

PT Royal Lestari Utama Landscape Protection Plan

19 FEBRUARY 2019

Disclaimer:

The numbers represented in this plan are derived from a 2016 LIDAR survey, the August and October 2018 Surface Land Use Statements, and internal calculations. Numbers are indicative and may change over time.

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PT Royal Lestari Utama Landscape Protection Plan

1. Summary

PT Royal Lestari Utama Project (“PT RLU”), is a joint venture between an affiliate of Indonesia’s Barito Pacific Group (51%) and French tire company, Groupe Michelin (49%), that involves three Industrial Forest Plantation (HTI¹) concessions with a total area of 91,511 hectares (ha) in the provinces of Jambi and East Kalimantan, Indonesia.



Figure 1: Overview of Jambi and East Kalimantan concessions location in the wider geographic context

The RLU JV was established in Dec 2014 with the vision of building “Integrated Sustainable Natural Rubber Plantations in Sumatera and East Kalimantan” where roughly half the land area is set aside for smallholder rubber cultivation, conservation, restoration and additional livelihood opportunities. At maturity, the expected 34,000 hectares of planted commercial rubber and 7,000 hectares of smallholder plasma rubber will meet around 10% of Michelin’s global natural rubber supply. Michelin has committed to purchasing at least 75% of production from the plantations. Financing for the 1st phase rubber plantations, in the form of Sustainability Notes sold to the global capital markets, is being provided to RLU through the Tropical Landscapes Finance Facility (“TLFF”), an initiative supported by the Government of Indonesia and facilitated by the United

¹ HTI means Hutan Tanaman Industri (Industrial Planted Forest) and is the terminology used by the Indonesian Government for plantation forests. According to existing law, a maximum of 70% of the land area can be developed for commercial crops, a minimum of 20% for community livelihood development and a minimum of 10% for conservation.

Nations Environment Programme, the World Agroforestry Centre, ADM Capital and BNP Paribas. In all, 18,000 ha of commercial sustainable rubber have been planted so far across the RLU concessions in Jambi and East Kalimantan.

RLU is operating in tropical rainforest landscapes which, in their natural state, support high levels of biodiversity and provide ecosystem services of global importance. RLU is working to develop a best-in-class project for sustainable land-use through identification of set aside and conservation areas in collaboration with WWF, engagement of communities under a Community Partnership Program (“CPP”), restoration of critical habitat, and shared responsibility with other parties in the landscape. The largest part of the project covers rubber plantings in two RLU concessions totalling 71,872 hectares in Jambi (LAJ and WMW) that will create a buffer zone to the heavily encroached south of the itself highly threatened Bukit Tigapuluh National Park (“BTPNP”), located partly in Jambi province. This will help safeguard important biological diversity in the BTPNP and avoid emissions from slash and burn practices by illegal encroachers, many of them land speculators.

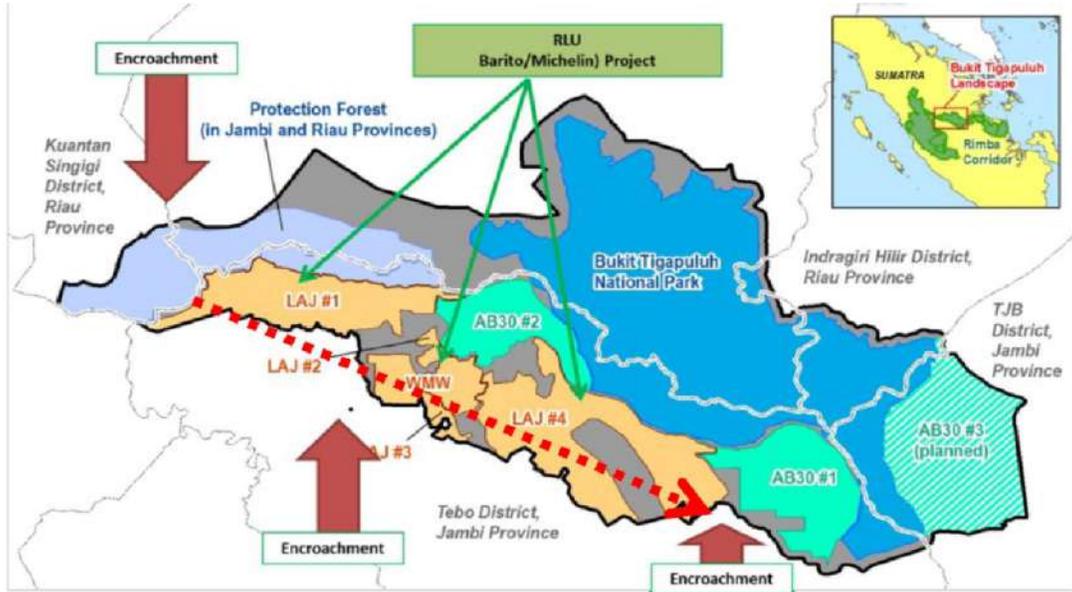


Figure 2: Landscape situation Jambi.
 Grey areas are areas not under concession.

A third concession (MKC) of 19,639 hectares is located in East Kalimantan, where RLU has also built a re-milling facility, the first in the province.

In the landscape context both concessions in Jambi and East Kalimantan have suffered severe deforestation and degradation over the last two decades from illegal encroachment, slash & burn practices, migrants & illegal development of oil palm plantations and illegal logging. A logging

road built through the concession starting in 2006 to connect timber plantations with plywood facilities in Riau speeded up encroachment in the region.

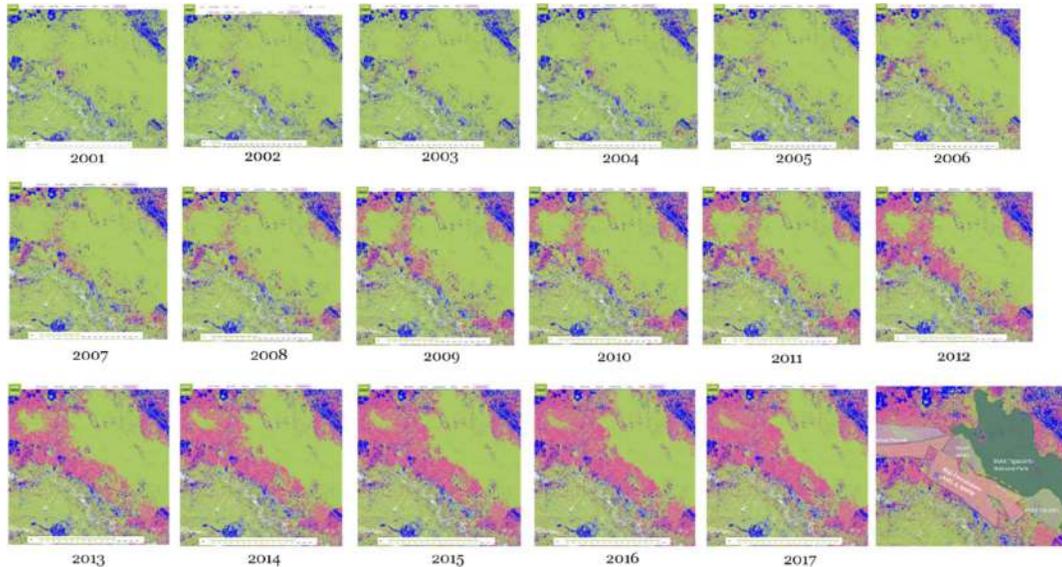


Figure 3: Time series showing the cumulative progress of deforestation in the landscape between 2001-2017

(Source: Global Forest Watch, adapted)

Beyond the direct conservation and restoration of forest benefits, to help diminish pressure on the remaining forested areas across the landscapes, the intent of the project’s sustainability strategy is to generate better and sustainable livelihoods for approximately 10,000 households (50,000 people given an average family size of 5), via smallholder development, the RLU supply chain and other means.² At plantation and remilling maturity it is estimated that approximately 16,000 people will benefit from direct employment by RLU. An additional 3,500 smallholders should also benefit from plasma rubber development in the concessions.

The 71,872 ha **Jambi concessions**, in particular, are significant as they form part of a wider Bukit Tigapuluh Sumatra (Jambi and Riau provinces) landscape of 400,000 ha, including two PT Alam Bukit Tigapuluh (ABT) ecosystem restoration concession blocks. Of the 400,000 only 230,000 ha still contain forest cover. The RLU and ABT concessions (38,000 hectares) form a contiguous and critical buffer to protect the 143,000 ha Bukit Tigapuluh National Park from encroachers, many seeking to illegally plant oil palm and rubber to supply a wide range of mills in the wider landscape. High Conservation Value (HCV) assessments for both RLU Jambi concessions were undertaken in

² Household Size assumptions background: Based on RLU public affairs community needs assessment looking both inside the RLU concession and surrounding areas: **Jambi:** Inside concession: household income IDR 1.4 million - 2 million, one household consists of 5 family members approximately. Surrounding concessions: household income IDR 2 million – 2.5 million, household consisting of 5 family members approximately. **East Kalimantan:** Approximately same each HH have 3 children or more. Therefore even though the Indonesia household standard is 2 children, based on our field assessment we found that on site most families have > 2 children.

2015. The assessments indicated the presence of 51 wildlife species protected under Indonesian regulation PP No.7/1999, 38 species under CITES Appendix II, and 180 species under the IUCN Red List. Species of global importance include the Sumatran elephant, Sumatran orangutan and Sumatran tiger. The total HCV area identified for one RLU concession, WMW, comprises mainly buffer zones to government protected areas, river buffer (riparian) zones and culturally important forests. In total across both Jambi concessions, LAJ and WMW, the HCV assessments identified 13,792 ha (including areas controlled by RLU and those claimed by smallholders) to be managed to protect conservation values. Along with other High Carbon Stock (HCS) and mandatory set-aside areas, RLU, based on consultation with WWF, classifies these conservation areas as “No-Go” zones. In total, the no-go areas, as delineated, represent 18,370 ha, or 26% of the total concession area. However, due to damage by fire and conversion to agriculture by encroachers, recent data (according to LIDAR (2016) and Sentinel (2017) satellite imagery) indicates that only around 3,761 ha of the “No-Go” zones are intact, largely secondary, forest.

Also held by RLU are concessions equalling 19,639 ha in **East Kalimantan**-Timur (Borneo) where to date, 4,649 ha have been planted with rubber with a final target of 5,649 ha. There are similar challenges associated with land/forest protection and need for employment in the Kalimantan rubber project area, which is dominated by secondary lowland tropical forest with sparse remnant primary forest trees. Nevertheless, the MKC concession area maintains considerable ecological importance. HCV and HCS assessments, conducted in 2015, showed that wildlife was still abundant on 9,375 ha of HCV/HCS area. The original medium and large fauna was found to be relatively intact. Forested hilltops and riparian zones within both blocks provided important habitat for the critically endangered Bornean orangutan. Sambar deer, sun bear and the clouded leopard still inhabit the concession. According to satellite image analysis in 2017, natural forest cover accounts for 7,822 ha, while oil palm has been planted by communities on 903 ha. Based on HCV/HCS assessments, RLU has established 9,983 ha of “No-Go” zones. The Borneo concession is divided into two blocks, with 50% of Block 1 and 51% of Block 2 as HCV/ HCS areas.

Analysis by Proforest, Cirad and Daemeter in 2017 noted that a significant proportion of the forest loss in Jambi occurred between 2010 and 2017, some of this while the concessions were already under license to RLU. As previously noted, this was in part driven by newly opened road access and speculation hoping for future land compensation. It is important to note, however, that the RLU JV between Michelin and a subsidiary of PT Barito Pacific was formed only in December 2014. Controlling a population and encroachers in an already complex landscape takes time and must include swift commercial planting as well as employment of people, and a Community Partnership Program, to establish control. The report by the Daemeter consortium explains that within LAJ, much of the land that RLU would like to plant, as well as areas of High Conservation Value (HCV), are not yet under the full control of the company. In essence, RLU took over concessions with significant historical challenges primarily due to illegal occupation by settlers from outside the area and customary land claims staked by local communities. In addition, there are acute problems in

maintaining critical wildlife habitat for elephants and other endangered species due to ongoing expansion by farmers and land speculators. This highlights the critical need for RLU to apply new business practices that support sustainable use of the land across all key pillars: Social, environmental and commercial.

Working with WWF, RLU has voluntarily set aside areas representing more than half the concessions for the protection of High Conservation Value and High Carbon Stock land in order to facilitate and catalyse the transition to a sustainable landscape. In these set-asides for protection, RLU will not develop the concession. RLU has set itself targets for acquiring control over these areas, differentiated according to the nature of the areas and including areas currently still forested. Such control would result in active conservation and restoration of the area in question.

Table 1: Concession Control Targets

Landscape element delineated for protection	Control target 2033
Jambi (total)	45%
HCV/HCS areas total	37%*
outside Wildlife Conservation Area (WCA)	20%
inside WCA	70%
WCA overall	65%
Riparian areas of small streams in RLU planting areas	100%
East Kalimantan (total)	90%
HCV/HCS areas	75%
Riparian areas of small streams in RLU planting areas	100%
Other (area currently farmed by land claimants)	20%

* by 2045 the control target is 60% (following the 2nd planting cycle)

The Company also collaborates with the Bukit Tigapuluh National Park and the WWF ABT ecosystem restoration concessions, which face challenges of their own from logging and other practices that are negative to the landscape.

External auditing teams (Daemeter) acknowledge that RLU understands the complexity of the landscape in which it is operating and has, over the last four years, been investing to establish capacity and develop procedures to appropriately manage the environmental and social components. These are covered by the Environmental and Social Monitoring System (ESMS), which includes an Environmental and Social Action Plan (ESAP) created in collaboration with TLFF and active participation of &Green. Performance against the ESAP and LPP are audited and reported upon annually.

Key additional documents and plans developed and to be implemented under the ESMS are the Community Partnership Programme (CPP) and the Integrated Forest Management Plan (IFMP). Additionally, a 9,700 ha Wildlife Conservation Area (WCA), comprising of existing protected area, areas for conversion from production to protected area (including write-off of planted rubber), riparian areas and a production zone (B1C), has been established in collaboration with WWF in the RLU concessions (LAJ) adjacent to the BTPNP. This partnership includes among its documentation an Action Plan for active protection of the area. Together, these documents describe the commitments of RLU in a scenario where the full business plan is implemented for the landscape under their direct control.

This Landscape Protection Plan serves the following purposes:

- Highlight the on-concession actions with landscape impact that RLU is committed to and provide a framework that will inform &Green's KPI framework, i.e. defining baseline, milestones and **outcome** targets for the delivery of Environmental Returns. RLU will work toward the outcome targets, while monitoring and reporting on progress relative to the milestones via its semi-annual and annual reporting.
- Describe the stakeholder collaborations that are critical for a successful, sustainable transformation of the wider landscape and describe RLU's commitments towards these stakeholders in an **output** scenario. This includes a quantification of indirect Environmental Returns to be attributed to the Project by &Green to validate the landscape impact of RLU's on-concession activities. RLU's commitment is on monitoring and reporting on progress relative to the on-concession milestones on an annual basis.

The landscape protection plan (LPP) provides a framework for RLU to, through their efforts, support actors at landscape level to help align the surrounding stakeholders' business practices and protection efforts with RLU's.

The company fully understands that without this collaborative protection, natural and secondary forest already under a high threat of encroachment will continue to be at high risk of being lost: Habitat areas for endangered species will be compromised, and underlying reasons for encroachment will not be tackled.

RLU, through this LPP, and its ESMS more broadly, will significantly contribute to the integrity and sustainability of seriously threatened natural and social environments and is making unilateral commitments of landscape benefit that ideally are matched by other actors in the landscape. On-going efforts in which RLU is participating will subsequently improve cooperation with key stakeholders operating in the landscape and this will strengthen landscape protection.

2. Project Area

Concession Areas

The RLU concessions cover 71,872 ha in the Jambi Province (Tebo District) and 19,639 ha in East Kalimantan, giving a total of 91,511 ha.

Figure 5 below shows the Jambi concessions. In combination with the map shown in Figure 2 above the strategic importance of the RLU concessions (LAJ #1-4, WMW) within the wider landscape can be seen with the PT Alam Bukit Tigapuluh (ABT) concessions (AB30 #1&2), the Bukit Tigapuluh National Park, and the Protection Forest (Limau Forest Reserve) to the north-west.

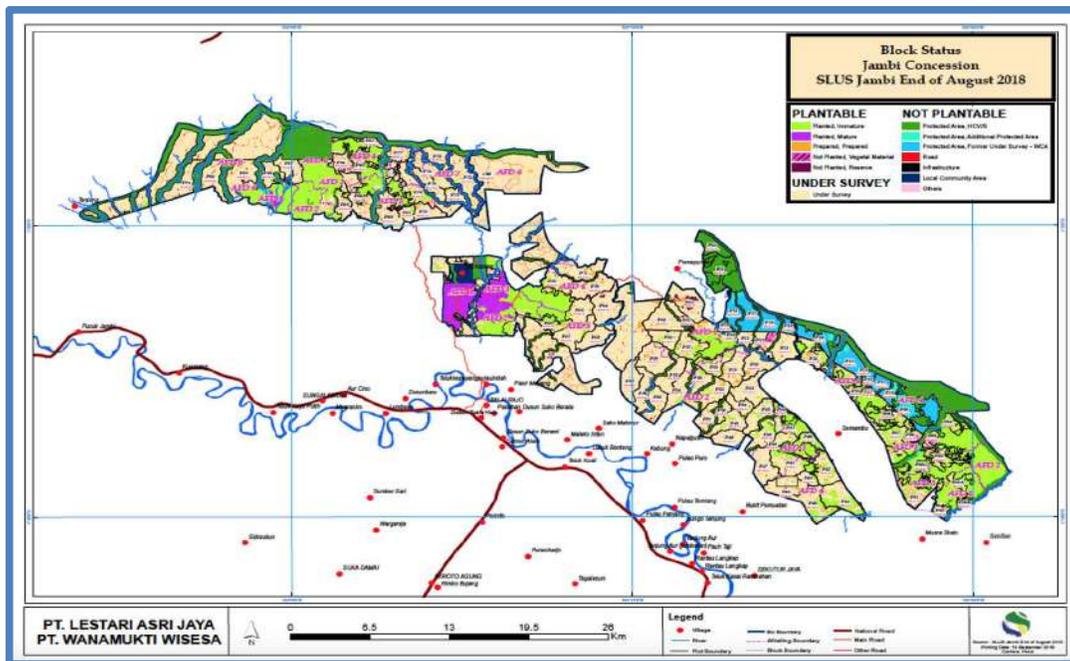


Figure 4: Jambi Concession Land Use (RLU, status August 2018)

The heaviest encroachment and deforestation has been coming from the South so that the RLU concessions are very important for the conservation of the remaining forest area. Encroachment from the North is under Riau jurisdiction, and while significant and a challenge for the landscape in the long-term, this needs to be tackled through collaboration with Riau local and provincial authorities and is beyond the area of influence of RLU.

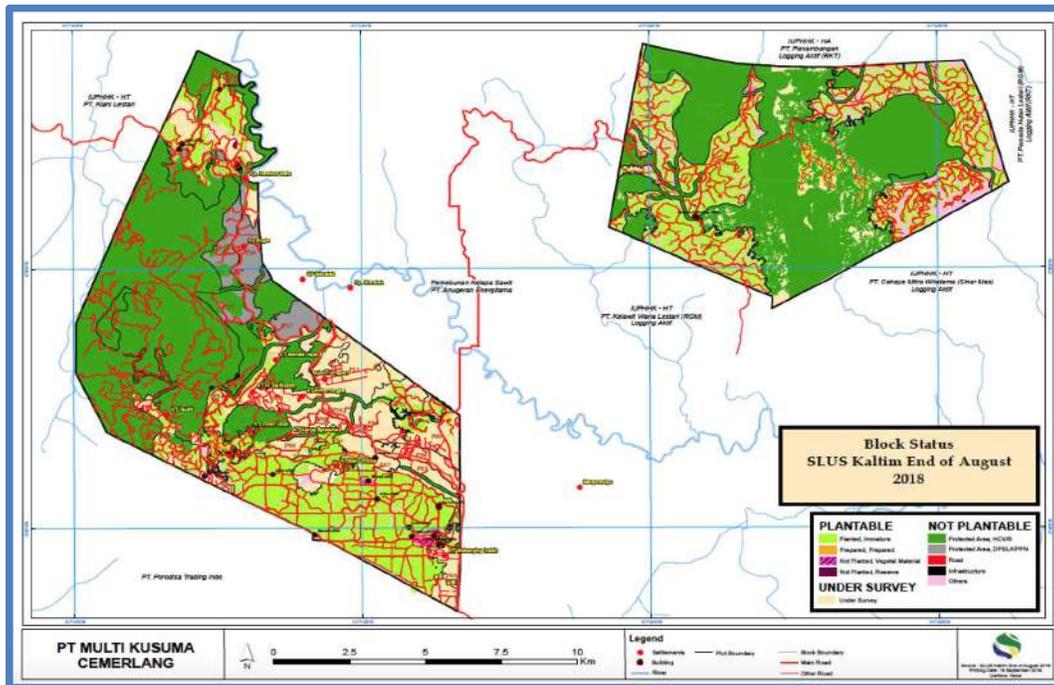


Figure 5: East Kalimantan Concessions
(Source: RLU, Status August 2018).

In East Kalimantan, the two RLU concession blocks are located to the north of Samarinda City. The majority of the land that RLU plans to establish has already been planted. Beyond this, there are areas claimed and illegally occupied for palm oil production by small to medium scale farmers due to the open access provincial road, which cut through the blocks. RLU has voluntarily set aside forested areas representing more than half of the concession area for protection of HCV/HCS. By restricting access and providing alternative livelihoods for local communities, RLU can have a major impact on preventing further deforestation.

Figure 6 shows planned land use. In total, RLU plans to establish a total of 34,649 ha of rubber plantation directly controlled by the company and a further 7,000 ha of smallholder plasma rubber. RLU direct planting (Nucleus area) would make up 37% of the total area which is far less than the maximum of 70% permitted by law. The protected area is 28,353 ha or 31% of the total concession area. Note that this is 20% higher than the minimum of 10% required by law.

A considerable proportion of the concession is designated as remaining for community development (including smallholder rubber) and other livelihood uses. This area, representing 32% of the concession (including the smallholder plasma), reflects the high number of people already living and obtaining a livelihood within the concession boundaries.

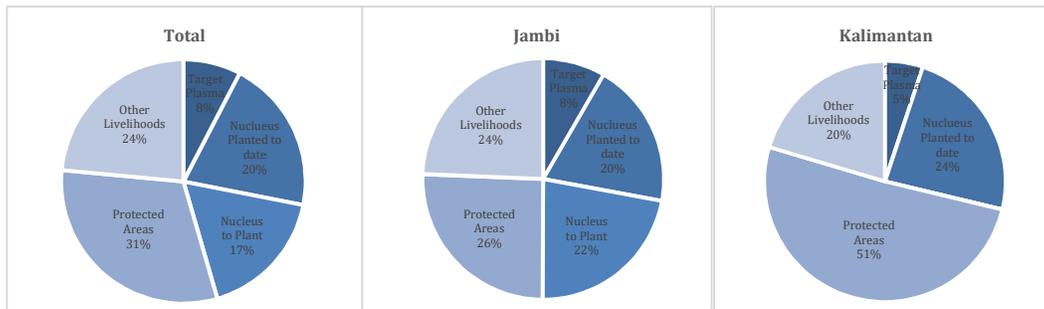


Figure 6: Targeted land use at maturity.

Source: Internal data from RLU, Q4, 2018

Current Land Use

An important part of the protected zone is the 8,200 ha Wildlife Conservation Area that is strategically located in the Jambi RLU concessions adjacent to the National Park. This area contains the only intact forest left on the Jambi concession (3,696 ha), and it provides the ‘missing link’ for wildlife, especially elephants, in the entire Bukit Tigapuluh Park landscape. The WCA has been under threat from unsustainable and/or illegal palm and rubber development.

It should be noted that 46% of the concessions (55% in Jambi and 15% in East Kalimantan) currently constitute the following land uses:

- Illegal palm oil plantations of various sizes and therefore various mechanisms for removal and compensation
- Scrubland, i.e. deforested land not currently cultivated and likely to be the result of illegal logging and/or land grabbing in the expectation of future compensation
- Infrastructure (villages, roads)

While the amount of currently remaining intact forest within the Jambi concessions is low, the key significance of this area is that as a productive buffer zone and through proactive landscape level planning within its concessions and “best in class” social and environmental management, including regeneration and restoration, the RLU concessions can play a major role in preventing further deforestation in the National Park and the ABT concessions as well as establish important corridor functions among them. These concessions can provide a barrier to further encroachment. The very high labour content in commercial rubber plantations, in combination with the planned outgrower and other community schemes for smallholders, will, in addition, provide viable alternative income sources for local people. At the same time, the improved rubber techniques from Michelin should lead to better efficiency of land use for rubber.

Landscape Elements

Dynamics in the landscape are determined by a number of elements. The map below shows the key production and protection areas in the landscape:

- Production: the RLU and other forest production concessions (red circled: TMA, WKS);

- Protection: two WWF Ecosystem Restoration Concessions (red circled: ABT), the Jambi-part of the national park (purple), the Jambi-part of the heavily-encroached Limau Forest Reserve (green); and
- remaining forest outside the park (light green).

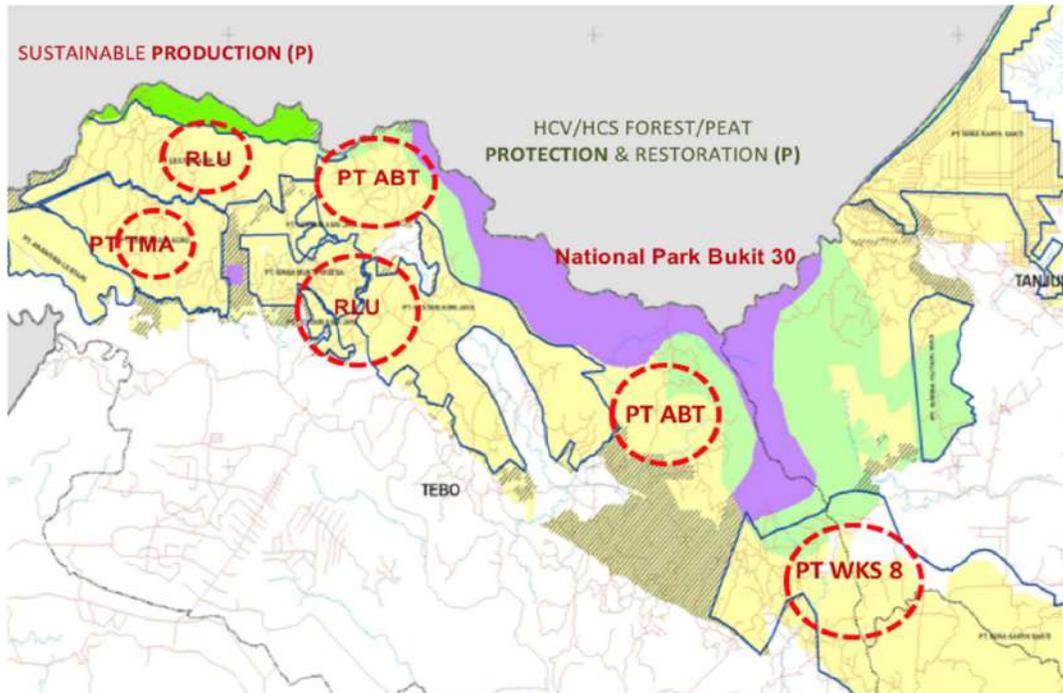


Figure 7: Production and Protection landscape elements in the wider landscape of the RLU concessions (Source: IDH)

As can be seen on the map, the RLU concession has a critical role in establishing a barrier to further encroachment from the Southern production areas towards the North where main protection areas lie. In areas beyond the concession, i.e. not under control of RLU, RLU strives to catalyse and facilitate forest protection, restoration and social inclusion. However successful outcomes depend on the actions of other actors in the landscape as well as existing governance frameworks at district, provincial and national level.

The landscape elements dedicated to conservation are: The Bukit Tigapuluh National Park (143,000 ha of which 33,000 ha in Jambi Province) is the most important forested area in the landscape. RLU is supporting conservation through the buffer function of the plantation along the southern border of the Park – the RLU Wildlife Conservation Area effectively closes the “gap” between the two existing buffer zones (ABT 1+2 – see more detail below). Additionally, RLU is conducting joint ranger patrols with the National Park Authorities, as well as reducing encroachment pressure through the provision of jobs and income generation opportunities for smallholders. A similar dynamic is valid for the Limau Protection Forest, a heavily degraded forest reserve to the North West. The RLU concession acts as a buffer for encroachment from the South. Like the National Park, the Limau Protection Forest straddles the provincial border between Jambi

and Riau with 2,800 ha in Jambi Province.

Also directly adjacent to the RLU concession, are the WWF-managed Ecosystem Restoration Concessions of 22,412 ha (ABT1) and 16,154 ha (ABT2). The Wildlife Conservation Area on the RLU concession will improve connectivity between the two ABT concessions and through the provision of livelihoods (jobs and smallholder opportunities), the RLU concession will help to reduce pressure on the ABTs.

Landscape elements that are dedicated to production, besides the plantation parts of the RLU concession, are other forest production concessions, as well as palm-oil plots held by local community members or land speculators (partially on community land, partially encroached on concessions). Challenges that require multi-stakeholder and in particular government involvement include road control to prevent illegal logging as well as solutions for oil palm smallholders with plantings on production or protection concessions.

Affected Communities and Social Return

At the time of the 2016 village survey undertaken by RLU there were more than 50,000 people officially resident in the 18 villages and two informal communities in and around the RLU Jambi concessions. The majority of people are migrants. There are two indigenous groups present in the area, Orang Rimba and Talak Mamak, who have relocated to areas within the WCA in recent years from areas further northwest in the BTP landscape and beyond. The most recent estimate available puts the number of people at 550 and 8,000 respectively. No detailed census of the concession areas exists today.

RLU, through direct employment and company CPP programmes will impact a large number of people, both on and off the concession. This comes from;

- Direct employment of labour for planting, maintenance and tapping and remilling, estimated to reach approximately 16,000 people in total
- Improved welfare and living conditions for direct labour. At least 5,000 employees residing in outlying areas of RLU's concessions will benefit from expanded access services that were previously inaccessible, including health care, housing and school facilities
- Livelihood opportunities for local communities through the planting of joint venture rubber plantations within the concession, estimated to reach 7,000 hectares, or 3,500 smallholders at on average 2 hectares each
- Market access for existing smallholder rubber farmers through RLU direct purchases
- Opportunity for the growth of secondary contracting services to support communities
- Improved welfare arising from the sustainable rubber industry, natural forest protection and restoration activities and improved access to health, education and ecosystem services
- The multiplier effect of employment and welfare through the increase of cash flow in the community

Through these processes, RLU estimates to provide significant social impact from directly employing up to 16,000 people (13,200 in Jambi and 2,800 in East Kalimantan) and positively impact the lives of a further 58,000 people (50,000 in Jambi and 8,000 in East Kalimantan) within and external to the project boundaries. The positive impact comes from the continuous and more resilient livelihoods from reforestation and regeneration-based adaptation activities along with sustainable smallholder cultivation, the majority of which will come from local and indigenous communities.

Causes of Deforestation

RLU, when taking on the entirety of the concessions in 2010, inherited a significant amount of historical deforestation and encroachment, including the social complexity. The two ethnic groups present in the area (Orang Rimba and Talang Mamak groups) had some role in deforestation. However, the main pressure came from migrants into the area. The population in and around the LAJ concession in particular grew rapidly in the years just prior to Barito taking over.

By the time a survey was undertaken in 2016, there were more than 50,000 people officially resident in the 18 villages and two informal settlements in and around the Jambi concessions. These people, and land speculators largely from North Sumatera, were eager to stake a claim in hopes of future land compensation or to clear land for food, palm oil and rubber. It was this collective pressure that primarily led to the rapid deforestation experienced between 2010 and 2017. Businessmen from outside of the immediate area actively sponsored land claims for small scale plantations, which further exacerbated the forest loss, as detailed in Eyes on the Forest investigations (<https://www.eyesontheforest.or.id>).

Natural forest clearance also expanded quite significantly following the construction of a logging highway in the Western part of the Bukit Tigapuluh landscape. The logging highway connects pulp and paper suppliers and mills in Jambi and Riau and, as a result, provides easier access for illegal activities to enter the forested area in the landscape leading to predictable deforestation.

Fire has also led to some forest loss within these concessions. Most fires resulted from slash and burn agricultural practices that rage out of control. Although unproven, some fires may have been set on purpose, as once burned, the land is easier to claim for conversion to illegal palm plantations. This is a well-known practice further south near the South Sumatra border.

Business as Usual Scenario

The “Business as Usual” scenario for this project varies between the two provinces. In **Jambi**, there may not be as much further large-scale deforestation and environmental impact within the concession boundaries but there would be a significant impact upon the overall landscape without the project, as well as regeneration in certain areas. While there are 18,370 ha of protected areas in the concessions, only 3,761 ha or 5% of the total, is intact forest. The likely major outcomes would be;

- Continued encroachment and forest loss within the concessions and Bukit Tigapuluh National Park
- Continued encroachment and forest loss within the WWF ABT concessions
- A lack of connectivity for wildlife within the greater Jambi landscape, leading to decreased ecosystem viability, habitat loss, and lower viable populations of key major species such as elephants and tigers, as well as uncontrolled poaching
- More forest loss through fire and easy access from the logging highway
- Lower community awareness of environmental impact leading to greater environmental damage through poor land use practices and wildlife conflict/poaching
- Continued social conflict as encroachers stake further claims

In *East Kalimantan*, the “Business as Usual” case differs in that there is a higher level of forest cover as a percentage of the total, at 48%. In Kalimantan, there are 9,983 ha of protected area, of which 7,823 ha is intact forest. In this case, the result of BAU would be;

- Continued loss of forest cover within the concession
- Loss of habitat for indigenous fauna
- Lower community awareness of environmental impact leading to greater environmental damage through poor land use practices
- More social conflict from continued encroachment

Stakeholder Consultation and Engagement

In the Project Area, there are existing landscape-level efforts to improve and consolidate landscape development and protection efforts. RLU has joined these efforts and is committed to active participation in order to maximise the landscape impact leveraged from the investment on its concession. At the same time, participation in wider landscape forums and linkages with key groups will be key to ensuring success in the company’s commercial ventures, its CPP and its ability to stem encroachment within the concessions.

Table 1: Existing Landscape Level Co-operations

<p>Cooperation Agreement between Bukit Tigapuluh National Park (BTPNP) and PT. Lestari Asri Jaya (LAJ) - a subsidiary of PT. Royal Lestari Utama (RLU)</p>
<p>The cooperation is relative to joint safeguards on the boundaries of Bukit Tigapuluh National Park (BTPNP) and the LAJ concession area. A Cooperation Agreement signed in May 2018, as a follow up of the Memorandum of Understanding signed in 2017, between RLU and BTPNP. The scope of partnership includes;</p> <ul style="list-style-type: none"> (1) <i>protection of the buffer zone between the national park and the LAJ plantation</i> (2) preservation of flora and fauna (3) ecosystem restoration and (4) community empowerment <p>It is expected that through this MoU, the team will improve the existing protection efforts through more intensive joint patrols. It is also designed to improve the team’s capacity through sharing of experiences and expertise from BTPNP officers to LAJ’s rangers.</p>
<p>Collaboration with WWF</p>
<p>The Wildlife Conservation Area (WCA) program aims to restore and preserve critical wildlife habitat, notably by ensuring sustained forested areas provide pathways for endangered wildlife species between the concession and the Bukit Tigapuluh Landscape. There are three main outputs of the program, which has been supported by a multilateral donor:</p> <ul style="list-style-type: none"> 1. RLU continues protection of remaining natural forest in the concessions in partnership with BTPNP and law enforcement 2. Identify all land tenures and regain control of the area 3. Establish WCA management unit, implement Human Elephant Conflict Mitigation Strategy and integrate WCA into the national elephant conservation plan <p>RLU understands the importance of collaboration in the landscape. The company participates in wider stakeholder forums organized by WWF and IDH and for the purposes of its own concessions</p>
<p>Conflict Resolution Task Force</p>
<p>Conflict Resolution Task Force was launched in Jambi in August 2018 and is comprised of multi stakeholders: RLU representatives, local government, NGOs, social conflict research organization and communities.</p> <p>The establishment of the Conflict Resolution Task Force is part of the company’s proactive efforts to promote and support responsible and peaceful resolution whenever there is a conflict, including working with relevant stakeholders in an open and constructive manner.</p>

In summary, the key landscape protection elements for maximising &Green's environmental and social return from the transaction are that active commercial plantations in the RLU concessions and a WCA area would provide a buffer zone to encroachment and be supportive of protection for the ABT concessions and the BTPNP.

Furthermore, implementation of the RLU CPP, which integrates not just communities in the concessions but also surrounding communities, would provide alternative livelihood support and help stem encroachment for agriculture and logging. Other concessions provide potential for synergistic collaboration potential, and the Limau Forest reserve represents additional, future potential for the landscape.

RLU is addressing the complex issues of the landscape with encroaching settlers/migrants as well as migrant indigenous people groups both from the wider region and locally in a multi-dimensional approach, governed through the E&S Advisory Board, E&S Management System and RLU's stakeholder engagement strategy. Key stakeholders involved in the landscape are naturally, the national, provincial and local government; the population in villages and settlements around and on the RLU concession; other companies that hold concessions in the area or supply from the area; and the organizations managing and/or supporting the conservation areas as described in the *Landscape Elements* section above. Additional initiatives active in the landscape are:

- PPHLB30 Working Group focused on trans-concession coordination regarding boundaries, fire prevention, patrols; convened by WWF/ABT; RLU is a member.
- IDH Compact, which aims to establish a Green Growth vision for the landscape including a landscape governance structure and clear targets and responsibilities of all participants. RLU has signed a Letter of Intent to join.

3. Targets, Interventions and Milestones

The below table indicates the **on-concession** Environmental Return expected from the project and is further detailed with milestones listed in the *RLU Interventions* section below. RLU will work toward below ERs for Forest Protected, Forest Restored and the social indicators as a condition of &Green investment.

Jambi

Forest Conserved / Restored on the concession (ha)	Protected Area delineation (set asides)*	Baseline Forest Cover (2016/2018)**	Protected Areas under control by RLU (2018 baseline)***	Restoration target****	Protected Areas under control by RLU (2033 target)
HCV/HCS	13,783	3,696	2,000	1,377	5,073
outside WCA	9,150	1,207	-	624	1,830
inside WCA	4,633	2,489	2,000	754	3,243
WCA total	8,198	2,489	2,200	2,839	5,329
Non-HCV riparian areas (small streams) outside the WCA	917	-	-	917	917
other	104	-	-	104	104
total	18,370	3,696	2,200	4,484	8,180

Notes

* Based on HCV/HCS studies and legal requirements, RLU has delineated areas of the concession as set-asides for conservation. In these areas RLU will not plant. Most of these areas are subject to land claims and RLU is aiming to incrementally gain control over the set-asides.

** The baseline forest cover reflects the situation where the original forest in the concession has been largely cleared in the past 15 years, including large parts by land claimants during the time when the concession was not under RLU management.

*** Given the many land claims on the concession, RLU currently only controls some of the areas set-aside for conservation. The companies efforts are targeted at incrementally increasing areas under control in order to ensure their protection.

**** In areas over which RLU gains control, existing forest will be protected and regrowth of forest will be encouraged through natural regrowth or active restoration

Agricultural Intensification (ha)	Baseline 2018	Target 2033
RLU Rubber	14,051	30,000
CPP Plasma	-	6,000
total	14,051	36,000

Social Benefits (# of households)	Baseline 2018	Target 2033
Jobs	3,579	13,200
Smallholders benefiting from Community Partnerships Progr.	-	3,000
total	3,579	16,200

Table 2: On-concession Environmental Return, Social Inclusion and Intensification for RLU Jambi concessions

East Kalimantan

Forest Conserved / Restored on the concession (ha)	Protected Area delineation (set asides)*	Baseline Forest Cover (2016/2018)**	Protected Areas under control of RLU (2018 baseline)***	Protected Areas under control (2033 target)
HCV/HCS	9,375	7,822	6,500	7,031
Riparian Areas beyond HCV/HCS	1,802		1,400	1,802
Other (occupied by smallholders)	608		-	122
total	9,983	7,822	7,900	8,955

Notes

* Based on HCV/HCS studies and legal requirements, RLU has delineated areas of the concession as set-asides for conservation. In these areas RLU will not plant. Most of these areas are subject to land claims and RLU is aiming to incrementally gain control over the set-asides.

** The baseline forest cover reflects the situation where the original forest in the concession has been largely cleared in the past 15 years, including large parts by land claimants during the time when the concession was not under RLU management.

*** Given the many land claims on the concession, RLU currently only controls some of the areas set-aside for conservation. The companies efforts are targeted at incrementally increasing areas under control in order to ensure their protection. In areas over which RLU gains control, existing forest will be

Agricultural Intensification (ha)	Baseline 2018	Target 2033
RLU Rubber	4,649	4,649
CPP Plasma	-	1,000
total	4,649	5,649
Social Benefits (# of households)	Baseline 2018	Target 2033
Jobs	851	2,800
Smallholders benefitting from Community Partnerships Progr.	-	500
total	851	3,300

Table 3: On-concession Environmental Return, Social Inclusion and Intensification for RLU East Kalimantan concession

The below table 9 indicates the **off-concession** Environmental Return expected to be supported by the project for the Jambi concessions only and is further detailed with milestones in the *RLU Interventions* section below.

RLU’s responsibility for the outcome delivery of these ERs is limited to engagement in the stakeholder forums, continued engagement with the National Park and local as well as provincial government as far as possible.,

Social Inclusion and Intensification indicators are tracked centrally from RLU, as currently a distinction between on-concession and off-concession relative shares of these activities is not possible.

Forest Conserved in the landscape surrounding the concession (ha)	Protected Area delineation (ha)	Baseline Forest Cover (2016/2018)	Target forest cover in 2033
Jambi part of the BT Nat. Park		33,000	33,000
Limau Forest Reserve		2,800	2,800
ABT 1	22,412	18,412	18,412
ABT 2	16,154	6,462	6,462
total		60,674	60,674

Table 4: Off-concession Environmental Return Indicative Outcomes

RLU Interventions

In addition to the delivery of direct ER from on-concession activities, RLU will engage in a range of activities on an output-level that will help catalyse the landscape level production, protection and inclusion. The relevant activities are listed below and may result in a periodic update of the LPP targets and milestones.

Jambi Concessions LPP Outputs			
#	Rationale for Action	RLU Output	Output Due Date
1	Ability to verify land cover / SLUS	Monitoring Methodology and Process description	Q1 2019
2	Field-level verification of current land-use	periodic (every 2 years) satellite imagery	two-yearly
3	Off-concession landuse change verifiably tracked in wider landscape and confirmation of Theory of Change for Project	Facilitate introduction that will enable & Green to do landscape level satellite monitoring	Q1 2019
4	Verifiable measurement of social impact of RLU project, beyond job creation but including methodology for tracking employment	Social indicators monitoring methodology defined	Q2 2019
5	Understand options to improve tenure security for households living and/or farming on the concession with approval of RLU	Description of formalisation options	Q2 2019
6	Pricing strategy and communication for in situ / 3rd party rubber suppliers	annually updated pricing strategy and communication	yearly
7	Transparency about annual operational plans	RMT/RKT submission	yearly
8	Independent verification of LPP	ToR and designation of independent verifier	30.6.2019
9		Independent verification	yearly
10	LPP continuous improvement process	updated LPP	two yearly
11		'Rules of engagement' for off-concession smallholder blocks inclusion under CPP, including conditions for off-take, financing and training & extension services	30.9.2019
12	Active participation in relevant landscape governance initiatives, both government and multi-stakeholder driven	Update existing Stakeholder Engagement Strategy, reflecting experience and future plans with the Conflict Resolution Task Force and with BTNP and WWF (ABTs), and to include RLU's landscape level role through multistakeholder platforms (e.g. IDH), and other possibilities to promote the creation of a multistakeholder forest protection vision supported by neighbouring concession holders, relevant levels of government, NGOs and local communities.	2019
13	Elimination of illegally harvested grown rubber supply	Establishment of a traceability system for rubber purchases	2023
14	Create baseline of Protection Areas under RLU control	Baseline map and number of hectares of controlled vs. uncontrolled Protection Areas.	30.0.2019
15	Develop a Land Acquisition and Resettlement Approach for planted areas, which demonstrates RLU's commitment that the most vulnerable groups affected by land acquisition can re-establish their livelihood	In collaboration with &Green and through the E&S Advisory Board, develop an approach for engagement with claimants of planted areas.	30.6.2019
16	Support success of the Wildlife Conservation Area through development of strategy and plan	WCA long term strategy, including vision for the integration of protection and people elements (incl. IP), and 2 year written operational plan and budget.	31.3.2019
17	Effective WCA Conservation through patrols	Increase ranger team capacity	31.12.2019
18	Effective WCA Conservation through demarcation	Complete demarcation of WCA (RLU controlled areas)	31.12.2019
19	Effective conservation through joint patrols with Bukit Tigapuluh National Park (BTNP) Authorities	Evidence of joint patrol with BTNP being conducted in the buffer zone with the Park;	31.12.2019
20	Understand WCA land use situation through Participatory Mapping	Maps and documentation of mapping process (photos, notes)	30.6.2019
21		Written approach to community agreements, outlining objectives and process for these agreements, in line with the long-term vision for the Wildlife Conservation Area.	30.6.2019
22	Support WCA objectives through community-based framework agreements	Evidence that 90% of identified land users/groups having been approached.	30.6.2019
23		Evidence that 50% of approached users/groups have resulted in agreement.	30.6.2020
24	Ensure comprehensive approach to wildlife management	Wildlife Management Plan, which builds on documentation of existing Wildlife Management parameters and approaches and expands those into a Wildlife Management Plan, including a Human – Elephant Conflict management approach	30.6.2019
25	Achieve inclusion of WCA into National Elephant Conservation Plan	Documentation of engagement with local and national authorities to achieve inclusion.	31.12.2019
26	Create a smallholder in-situ scheme	Plan for smallholder in-situ rubber planting, including eligibility criteria, location, approach for palm-oil areas, technical support.	30.4.2019
27	Create a smallholder plasma scheme	Plan and budget for smallholder plasma, including eligibility criteria, location, organizational structure, revenue sharing approach.	30.6.2021

East Kalimantan Concessions LPP Outputs			
#	Rationale for Action	RLU Output	Output target date
1	Ability to verify land cover / SLUS	Monitoring Methodology and Process description	31.3.2019
2	Field-level verification of current land-use	periodic (every 2 years) LIDAR survey	two-yearly
3	Verifiable measurement of social impact of RLU project, beyond job creation but including methodology for tracking employment	Social indicators monitoring methodology defined	31.3.2019
4	Understand options to improve tenure security for households living and/or farming on the concession with approval of RLU	Description of formalisation options	30.6.2019
5	Pricing strategy and communication for in situ / 3rd party rubber suppliers	annually updated pricing strategy and communication	yearly
6	Transparency about annual operational plans	RMT/RKT submission	yearly
7	Independent verification of LPP	ToR and designation of independent verifier	30.6.2019
8		Independent verification	yearly
9	LPP continuous improvement process	Adapted LPP	two-yearly
10	Active participation in relevant landscape governance initiatives, both government and multi-stakeholder driven	"Rules of engagement" for off-concession smallholder blocks inclusion under CPP	30.6.2019
11		Update existing Stakeholder Engagement Strategy, reflecting experience and future plans with the Conflict Resolution Task Force and with BTNP and WWF (ABTs); and to include RLU's landscape level role through multistakeholder platforms (e.g. IDH), and other possibilities to promote the creation of a multistakeholder forest protection vision supported by neighbouring concession holders, relevant levels of government, NGOs and local communities.	2021
12	Elimination of illegally harvested/grown rubber supply	Establishment of a traceability system for rubber purchases	2021
13	Protection of conservation areas from encroachment	Access Road control mapping and maintenance of closures	yearly
14	Develop a Land Acquisition and Resettlement Approach for planted areas, which demonstrates RLU's commitment that the most vulnerable groups affected by land acquisition can re-establish their livelihood	In collaboration with &Green and through the E&S Advisory Board, develop an approach for engagement with claimants of planted areas.	30.6.2019
15	Ensure comprehensive approach to wildlife management	Wildlife Management Plan, which builds on documentation of existing Wildlife Management parameters and approaches and expands those into a Wildlife Management Plan, including a Human – Elephant Conflict management approach.	30.6.2019
16	Create a smallholder in-situ scheme	Plan for smallholder in-situ rubber planting, including eligibility criteria, location, approach for palm-oil areas, technical support.	30.4.2019
17	Create a smallholder plasma scheme	Plan and budget for smallholder plasma, including eligibility criteria, location, organizational structure, revenue sharing approach.	30.6.2021

Table 5 Off-concession Output-level KPIs supporting the realisation of Environmental Returns and Social Inclusion on- and off-concession (Jambi and East Kalimantan respectively)

Responsibilities of other stakeholders

The success of RLU's activities in the wider landscape depend on reciprocal activities of other stakeholders in the landscape. In order to facilitate such activities, RLU will endeavour to share on a reciprocal basis and where there are no competitive sensitivities, any landscape information such as maps, HCV/HCS assessments, or relevant knowledge and lessons learned that are not commercially sensitive with landscape stakeholders.

4. Additionality

The project is a landmark effort to protect a critically endangered landscape through a landscape approach, with the support of the broadest range of stakeholders and pilot character for replication across Indonesia.

It is highly additional as a first-of-its kind effort, and RLU as the project sponsor commits to considerable extra efforts owed to the landscape protection focus of the project:

- Set-aside of the WCA, which is beyond the legally required but often ignored minimum (as well as voluntary enlargement of HCV riparian corridors to further facilitate wildlife migration)
- The commitment to – within the legal possibilities of the concession agreement – compensate illegal encroachers who depend on their plots for livelihood, and to where possible integrate them into the RLU supply chain and therefore link them to global markets, through an ambitious Community Partnership programme (CPP)
- The willingness to extend this CPP beyond the concession and to include smallholder rubber farmers (existing or switching from palm oil) from surrounding concessions or community areas
- Collaboration with landscape stakeholders, such as joint patrols

The additionality is further evidenced by the complex financial structure that is needed to fund the project. The long-term nature of the funding sought, and the lack of conventional financial partners such as local banks or the capital markets with the exception of very few actors, underscores the additionality of the project. Even with substantial and first-stage establishment of a nucleus production asset, the transformation of the landscape and the social fabric will require financial partner engagements of 15+ years. This is a time horizon that is not an accepted risk for the sector and geography for the vast majority of actors including development banks.

5. Budget

The company has established core budget support for many of the activities needed to ensure achievement of the objectives described in this plan. Additionally, some of the actions (e.g. WCA) are supported by grant partners and additional grant/ concessional lending support will be sought in order to achieve the full CPP, including the plasma and outgrower components. Costs may vary significantly over the 14-year lending period of the TLFF I notes, given not just the long tenor but the dynamics of the landscape.