) KPIs that are currently included in the monitoring plan and status provided; (2) three (3) KPIs that are currently included in the monitoring plan but unclear if status monitoring is underway; and (3) Seven (7) KPIs that are included as part of monitoring plan in the IFMP but not included in the ESAP monitoring document. Given that some of the KPIs listed in the IFMP are not included in the current monitoring plan, the 2018 IFMP should subject a review on its KPIs as it will impact the monitoring data to be provided in the yearly Business Management Plan for Utilization of Timber Products in Natural Forests. The KPIs to be articulated in the IFMP should better streamline with other wildlife conservation plans, i.e. Biodiversity Management Plan (BMP) and Wildlife Conservation Area (WCA) Management Strategy, and be consistent on monitoring requirements so as to avoid complexity in terms of maintaining and reporting on these KPIs.
- PR 5 – Review of Company-wide SOP Requirements and Training. RLU has a Training Resource Matrix in place with different areas of focus. One of these areas is SHE (Safety, Health and Environment). The SHE Training Matrix which is developed as part of RLU's Training Resource Matrix has adequately identified the training needs of each role and responsibility within the RLU organisation. The SHE Training Matrix incorporates SOP-specific training covering general SHE topics; Occupational Health & Safety Management System (locally known as SMK3);

Motorcycle, Vehicle & Heavy Equipment Operation; Work Permit; Isolation & Lockout; Working at Height; Confined Space, Working near Water; Lifting & Supporting Loads; Environment; and Emergency Preparedness and Response. It is noted that HR department plays a valuable role in collating training needs for the entire organization but rely heavily on site team leaders to identify the training needs of individuals in their teams. The current practice on training plan execution is that the site team leaders will respond to training request on the expected number of employees to be sent for training. There appears to be a lack of systematic approach to efficiently track individual employee's training records as the current practice is to rely on the training attendance sign-in sheet per training module to counter check if any employees failed to turn up. It is unclear if an employee completes all the required training within a stipulated timeframe and what trainings have been assigned to him/her. The training report 2020 documents external training needs for individual employees however it does not provide a clear picture as to whether the listed employees have completed the required training as identified in the SHE Training Matrix. As a result of incomplete training completion data collected from each site team leader, the training report provides limited information to make meaningful comparison on the progress of actual training vs planned training. The training plan schedule developed in the Training Resource Matrix is noted for soft competency skills, i.e. problem solving & decision making, planning & organizing, leadership etc., however SHE topic training requirements are not clearly defined. Without the identification of training frequency and planned training schedule, it is unclear the availability of each training module, target completion dates, and whether interval refresher training is required, the use of training matrix is thus less effective in tracking and monitoring of employee's proficiency and training completion status in relation to SHE.

- PR 6 – Improve ESAB effectiveness through more effective ESAB meetings. RLU have implemented the recommendations outlined in 2019 in full. Interviews with RLU and Environmental and Social Advisory Board (ESAB) members confirmed the actions have been substantially addressed. This includes the appointment of an independent chairperson in March 2020. Furthermore, minutes of ESAB meeting were reviewed noting the recognition members as to improvements in the governance thereof.
Another key improvement is the establishment of working groups within the ESAB to better streamline and facilitate specialist input on topics.
- PR 7 – Establish ESMS/ESAP Protocols. RLU established an ESAP Monitoring Protocol to set out clear ESAP auditing process and timelines. Key dates for important deliverables related to ESAP are outlined in the Protocol. No deficiencies were noted in relation to the protocol.
- PR 8 – Establish Follow-up Protocols for ESG Report Recommendations. There is no specific follow-up protocol established for ESG report recommendations. ESG report recommendations are incorporated into ESAP to allow for consistent monitoring and status tracking following the ESAP Monitoring Protocol. According to ESAP Monitoring Protocol, any status changes/ updates of each ESAP item will be provided by various departments to the appointed ESAP Manager who is responsible for maintaining a 'live ESAP file' and monthly monitoring against ESAP deliverable is conducted. No deficiencies were noted in relation to follow-up practice on 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: There remains a clear gap in identification and description of vulnerable groups and provision of differential mechanisms for their engagement. Vulnerable groups are variably identified in RLU documents.

- SEP Work Plan / Programme: Another gap in the SEP is the lack of an associated work plan or programme of engagement, outlining and operationalising engagement activities, including identifying stakeholder group, engagement methods, frequency, materials to be used, location, responsible person or organisation, and date / timing.
- Documentation and Evidence of Consultation and Engagement: RLU is considered to have made substantial efforts over 2020 to drive documentation and collection of evidence of engagement in a systematic manner to demonstrate that established mechanisms are meeting objectives. There remains considerable effort required to further embed documentation and evidence protocols, particularly Free, Prior and Informed Consent (FPIC) processes.

Site Visit: The site visit included consultation with stakeholders including IPs (and IP women). RLU consultation processes were corroborated to be in place and well regarded by those consulted, particularly the coordination and conduct of bi-monthly meetings. There is an opportunity to use the bi-monthly meetings to conduct further discussion on and disclosure of social risks and impacts, as well as strengthen discussion on mitigation measures in these forums. The site visit also validated the challenges in conducting effective engagement during the COVID-19 pandemic. IPs were noted to have moved further into the forest, seeking refuge from COVID-19. This has made it very difficult for RLU conduct effective engagement as intended for 2020. RLU also highlighted that engagement activities with IPs have not been as regular as envisaged in 2020, in respect of IP wishes to limit engagement with outsiders due to COVID-19. Engagement was mostly conducted in Q3 when IPs returned from the forest and with the support of the COVID-19 prevention program through socialization and provision of supplies.

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): There is only a high level mention of ICP and Free, Prior and Informed Consent (FPIC) under the guiding principles noted in the SEP and in the CPP – Smallholder In-Situ Prototype Update, and no description of an overall strategy and / or plan for how ICP is implemented as part of the CPP. This should be detailed in the SEP (with appropriate cross-referencing) where it is at present nominally mentioned in the SEP.
 - Plan and Budget for Expansion: A P4F produced CPP Concept Note details the proposed expansion plan for the CPP Smallholder In-Situ Programme. This Concept Note should be "owned" by RLU and incorporated effectively into the 2020 CPP Smallholder In-Situ Prototype document. The CPP – Smallholder In-Situ Prototype Update document is not considered to deliver a plan for expansion including socialisation, eligibility criteria, efforts to include women (though it is noted that the Concept Note targets 30% of beneficiaries would be women and vulnerable groups), locations, and organisational structure, credit and repayment provisions, among others. The focus has rightfully up to this point been on establishing the programme, and attention needs to fast turn to putting robust expansion plans and provisions in place that will safeguard the existing implementation

- and facilitate effective expansion to underpin RLUs impact mitigation and benefit sharing measures.
- Support from P4F and IDH to drive the CPP program in 2020 has been instrumental in bolstering the CPP and capacity of RLU team both strategically and functionally on the ground. However, the ability of RLU in terms of available resources to implement an ambitious expansion plan, while also focusing on embedding and operating the existing programme is a key risk to the Project. Planning should encompass phased engagement of additional qualified personnel to enhance RLU's capacity on the ground to ensure long-term effectiveness.
 - The revision has addressed the recommendation to provide more robust monitoring, including output and impact indicators. Furthermore, a focus on gathering gender disaggregated data as part of monitoring is commended, however a commensurate focus on mechanisms in place to support women (and other vulnerable groups) to benefit from the programme is not currently apparent. The absence of documented mechanisms and provisions in place, risks women's needs and priorities as integral participants in the scheme not being met.
- Site Visit: The site visit found that the understanding of the CPP among key figures such as villages elders, community leaders and government representatives in these villages is critical in the uptake and success of the CPP activities. These community leaders then help educate other community members to navigate the land return process and assist them in participating in the CPP program. The community leaders interviewed as part of the monitoring were broadly supportive of the CPP and recognized its benefits. The ability for RLU to garner further support for and uptake of its CPP is seen as critical to the ability of RLU to reach its land return targets. Targeting awareness raising and engagement around themes of social inclusion and potential for livelihoods improvements, as well as on the successes of RLU's CPP pilot programme through using trusted community networks is an important way that RLU may drive this programme.

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.
- Site Visit: The site visit provided an opportunity to verify awareness of the grievance mechanism among communities. Feedback from limited interviews (due to COVID-19) indicated awareness of the Grievance Mechanism among those interviewed. Interviews also revealed the importance of the Community Forum as well as direct engagement and interactions with Community Liaison Officers (CLOs) as a mechanism for engagement and grievance lodgment and redressal. RLU CLO's ability to provide regular and ongoing visits and opportunities for direct (and informal) engagement is therefore important and should be prioritised post-COVID-19 restrictions.
- 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 ¹	
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.

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

Priority Recommendations / Required Action¹

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.
17. 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).

PS 2: LABOUR AND WORKING CONDITIONSEmployee and Contractor Database:

The employee and contract worker database is still under development. It is understood from interviews with RLU that personal information of contract worker is challenging to collect and verify its real identity hence the delay in completing the database. Reportedly there were 2 or 3 cases in the past where RLU found out in 2018 that underage workers below 18 years old using fake identification card were employed to work in plantations. 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 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.

It is considered that RLU is at a critical juncture, whereby 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 TA, include:

- Lender / Advisor Comments (from November 2020): Comments provided on the Draft Land Return Framework by Lender expert review should be addressed. Many of these comments will require expertise and experience in implementing the provisions of IFC PS5 to address effectively.
- Vulnerability: There remains a gap in the consistent identification and description of vulnerable groups and individuals. Furthermore, vulnerability specifically in the context of land return is not considered, including the compensation strategy for vulnerable groups beyond IPs.
- Socio-economic Baseline and Risk Analysis: The lack of a comprehensive socio-economic baseline study and analysis of the Project's risks and impacts are key limitations in the ability of RLU to implement effective social impact management, central among which is the land return process which is necessarily predicated on such data. RLU recognises this and aims to conduct a socio-economic baseline study and risk analysis commencing in 2021. It is understood that RLU is working on Terms of Reference to engage a third party consultant to carry out the work. Social research should be undertaken to establish an as comprehensive as possible socio-economic baseline as soon as possible. The findings of the baseline will provide the data needed to analyse the Project's social risks and impacts at the time of the baseline study. It is considered that the most valuable way to capture and use the data gathered to drive future ongoing social impact mitigation and management is to work with a dynamic format such as a customised risk/impact assessment register on Excel Microsoft (included as an appendix to the SEP) that can capture also any additional or updated baseline data/findings, and what should be planned regular reviews of the project's identified social risks and impacts, and monitor social mitigation measures proposed in the relevant social frameworks and plans. Periodic summary reports, on an annual basis, for example, could be derived from such a register.
- Cut-Off Date: The proposed approach to establishing a cut-off date via satellite imagery is not considered entirely consistent with Good International Industry Practices (GIIP). IFC PS5, specifies that effective resettlement planning is predicated on a detailed socio-economic census and inventory of affected land and assets. Further, the cut-off date should also be adequately documented and communicated to affected households. A cut-off date for RLU could more reasonably be linked to the conduct of the social baseline. The priority of the planned social baseline studies cannot, therefore be over-stated. This is a key way in which the project can effectively mitigate the risks of opportunistic behaviour in relation to occupation of land. The Land Return TA should focus on assisting RLU to implement an approach that is in line with

good international practices, including a specific vulnerable people lens. This focus is also considered to provide social information on areas where risk of opportunistic encroachment are high, thereby assisting the land return process. In this way, baseline efforts and the use of satellite intelligence may work hand in hand, whilst also meeting the intent of IFC PS5.

- **Organisation Capacity to Implement Land Return:** The ability to practically implement newly developed and revised systems by the operational teams is considered to be the key challenge for RLU in 2021, and which the TA may be of primary value. While current site-based staffing appears adequate (with targeted land return achieved in 2020), the ability for the existing team at RLU to implement the revised requirements of the LRF consistent with GIIP, as well as an ambitious land return programme, whilst also facilitating the TA, is a concern. It is recommended that a review of on-site personnel numbers in light of the above are assessed and additional team members brought into the team.
- **Site Visit:** Interviews conducted as part of the site visit sought to establish and verify the mechanisms developed by RLU, including understanding thereof among community members. One of the interviewees highlighted that "LAJ has actively initiated the formation of a Conflict Resolution Task Force....LAJ's experience and learning obtained will be very good if it can be spilled to other companies around here". The ability of the Conflict Resolution Taskforce to continue to play a constructive and well-regarded role within the community will be of ongoing importance in the implementation of RLU's land return programme. The site visit consultations also emphasised the benefits both to RLU and local communities of effective socialisation of the process, provision of support to affected people in navigating the land return process, as well as transparency relating to compensation criteria. The site visit found that although interviews with the community confirmed the existence of effective processes in place, there was a lack of documentation / records of this consultation. This includes documentation and record-keeping of consultation that demonstrates FPIC (where IPs are concerned). Effective record-keeping is crucial to RLU's land return process success in the long-term.

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 / individuals are able to participate effectively in these activities.
3.	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.
4.	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.
5.	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).
6.	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.).
7.	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.
8.	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.
9.	Review, edit, test and approve survey questionnaires prior to the socio-economic baseline study, including their logic, content, and length.
10.	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 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. There are limitations in the documentation of consultation with OR to demonstrate FPIC per IFC guidance, as noted in the ESG Annual Audit Report 2019. Inconsistent documentation thereof was recognised in interviews with RLU and their IP consultants during interviews. Whilst these shortcomings are noted here, it is considered that the more important focus should be on ensuring that the upcoming programme of socio-economic baseline studies and risk analysis are conducted appropriately to effectively demonstrate FPIC.
- Site Visit: Interviews with IP group members during the site visit indicated encouraging feedback on the value of the RLU bi-monthly community consultation forums. In addition, interviewees indicated that "live in" activities of RLU, where RLU CLOs and IPs team members have spent longer periods of time with the IP groups have been effective in fostering mutual understanding, including of the preferences, needs, and challenges of the OR. Women from IP groups interviewed specifically identified the RLU project facilitating the attainment of birth certificates for children as a valuable initiative.
- 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 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"> - 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. - 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). - Specify the grievance mechanism in relation to Ips (and specific provisions / considerations therein to ensure its accessibility). - Outline the budget for implementing the IP Plan and timeline of activities should be further specified. - 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). - Specify impact indicators in the IP Plan, in addition to the existing output monitoring indicators.
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.