

Note to this Document

Subsequent to GCF review, the AE, &Green, and GCF agreed that the sub-project will be classified as risk Category A.



Landscape Protection Plan

Prestige



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1. &GREEN'S INVESTMENT IN PRESTIGE

1.1 The Objectives: Transaction and its LPP

Prestige Group was founded over 20 years ago by two Norwegian investors that saw an opportunity to create a vertically integrated palm oil company in the Colombian Orinoquía, as “one of the few remaining places on the planet that can supply the world’s population with edible products, biofuels and environmental services”.

Prestige Group currently has 9,000 hectares (ha) under management in the Vichada Department, where they planted 625 ha with oil palm as a pilot to test the productivity of the land. In 2016-17, they built a small extraction plant, Extractora Cimarrón, with a capacity of 9 FFB ton/hour, capable of processing a production of around 2,000 ha per year. The company markets CPO and palm kernels on a regular basis.

In addition to the farm and the extraction facility, the company has invested significantly in the infrastructure needed to scale, >50 km of roads, housing for >100 employees, canteen, warehouses, landing strip, water wells and sewage etc. On a portion of their land, they hold livestock on an extensive basis.

Prestige is looking to expand its operations in the region, scaling up their mill to a capacity of 45 MT/hr. To feed the mill, Prestige will plant up to 5,000 ha of oil palm on their land, and plans to source from 2,500 ha of external suppliers.

As there are currently very few palm oil producers in the region, Prestige will support the establishment of new palm plantations, both small and medium scale, by local landholders. Prestige will support around 20 local landowners (ca 1,000 ha) in the vicinity of their nucleus plantation to develop a portion of their land for palm oil production (ca 50 ha), totaling around 1,000 ha productive oil palm, to supply to its mill. With support from &Green, this partnership will be modelled in such a way that it is commercially scalable in the region and replicable elsewhere. It will create a significant number of new jobs and provides a much-needed opportunity for sustainable economic growth of small farmers in the Orinoquía Region, where many landowners rarely visit their farms, maintaining extensive, inefficient cattle ranching practices.

Prestige is committed to becoming RSPO certified, which will be realized during the loan tenor with the support of &Green. In addition to their main operations, the small-scale farmers will be included in this certification commitment, receiving technical assistance and good quality seedlings from Prestige. &Green will provide an integrated action plan for RSPO certification and compliance with IFC PS, for both the main operations and the supply chain.

This Landscape Protection Plan (LPP) describes the baseline situation of the palm oil sector in Colombia and in the Orinoquía Region in particular, Prestige’s strategy to create a blueprint for the sustainable agricultural development of that region, and the company’s commitments to achieve impact over the financing period. Concrete milestones and deliverables are detailed in the Environmental and Social Action Plan (ESAP), annexed to the LPP. The LPP includes the Monitoring, Reporting and Verification approach to demonstrate progress towards the implementation of the LPP and ESAP.



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1.2 Environmental and Social Due Diligence (ESDD) Overview

The E&S risks and impacts associated with this project are limited, site-specific, and can be readily addressed through generally accepted mitigation measures, thus the project is classified as category B, "Medium Risk". This corresponds with IFC's Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

When &Green started their due diligence process, Prestige had already carried out some relevant assessments, as part of their ambition to become RSPO and ISCC certified. Prestige had commissioned Proforest to deliver the following reports, in 2022:

- Environmental and Social Impact Assessment for Prestige Colombia S.A.S. and Extractora Cimarrón S.A.S. / *Evaluación de Impactos Sociales y Ambientales para la empresa Prestige Colombia S.A.S. y Extractora Cimarrón S.A.S.*
- HCV-HCS Assessment for Prestige Colombia S.A.S. and Extractora Cimarrón S.A.S. / *Evaluación de AVC - ARC para la empresa Prestige Colombia S.A.S. y Extractora Cimarrón S.A.S.*
- TECHNICAL REPORT International Sustainability and Carbon Certification (ISCC) methodology, PRESTIGE Colombia

In addition to these reports, the following external assessments were carried out as part of the &Green due diligence process:

- **Limited Scope Environmental and Social Impact Assessment, by Proforest**

This Limited Scope ESIA covers the full area under management by Prestige (9,000 ha), plus a potential expansion area adjacent to the company's management area (3,000 ha). These 3,000 ha were not included in the full-scope ESIA that was carried out previously. The LS ESIA further includes the broader landscape where the smallholder oil palm plantations will be established. And, as part of the LS ESIA, Proforest produced a full IFC Performance Standards gap assessment, as well as a preliminary assessment of the willingness and capacity of local landholders to participate in an outgrower scheme, through focus group discussions in the villages closest to prestige.

- **Land Tenure Assessment, by Ecija**

An overview of local land tenure was developed by a Colombian law firm, to identify landowners that are suitable for the outgrower program.

- **Outgrower commercial model, by AC Gestores**

The outgrowers were built into Prestige's commercial model by the same investment firm that supported Prestige with the commercial model of their plantations and extraction facility. The model includes a module that can be used to assess the financial needs of the outgrowers.

- **Operational Assessment, by Andrew Beveridge**

The operational assessment provides insight into the quality and potential of Prestige's operations, quality of planting, nursery, land, equipment, availability and skill of workers, extraction facility and potential to scale up production.



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1.3 The project area: the scope of the landscape protection plan

The Prestige Group only has operations in Colombia, in the Vichada Department. There is therefore no distinction between regional, national, and global operations for this transaction. The scope of Prestige's operations under their direct control includes:

- Prestige Colombia S.A.S; 9,000 ha under management, including oil palm plantations, livestock, conservation areas and infrastructure.
- Extractora Cimarrón; processing facility (currently 9MT/hour, in future expanded to 45 MT/hr).

The scope of the landscape in which Prestige operates includes their operations as well as their current and future supply chain:

- The current third-party supplier, La Cabaña, is located about 30km from Prestige.
- Potential future supply base, consisting of small- and medium-scale producers in the municipalities Puerto Carreño and La Primavera.

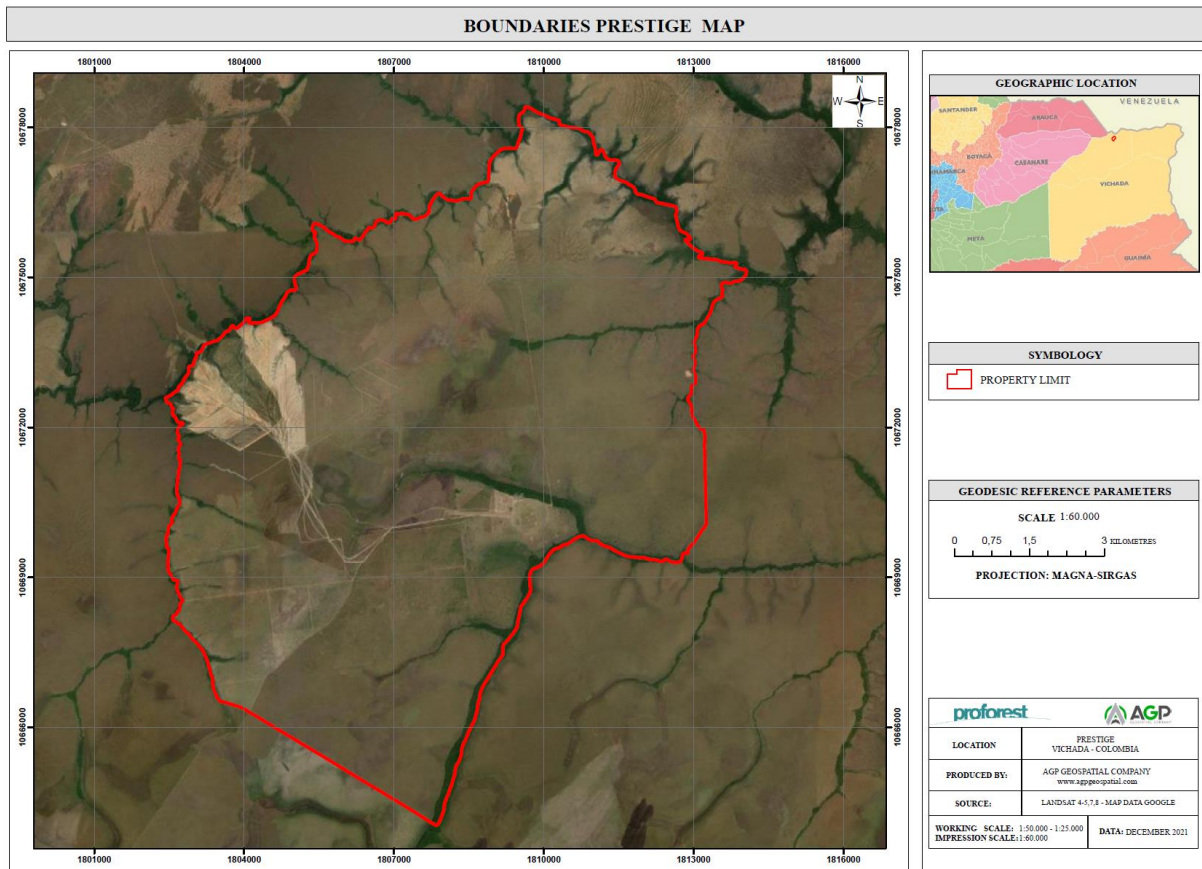


Figure 1. Area under Prestige's direct management control.



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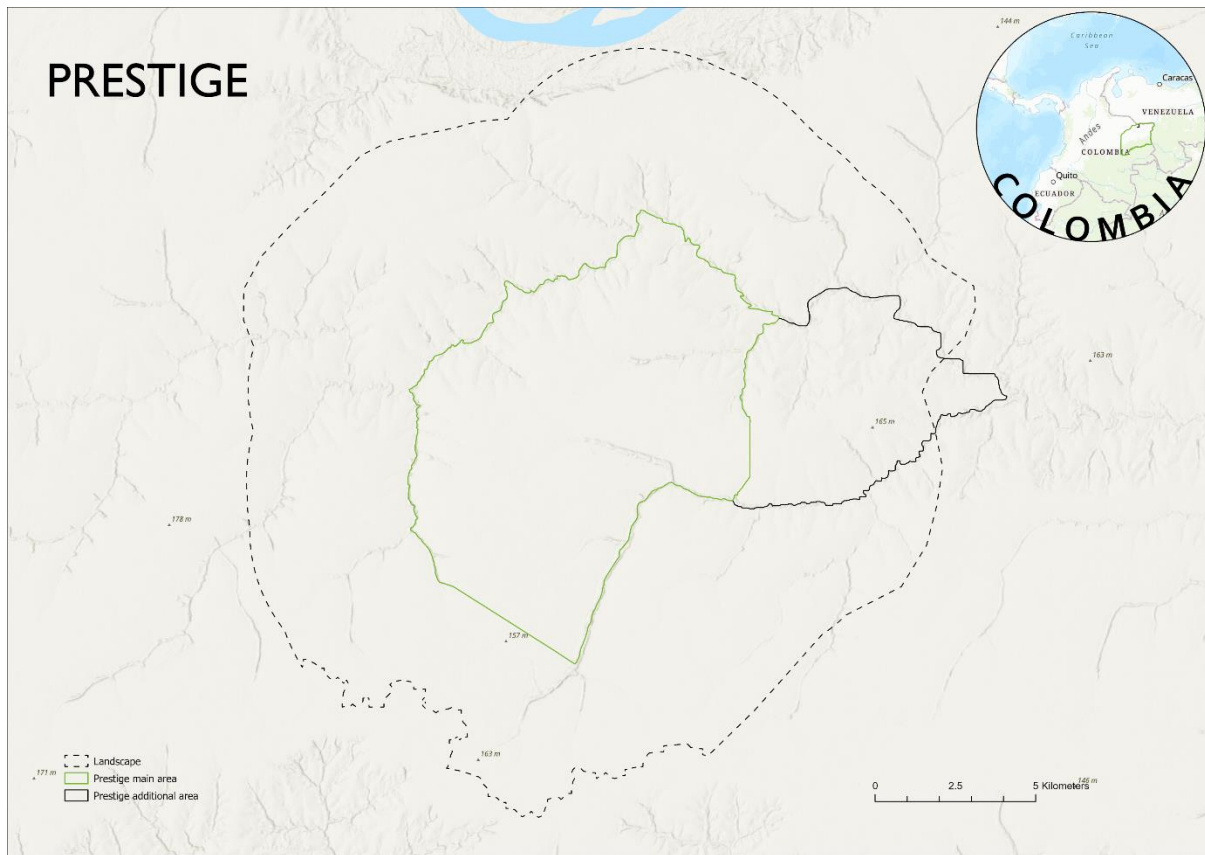


Figure 2. Landscape in which Prestige operates (dotted line).

2. LANDSCAPE CHARACTERISTICS

2.1 Legal land classification

Prestige is located in the Vichada Department, in the eastern region of Colombia. The Vichada is bordered by the Orinoco and Meta Rivers to the east and north respectively, which demarcate the border with Venezuela. It is the second-largest department in Colombia with an area of 105,947 km². The department part of the Eastern Plains of Colombia, also called the Orinoquía Region, as it forms part of the Orinoco River basin. The Orinoquía region is divided into four municipalities: Cumaribo, Puerto Carreño, La Primavera and Santa Rosalía. Prestige is located in La Primavera.

Land tenure in Colombia is governed by a complex set of laws and regulations. The country's armed conflict, which has been linked to prior struggles to access land, left 7 million rural people displaced and more than 8 million hectares of land abandoned and dispossessed. Much of this land is or was ownerless, therefore declared state-owned and is known locally as baldíos, the use of which is regulated by law. One of the main limitations is the 1994 law that restricts the accumulation of land to one Family Agricultural Unit (UAF in Spanish), which has varied from 300 ha – 3,000 ha, but is currently set at 1,300 ha in the Vichada. However, the laws governing the use of baldíos are often ambiguous



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and have led to societal and political contention. This creates a challenging climate to operate in for investors.

2.2 Topography and soils

The landscape consists of savanna grassland with individual trees and bushes, interspersed with light forest. Cattle grazing is the main land use but much of the land is not in commercial agricultural use but rather simply owned as an investment by non-residents, i.e., living elsewhere in Colombia. Land that is stocked with cattle is often burned deliberately to generate new grass growth, but this action also burns away the limited organic matter, depleting the nutrient status and structure of the soil over time.

In Prestige's management area, the land area is flat with only gradual inclines of up to 3% slope, described as table tops dissected by concave drainage depressions. This is ideal oil palm land from a management perspective. The land is not subject to flooding so will need minimal expenditure on additional drainage. The land within the Prestige boundary that is designated for plantation/outgrower development is in three areas. All three are flat, typical savanna land.

Soil scientists have carried out detailed studies covering geology, soils, and geomorphology. The soils are generally thin silt sandy loams and clay loams overlying laterite gravels with some outcrops of iron oxide rock. In these soils, particularly the gravelly ones, water moves quickly between the pore spaces and little moisture is retained in the palm rooting zone, thus putting the palm at stress during periods of low rainfall.

Soils are acidic with a pH of 4.6-5.1 with low cation exchange capacity (CEC) and low in certain minerals (especially, P, K, Mg and Ca). Organic matter is generally low except in the "Muco Consociation" soils which are deeper and well drained but with greater moisture retention qualities although highly acidic with a pH of 3.7-4.7 and still low in available nutrients. Low CEC is a characteristic of acid soils generally and so liming is often practiced to raise the pH and increase CEC, thereby increasing the availability of existing and applied nutrients to the plant roots and to reduce the loss of applied fertilizers through leaching.

For Prestige to convert the soils to commercially viable agriculture requires the formation of an arable soil layer via deep tillage to de-compact soils, along with substantial applications of lime to increase soil pH (Amézquita et al., 2004). There is a need to raise organic matter content, primarily to improve water storage capacity. To this effect, Prestige composts their Empty Fruit Bunches and applies the compost to the plantation. Other practices such as using cover crops, spreading cut palm fronds, and retaining broad leaved plants in the palm interrows also help increase soil fertility.

In general, the acidity, as well as high levels of soil compaction, represent a key hurdle to agricultural intensification in the region. The very low initial quality of soils in the Llanos makes them particularly susceptible to erosion and biodiversity loss, while the dense network of waterways and riparian forest traversing the region are likely to face adverse effects associated with changes in water quality, nutrient load, and movement – resulting from large scale implementation of intensive production systems (Sanchez and Salinas, 1983). While soil and environmental degradation is likely to occur in many cases, the enhancement of intrinsic soil properties and associated increases in productivity may also improve soil quality and functioning via the promotion of biological activity and biodiversity



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in soils (Decaëns et al., 1994), facilitation of below- and aboveground carbon sequestration, and improvement of soil hydrological functions due to improved soil structure (Amézquita et al., 2004).

2.3 Climate and Hydrology

The rainfall distribution is monomodal, that is, it has a dry period (precipitation less than 100 mm/ month) in the months of December, January, February and March and a rainy period that runs from April to November, with a small peak in the month of October. The eight-year annual rainfall from the three Prestige site gauges has averaged 2,770mm per year over the 2013-2021 period (2018 omitted as data incomplete). Annual rainfall is ideal for palm growth but December to February is very dry with some years experiencing no rain at all in these months. A longer data run of 33 years at the La Aurora meteorological station supports this rainfall profile and indicates consistent rainfall between years with a low risk of longer drought conditions occurring. Average annual rainfall was 2,326mm over 108 days/yr.

The dry months of December to March create a soil moisture deficit, calculated by Prestige at approximately 300mm. This will cap yield potential. This is a reason why Prestige management has assumed a peak yield of 20 t/ha in the financial projections, a reasonable expectation. Prestige plans an irrigation trial on 650 ha to see whether applying supplementary water during this period can eliminate moisture deficits and improve yields. It is questionable whether this will be cost-effective, requiring in the region of 3t/ha FFB yield increase to break even, because the current yield profile is promising and plantations in other areas of the world with pronounced dry periods, e.g., West Africa and Thailand, have not adopted irrigation on a commercial scale after similar trials.

The average annual temperature is 28° C, with maximums of 33.2°C and minimums of 23.7°C. Solar radiation ranges between 350-450 w/m² (CORPOICA, 2007). Average annual relative humidity ranges between 70% to 80%, with the maximum values occurring between May and December.

Colombia is vulnerable to the effects of climate change and routinely experiences droughts and floods. Rising temperatures and increasing variability in precipitation mean increased risk for agricultural industries, with over USD 6 billion of damage to crops and infrastructure following heavy rains in 2011. Climate projection data from the World Climate Research Program shows mean precipitation levels in Vichada staying consistent across the May-August months (years 2020-2039) with a fall in the September to November months.

The frequency of hot days and hot nights has been increasing significantly every year since 1960, with a 20 percent increase across 1960-2006 and is expected to double by 2100. The months February to April (the same as the hot day and night months) also see a projected increase of consecutive dry days 2020-2039.

The frequency of extreme rainfall days could increase by 26-37% by 2050, with the rainfall being of increased magnitude relative to historical data but countered by lower rainfall on other days, resulting in no significant change in annual rainfall. Rainfall forecasts are not projected to contract the December to March dry season. This combination of high precipitation in the wet season followed by a severe dry season is similar to that in West



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Africa, where even more pronounced soil moisture deficits are recorded, and where yields are in line with Prestige's projections.

In general, an increase in temperature but maintained rainfall favors the growth and distribution of most pest species by providing a warm and humid environment and providing necessary moisture for their growth. However, when temperatures and rainfall get too high, this can slow the growth and reproduction of some pest species and research has found that there has been a general expansion or migration of both pests and diseases north and south from the tropics as global temperatures have risen.³ Prestige's future in this regard is unclear; warmer temperatures and higher rainfall may cause a greater incidence of pests and diseases but may also drive away others from an area with already high temperatures.

Increased future climate variability suggested by climate research models, in combination with the natural variability in the region punctuated by El Niño and La Niña events, serves to increase the risk to Prestige going forward; 2023 is expected to be an El Niño year.

Overall, climate change forecasts do suggest slightly adverse growing conditions in terms of higher temperatures, but palm stress may not be significantly increased or decreased because the December to March dry season is forecast to be unaffected.

2.4 Ecological features

There are four types of vegetation in the Llanos ecoregion: two types of forest and two types of savannas, see listed below and indicated in Figure 1.

In many places, the transition from grassland to forest is razor-sharp, usually owing to more intensive grazing after fire. In others, the slope characteristics have helped pond water into a depression, yielding seasonally inundated grass and shrubland. Most of the wildlife in the region appreciate the variability and edge it provides.

Gallery Forests are a uniform strip of forest vegetation with continuous canopy, with a variable width ranging from a few meters to 500 meters, located on the edge of water bodies and characterized by dense undergrowth forest with well-structured forest cover, lianas, palms, and large trees. Gallery forests can be further divided into well-drained and flooded forest ('Morichale'):

- Well-drained Gallery Forest corresponds to the strip of gallery forest bordering areas of well-drained savannas. It presents an underwood, relatively dense, with few palms. These are "high" forests with intolerant species having achieved dominance usually on steeper banks of permanent streams.
- *Morichales* are almost pure or mixed associations predominated by the Morichale palm (*Mauritia flexuosa*) on organic and acidic soils. *Morichales* are located along the lateral springs and headwaters of the gallery forests and have been reduced by cultivation and fire practices associated with cattle ranching. The water in the *morichales* is clean, because it feeds into the *morichales* through infiltration in the sandy savanna soils bordering the *morichales*, and not through run-off.

Savannas are typically characterized by flat to undulated relief, with sandy loamy soils. They can be separated into very well-drained, and seasonally flooded:



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- Inundated Savannas are located in the floodplains of the streams and rivers that remain flooded in the Orinoco River Basin for more than 6 months. They tend to be juxtaposed between the gallery forest and the upland "open savannas". The savannas are dominated by grasses but can develop into a dense shrub as they approach the gallery forest. Depending on grazing pressure and frequency of fire these may have more, and larger remnant trees than the open savanna.
- Open Savannas are located on the plateaus and dominated by numerous species of grasses. Shrubs are scarce and represented mainly by *Mimosa microcephala* that grows isolated between the herbaceous plants. The presence of trees is almost null, showing only some individuals of the *Curatella americana* that grow scattered into the bush.

"El Tuparro" National Natural Park is located in Puerto Carreño Municipality, created in 1970 and declared a National Monument and UNESCO Biosphere Reserve in 1982. The park covers an area of 548,000 ha.

Approximately half of the **birds** that live in the Orinoquía Region are found in the Vichada Department. According to Colombia's Biodiversity Information System (SiB Colombia, 2015), there are records of 350 bird species for this department. A High Conservation Value (HCV) study commissioned by Prestige and carried out by Proforest in 2021, recorded 120 bird species. Four of these species are classified as Near Threatened (NT) on the IUCN Red List, including the peacock bass (*Mitu tomentosum*), which was observed at all monitoring stations.

In the HCV study, 16 **mammal** species were identified, of which 9 species have a conservation status under the IUCN Red List, CITES and/or the Red Book of Mammals of Colombia. The Water dog (*Pteranura brasiliensis*) is the only species that is classified as Endangered (EN) by the IUCN Red List. Four species are Vulnerable (VU): Ocarro (*Priodontes maximus*), Palm bear (*Myrmecophaga tridactyla*), Danta (*Tapirus terrestris*) and Cajuche (*Tayassu pecari*). 21 species of **amphibians** and 33 species of **reptiles** were found in the project area. Of the reptiles, one species was listed as Endangered (EN): the yellow-spotted river turtle (*Podocnemys unifilis*), and one as Vulnerable (VU): the red-footed tortoise (*Chelonoidis carbonarius*).

Proforest counted 50 plant species in their HCV study. No species with a conservation status were identified.

2.5 Socio-economic features

Two Inspectorates were assessed within La Primavera Municipality and Puerto Carreño Municipality respectively: Nueva Antioquia and Venturosa. These areas are considered the area of direct influence of Prestige and the current and future supply shed.

Nueva Antioquia houses about 95 families, with approximately 3 to 4 people per family. 80% of families live in their own homes. In Venturosa, there are approximately 80 families; however, the number of families or individuals may fluctuate due to the presence of a floating population that generally resides in the community for labor reasons, mainly due to forestry activities in the region. This population usually comes from Venezuela, the



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municipality of La Primavera, the department of Casanare and the Colombian Caribbean Coast.

Nueva Antioquia has 5 hours of electricity per day (from 5 p.m. to 10 p.m.), provided by the municipal electricity company, and the community has access to some solar panels. In Venturosa, the electricity supply is not constant. For water supply in both communities, each house is supplied by a deep well; there is no sewage system, and each house has a septic tank. There are 3 schools in Nueva Antioquia and 1 in Venturosa. One of the schools in Nueva Antioquia offers basic high school education with boarding facilities, and houses children from other parts of the region. Health services are very limited in the territory with only one basic level health center, for emergencies. The facility has only one nursing assistant with little availability to care for the population and no medicines or emergency transport vehicles. There is no garbage collection service. The community burns household waste and there is an open-air landfill, which is not properly managed. Propane gas is used for cooking.

In the past, cattle ranching and fishing were the most important economic activities in Nueva Antioquia. Currently, the main activity is cattle ranching, with around 25,000 heads of cattle. The second most important economic activity is oil palm cultivation, followed by fishing and cassava and plantain farming. In the future, cashew cultivation is expected to develop as a third important economic activity for Nueva Antioquia (Alcaldía La Primavera, 2020). In Venturosa, the main economic activity is forestry (Forestales la Orinoquía). In both areas, agriculture is mainly practiced for self-consumption. Other food is transported from other regions. Due to transportation difficulties in the area, the cost of these products is high, which is why the community considers the cost of living to be high.

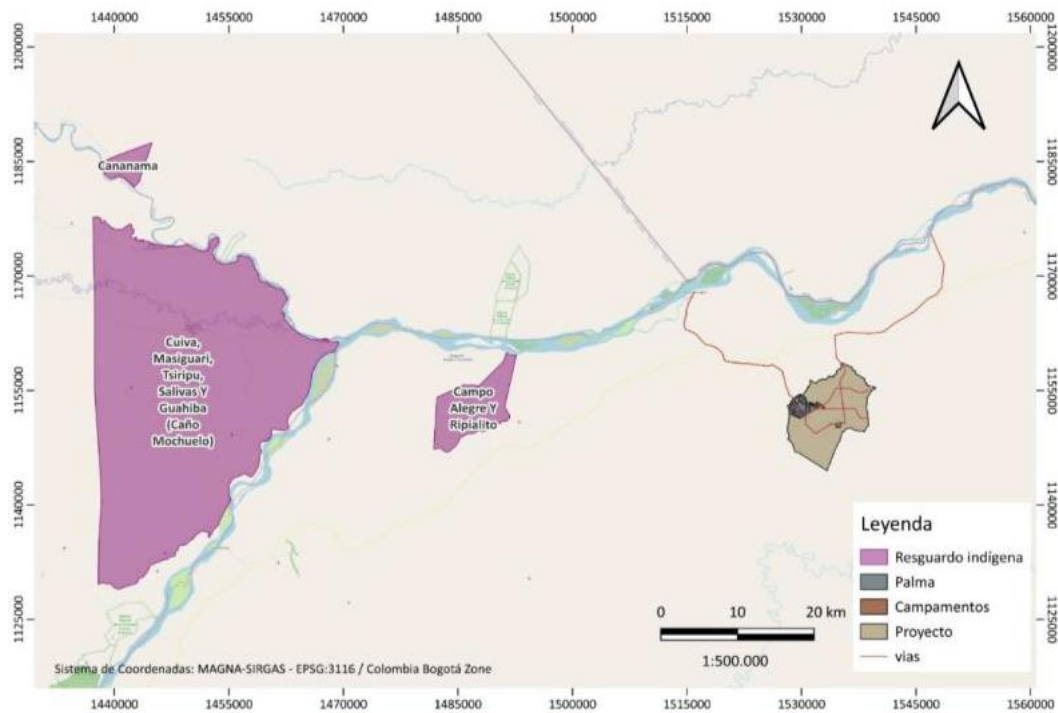
According to the municipal mayor's office of La Primavera (2020), the Nueva Antioquia Inspectorate is a strategic point because it is a border zone between the municipality of La Primavera and the department of Arauca and is a border port between Colombia and Venezuela with high commercial importance; it also has had the permanent presence of the Colombian National Navy since 1996. The National Navy and the National Army are present in the area. In addition to maintaining public order, they help control the movement of endangered fauna and flora, illegal fishing, mining, and logging.

The Pro-Development Association of Nueva Antioquia APRODENA is an association founded in 2016 to promote the economic and social development of the township of Nueva Antioquia, through responsible social and environmental actions, with the management and execution of resources of public and private origin (APRODENA, 2020). Prestige is a founding partner of APRODENA.

In La Primavera Municipality, 3 different indigenous groups are present: Campo Alegre, La Pascua and La Llanura. The nearest community is located around 36km away from Prestige, see the map below. Venturosa identifies the presence of indigenous ethnic population, belonging to the Sikvani and Awa ethnic groups, and according to testimonies, the community is called "Morichalito" and is in the process of requesting ethnic territory for 200 ha. For third party suppliers, the presence and potential impact on indigenous communities should be assessed.



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3. DEFORESTATION AND RELATED PRACTICES

3.1 Deforestation trends in the landscape

The deforestation rates in the area are low, with less than 20 ha in the landscape (38,000 ha) area in the last 20 years. There was a peak in deforestation rates in 2001. This was likely driven by wildfires, which coincides peaked in the same year.

The palm oil sector in Colombia has the opportunity to profile itself as the sustainable sourcing alternative to Southeast Asian palm oil, which is particularly attractive for the European market. The risk of deforestation is lower in Colombia, where palm is planted predominantly on degraded areas, the sector is well organized through sector organization Fedepalma, and the percentage of plantations with sustainability certification is higher than anywhere else in the world. However, it appears that smaller-scale producers are falling behind in this trend. Certification numbers are far behind larger corporates, indicating that the smaller producers do not have access to the sustainable supply chains. This poses a risk of smaller scale producers operating with lower sustainability standards, with less incentives to commit to no deforestation policies. With a continuing increase in oil palm demand globally and domestically (for biofuel), production may expand into forest areas. This trend is already visible in the southern part of the departments Meta and Vichada, bordering the Colombian Amazon.

According to a recent study by IUCN-NL and Aidenvironment, which studies the impacts of 6 Colombian palm oil companies, 23,311 ha were burned between 2021 and 2022 in areas



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near where the companies operate, and deforestation in areas surrounding the companies' facilities reached 3,807 ha between 2011 and 2022¹.

3.2 Current land use practices in the commodity's sector

Legal expansion of palm oil plantations has been documented in recent years in the Colombian Amazon, primarily in southwest Meta and northern Guaviare regions. The expansion predominantly occurs into low productivity pasture lands, which is why it is currently considered a minor driver of deforestation, contributing less than 1% of total forest loss. However, considering the important role of cattle ranching as a driver of deforestation in Colombia, the expansion of palm oil onto pastures likely contributes to pushing cattle into untouched areas, acting as an indirect driver of deforestation.

The palm oil sector in Colombia is growing and is expected to grow significantly more in the coming years. Colombia's cultivated area for palm oil increased by 75% during the last ten years, and a further 25% growth in palm oil production is expected by 2030. As expansion prospects for palm oil plantations in Southeast Asia are nearing a limit, constrained by increasingly stringent sustainability requirements and concerns of importers, analysts expect growth to take place in other regions, particularly in Latin America. In Colombia, growth of the palm oil sector is also driven by a national biofuel mandate, which was increased from a B10 to a B12 blend in April 2021 in most of the country. This will enhance pressure on forests in Colombia, as Latin America's lead producer and consumer of palm oil. This pressure has increased following the signing of the peace agreement with the FARC in 2016, showing an increase in forest loss due to agricultural expansion.

Colombia has been at the forefront of increasing sustainable production and has significantly grown certified volumes: RSPO certified volume has increased from 14% over 2018-2019, to 28% in 2020. This makes Colombia a world leader in terms of the proportion of the certified volume in the total national production. In 2017, Colombia signed a zero-deforestation agreement for the palm oil sector, the first of its kind, globally. The commitment was signed by producers, processors, and civil society organizations with several ministries, and members of Colombia's association of palm oil producers, Fedepalma. The association aims to increase production of certified palm oil under RSPO or equivalent schemes from 28% in 2020 to 75% by 2023.

However, only 6% of this certified production comes from small-scale producers, while 4,200 out of 6,000 producers are small-scale farmers (data from 2019). This highlights an important gap in Colombia's efforts towards zero deforestation. "Colombia has the opportunity to position itself as a global leader in the production of sustainable palm oil if it intensifies efforts made in recent years to include a greater number of smallholders in the adoption of sustainable practices." -Maria Goretti Esquivel, Manager, Colombia Palm Oil Programme, Solidaridad.

¹ [Uncovering the supply chain: palm oil from Colombia to the EU](https://news.mongabay.com/2023/08/supply-chain-report-investigates-deforestation-tied-to-palm-growing-in-colombia/), <https://news.mongabay.com/2023/08/supply-chain-report-investigates-deforestation-tied-to-palm-growing-in-colombia/>



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Despite Colombia's zero deforestation efforts, recent reports indicate an increase in oil palm-linked deforestation. Efforts need to be enhanced to sustainably manage the projected increase in production in the coming years.

The Orinoquía Region is a poverty-struck, remote, and sparsely populated region, with underdeveloped infrastructure. Development of farmland requires large upfront investments, which many smaller landowners cannot finance, resulting in vast areas of extensively managed land, where savanna is burnt annually to make it palatable for cattle. The armed conflict that took place in the country in the past decades has seen owners, many living on the other side of the Andes in the big cities, not travelling to their farms at all. This further decreases the management quality and increases the barrier to develop the land.

4. COMPANY'S PRACTICES

4.1 History of company's land assets (if own production assets)

Prestige was established by two Norwegian industrialists and investor brothers, Ole Martin Siem and Kristian Siem. Prestige was formed out of a failed Government-sponsored 50,000-ha rural development project aimed at bringing economic growth and employment to an area of high unemployment but also to provide an alternative to land cultivation for illegal drug production. The two brothers contributed finance alongside the Government as a social investment to develop the cultivation of corn, sorghum, and other field crops. The project failed through mismanagement and the brothers made a proposal to acquire part of the project area and to find a suitable crop to grow on a commercial basis. Oil palm was chosen from various proposals. So, the choice of crop was driven by the prior existence of an agricultural project and not the desire to find a suitable site for oil palm growing. This explains why the business is geographically isolated from the rest of the Colombian plantation sector and where soils and climate are comparatively poor for commercial palm oil production although the flat land with little vegetation does mean that low-cost land preparation is possible.

Prestige holds land titles over 9,000 ha of land. There are no conflicts regarding the land and the company has carried out an FPIC process in 2021.

Bordering Prestige's management area, there is an area of around 3,000 ha that used to be part of Prestige's management area, but no longer holds a valid title. Prestige maintains a road that crosses this land, which connects their CPO mill to their jetty. The company also applies active fire management on this area.

An external legal company has assessed the potential for Prestige to acquire a title over this land. However, this is very complicated under Colombian law. One of the few viable options is a joint ownership with local farmers. A potential model that can be explored, is an employee shareholder model. A new legal entity ("NewCo") would be established for the management of this land, owned by Prestige and an employee association. Prestige would finance the development of oil palm plantations on this area (around 1,000 ha plantable area), and employees would be allocated shares of the NewCo. This option will be explored by Prestige as and when relevant.



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4.2 Historical land use change

Prestige did not clear any forest since their start of operations 20 years ago. The company's Land Use Change Analysis (LUCA) shows that only 0.17 ha of 'Simplified Forest' have been converted by Prestige, which results in a liability of 0.12 ha. The rest of the oil palm plantations were established on cropland, grassland, or bare land. The assessment used RSPO's 2005 cut-off date.

Prestige has committed to securing areas for environmental protection and conservation, including water recharge zones, lotic water bodies (double drains (rivers), single drains (canals, among others)), forests, swamps, lentic water bodies (estuaries, madre vieja), 100-meter canals, 100-meter estuaries, 100-meter moriche, and wildlife receiving areas. These areas are mapped and marked for conservation.

Prestige was not found liable to remediate any riparian zones, steep slopes, or peatlands. In general, livestock, without the majority presence of protected species or extensive areas of forest, characterize the change in land use in the region. Oil palm in the management unit did not represent major changes in soil type.

4.3 Production features

The Prestige Group comprises a Colombian palm oil plantation company, Prestige Colombia, producing oil palm fresh fruit bunches (FFB) as a feedstock for a milling business, Extractora Cimarrón, producing crude palm oil (CPO) and palm kernel. The business is located 300km east of the capital, Bogota, in the, Vichada Province, Orinoquía Region, close to the border with Venezuela.

Prestige Group currently has 9,000 ha under management in the Vichada Department, where they planted 625 ha with oil palm as a pilot to test the productivity of the land. The yield profile, from actual tonnages, has yet to peak but seems to be heading to a peak of just over 20 t/ha. The oldest areas planted in 2011 are showing signs of stress and there looked to be a shortage of bunches despite an approaching peak crop period.

In 2016-17, a small extraction plant was built, Extractora Cimarrón, with a capacity of 9 FFB ton/hour, capable of processing a production of around 2,000 ha per year. The company markets CPO and palm kernels on a regular basis. It showed good operational results and yielded a positive cash flow in 2021.

In addition to the farm and the extraction facility, the company has invested significantly in the infrastructure needed to scale, >50 km of roads, housing for >100 employees, canteen, warehouses, landing strip, water wells and sewage etc. On a portion of their land, they hold livestock on an extensive basis.

Apart from a small area of palms nearby (Prestige's only outgrower), there are no other oil palm plantations within 100km of Prestige's mill, although there is a cluster of palm oil plantations in the Andean foothills, between Prestige and Bogota.

The location was not chosen for an oil palm plantation but was a prior State-promoted rural development project focusing on annual cereal crops. The Prestige business was created following the collapse of that project. The location would not be one of choice if seeking an ideal greenfield site for a palm oil business for three principal reasons:



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1. Isolated location; meaning high transport costs and the need to bring workers in from distant places as Prestige is in an area of low population density (although note that recruiting a workforce from the established Colombian oil palm clusters does import oil palm experience and skills not available locally and that isolation does significantly reduce the risk of the incidence of bud rot disease)
2. Soils are sub-optimal; although palms are quite resilient to soils that are only moderately fertile, the Orinoquía soils have problems of acidity and lack of available nutrients. This can, and is being, managed.
3. The climate is not ideal: the pronounced dry season brings a soil moisture deficit that causes palm stress and caps yield at 10% or so below that of unstressed palms. Climate change forecasts indicate an accentuation of this effect.

However, the existing palms in Prestige's "pilot" project are performing well in this sub-optimal environment and the flat terrain does enable a relatively low cost and high-quality expansion of the planted area.

4.4 Supply chain management

Prestige currently has one external supplier: La Cabaña, a 350 ha oil palm producer about 30km away from Prestige. Prestige currently enforces no NDPE-related requirements on their supplier.

Prestige is looking to source from approximately 2,500 ha of external suppliers in the near future. This will be a combination of medium to large scale suppliers, like La Cabaña, and smaller producers (20-10 ha). As there are currently no smaller producers in the landscape, Prestige will establish an outgrower scheme to secure this supply.

A land title assessment was carried out by a Colombian law firm, to identify areas suitable for establishing the company's outgrower scheme. All properties in the districts of La Primavera and Puerto Carreño were analyzed, as a proxy for a potential sourcing area.

On these 754 properties, the following analyses were done:

- Real Estate Registration Folio (FMI); without this registration, the properties are considered public property of the nation, or '*Baldío*'. Until these properties leave the patrimony of the State, these *baldíos* can only be disposed of by the National Land Agency (ANT). There are also properties that do have FMI registration but are owned by the Nation. These properties are also classified as *Baldíos*. *Baldíos* are excluded from the outgrower program scope.
- Areas with legally constituted ethnic titles; the Indigenous Reserve 'Campo Alegre Ripialito' was excluded from the outgrower program scope.
- Properties that overlap with ethnic claims of ancestral titles; areas where indigenous communities have made a claim to expand a legal reserve or secure lands that were historically owned by Indigenous groups, were excluded from the outgrower program scope, to minimize risk.
- Properties with land restitution claims.



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- Properties with protection measures for people displaced due to violence. The Unified Registry of Abandoned Land and Territories (RUPTA) was created to enable displaced families to register property they left behind and gain access to some legal protection by blocking potential third-party legal transactions. Properties with overlapping claims were excluded from the outgrower program scope.
- Land classification: the Land Use Master Plan (In Spanish, Plan de Ordenamiento Territorial - POT) is the main tool by which the municipalities direct, manage and regulate the physical use of their territories. It is a mandatory planning tool for all municipalities in Colombia with a population over 100,000 inhabitants. The POT defines guidelines for land development in urban, rural and expansion areas, and in natural protection areas. Only areas with a lawful agriculture and livestock classification were included in the scope of the outgrower program. Properties with an environmental conservation allocation were excluded from the scope.

Of the 279 properties remaining after this selection, the following assessments were done:

- Properties that do not meet the evidentiary standard for private ownership defined by the Constitutional Court through ruling SU288 of 2022, were excluded.
- Properties that carry a risk of land accumulation, either because the property owner possesses more than one property whose title originated from the *baldíos* adjudication, or because the property results from the amalgamation of two lots that were originally allocated as *baldíos*, were excluded.
- Assessment of the suitability of the property owners to identify potential risks of criminal asset forfeiture. High risk properties were excluded.
- Properties with existing encumbrances or limitations on the right of ownership were excluded.

Out of this exercise, 160 properties with low risk were distilled. Note that the properties that were subject to these analyses were properties with dual registration, both in the land title registry and in the cadaster. However, many properties in Colombia are not registered in the cadaster. These properties can be considered for the outgrower program, as the cadaster registry process is relatively straightforward. The problem with these properties is that it is not possible to locate them on a map, but all the data and analyses done by the law firm are recorded in a database that Prestige can access. The selection process will therefore likely consist of a review of land titles of interested parties against the database.

4.5 Overview of company's current management of environmental and social impacts

Proforest developed a full-scope Environmental and Social Impact Assessment (ESIA) for Prestige in 2021, and a Limited-Scope ESIA in 2023. A High Conservation Value assessment and Land use Change Assessment (LUCA) were carried out in 2022. These documents are prepared as part of Prestige's ambition to become RSPO compliant, but they will also form a good basis for the development of an Environmental and Social Management System, which is currently not yet developed.

Prestige has a dedicated Sustainability Manager that reports directly to the General Manager and has a dotted line to the Plantation, Extraction Plant and Logistics/Infrastructure



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Directors. A Sustainability Coordinator and Sustainability Operator report to the Sustainability Manager. However, the ESIA indicated that the current capacity is insufficient in managing the company's policy framework and ensuring implementation of its sustainability framework.

As there are no communities, and no Indigenous Peoples living inside or adjacent to Prestige's land under management, IFC Performance Standards 5, 7 and 8 are not applicable to Prestige's own operations. However, these standards may become applicable when the company is selecting the plots of land to set up their outgrower program.

Buffer zones for perennial surface waters have been legally established at a minimum width of thirty meters from each margin of the main channel at high tide or in flood stage (Decree 1449²). The same legislation states that all forests on permanent or seasonal water bodies should be at least 100m in width and that any property larger than 50 ha must set aside 10% of the total area in "forest cover."

Environmental Licensing, as established in Colombia's Environmental Law³, requires any project that involves the extraction of water directly from natural sources to allocate at least 1% of the total investment for the recovery, conservation, and monitoring of the respective hydrographic basin.

5. PRESTIGE'S LANDSCAPE PROTECTION STRATEGY

5.1 &Green's Vision for the palm oil sector and Prestige's commitments

Vision: Palm oil will become a major export commodity for Colombia, characterized by deforestation-free, RSPO certified supply chains that include small-scale producers across the country. Driven by their inclusion in the palm oil supply chain, small-scale farmers in Colombia operate diversified commercial businesses with access to (inter)national markets, free from deforestation. The Orinoquía will develop into an agricultural hub where small-, medium- and large-scale producers have access to sustainable, deforestation-free supply chains.

Transformational Change Pathway: With Prestige, Green will help develop a blueprint for the sustainable expansion of palm oil in the country, involving both large- and small-scale producers. Beyond the palm oil sector, this blueprint provides a much-needed opportunity for small landowners in the Orinoquía to benefit from the economic development in the region. Prestige, as a blueprint for inclusive, sustainable palm oil production in Colombia, will help realize the sector's zero-deforestation ambitions and secure the country's position as 'a world leader in terms of the proportion of the CSPO volume in the total national production'.

² <https://www.alcaldiabogota.gov.co/sisjur/normas/Norma1.jsp?i=1503>

³ Provisions of paragraph 1 of article 43 of the Environmental Law 99 of 1993 (Decree 1900 of 2006, compiled in chapter 3 of title 9 of part 2 and modified by Decrees 2099 of December 22, 2016, Decree 075 of January 20, 2017, and Decree 1120 of June 29, 2017).
https://www.icbf.gov.co/cargues/avance/docs/decreto_1900_2006.htm



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Specifically, Prestige commits to:

- Establishing an outgrower program for local landowners, putting currently degraded land into production. The program will be implemented in line with the IFC PS, RSPO's Principles & Criteria, and RSPO's New Planting Procedure. It will include a strong focus on region-specific risks, such as land tenure security, connectivity, FPIC and workers' rights.
- Achieving RSPO certification, both of their own operations and the future outgrowers' plantations
- Expansion of their planted area and CPO mill capacity, in line with IFC PS and RSPO Principles & Criteria. The power supply of the mill will transition from 100% diesel currently, to a mix of renewable energy sources (e.g., biomass, solar, hydro).

5.2 Intervention 1: Outgrower model

Prestige will support a minimum of 20 local farmers in the vicinity of their nucleus plantation to develop a portion of their land for palm oil production, to supply to its mill. With support from &Green, this partnership will be modelled in such a way that it is commercially scalable in the region and replicable elsewhere. It will create a significant number of new jobs and provides a much-needed opportunity for sustainable economic growth of small farmers in the Orinoquía Region, where many landowners rarely visit their farms, and maintain extensive, inefficient management practices.

Prestige will commit to establishing a pilot outgrower program on 100 ha (minimum 2 farmers) within 1.5 years after investment.

Three years after investment, Prestige will develop a plan to scale up the outgrower scheme to 1,000 ha by the end of 2028. This plan will use the learnings from the pilot project to outline the milestones, timelines, budget and (financial) partnerships required to bring the model to scale. The plan should clearly demonstrate the commercial and operational viability of the outgrower model, and account for social risks and impacts as per the IFC Performance Standards. The outgrower model will reach a minimum of 20 households from the region.

Different options for financing can be considered, including lending by Prestige directly, or through an external financier (e.g., local bank, international lender). The most appropriate option, both from a commercial and social perspective, will be selected. Similarly, different models can be considered for the operational involvement of Prestige, such as full control over land preparation, planting and harvesting, or full control of the outgrowers for the same operations. The most appropriate option will be selected, on a case-by-case basis, considering commercial and social objectives.

As part of due diligence, the viability of three potential outgrower models was assessed:

1. Development of small-scale oil palm plantations (10-100 ha) on farms within the sourcing area, owned by local people, holding either fully registered titles or possession rights (base case).
2. Development of oil palm plantation plots on Prestige's current property and selling them off to Prestige employees.



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3. Purchasing of a single-block property close to Prestige's own concessions and developing the palm oil plantations there, selling them to local community members or local producers associations.

Model number 1 was found to be the best option, both from a commercial and a social perspective, as well as the potential to contribute to transformational change through scalable sustainable development of the region. A land tenure assessment indicated that there are sufficient land title holders within Prestige's sourcing area to select at least 20 farmers to participate in the outgrower program, planting 1,000 ha of oil palm.

A tentative structure of the outgrower program was developed with the help of an external financial expert, and in close consultation between Prestige and &Green, see the outline below. This model is seen as a viable option, to be tested in a 100-ha pilot. Any significant deviations from this model, either for the pilot or for the upscaling of the model to 1,000 ha, must be approved by &Green prior to implementation.

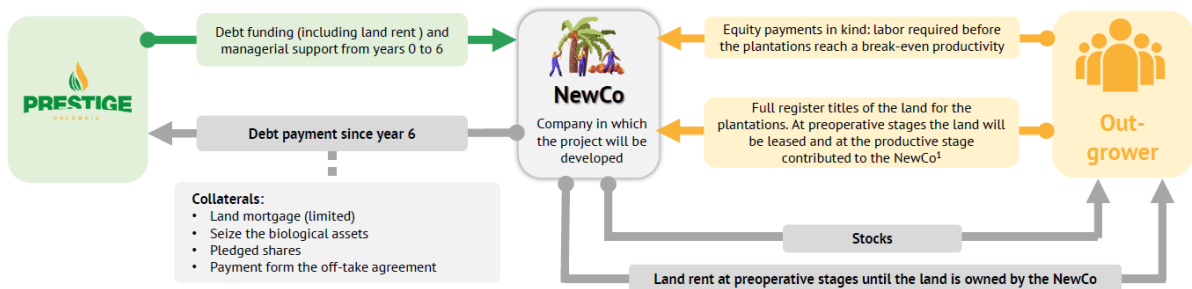
Outgrower model – tentative outline

- Farmers will be selected within the company's sourcing area, based on a set number of criteria. The intent is that the model can serve as a blueprint for scalable sustainable development in the region. Therefore land owners that are based in the region are preferred. Equal opportunities are granted to women and men. Where poverty alleviation can be realized without compromising the financial and operational viability of the program and the company, these opportunities should be considered.
- All outgrowers must hold a legal title to their land, upon signing the outgrower agreement.
- A legal entity ("NewCo") will be established, owned by the outgrowers, to manage the financial and operational relations between Prestige, as a lender, and the outgrower, as a borrower.
- An agreement will be signed between the outgrower and Prestige, detailing their respective commitments:
 - Prestige will provide the equipment, planting material, fertilizer, extension services and all other financing required for the establishment of the oil palm plantations until they are fully productive (year 6), with the exception of labour costs, in the form of a long-term, low-interest loan. Extension services will include training the farmers in agronomic practices, fire management, and sustainability requirements, as well as supporting them to achieve RSPO certification.
 - The outgrower provides all labour required for the establishment and management of their plantations, from the start of the outgrower agreement. This is provided as equity to the NewCo.
 - The outgrower pledges their land, in full, to the NewCo, for the duration of the loan tenor. Note that their land title will typically cover a larger area (ca 300-2,000 ha) than the palm oil plantation (20-100 ha), and the entire title will be pledged. There are situations where legal restrictions apply to the conversion of a land title, for a duration of max. 7 years. In that case, the land will be mortgaged until the property can be handed to the NewCo.



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- In addition to the land, the outgrowers' shares in the NewCo are provided as collateral, as well as their (maturing) biological assets.
- The plantations are expected to start generating dividends in year 10 after planting, starting from around USD 10,000 per year and ramping up to around USD 70,000 per year at peak production levels. As a reference, minimum wage in Colombia is USD 3,420 per year. Dividends will be paid out to the outgrower by the NewCo.
- To bridge the payment gap between the start of the outgrower agreement and the payment of dividends, a monthly payment of ca USD 250 will be made to each outgrower. Until the land is handed to the NewCo, this payment will be in the form of land rental payments, paid out by the NewCo. Once the land is owned by the NewCo, the outgrower will receive advance payments or their dividend. This payment is meant to create a continuous cash flow for the benefit of the outgrowers, and to ensure continued interest and commitment from the outgrowers to the program, ultimately reducing the risk of defaulting on their loan.
- A long-term off-take agreement is signed between Prestige and the outgrowers, for the supply of all FFB produced on the outgrowers' land, to Prestige/Extractora Cimarrón.
- The loan is expected to be paid off in year 12, after which the outgrowers hold full ownership over their assets.
- Where relevant, Prestige will partner with external experts to support the selection of outgrower farmers, train the farmers, or carry out any other activity required to successfully establish the outgrower program.



5.3 Intervention 2: RSPO Certification

Prestige commits to acquiring RSPO certification on all their current and future operations in areas under their direct management. The company commits to full compliance with the standard's Principles & Criteria (P&C) by end 2025, audited by an independent, accredited Certification Body. However, the actual certification may happen later, pending the implications of RSPO's New Planting Procedure. This Procedure requires aspiring RSPO members to submit a list of materials that RSPO must approve before any new plantings can commence. Prestige has been informed by RSPO that this application process can take up to a year, which would mean that planting would be delayed by a year. It would therefore



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be favorable to delay Prestige's RSPO membership (required for certification), until end 2028, when the company has finished planting. Important to note that the HCV-HCS assessment that was carried out by Proforest in January 2022 is part of the materials that are required for membership application, and is only 'valid' for 5 years. Therefore, if Prestige does decide to postpone their RSPO membership until end 2028, this assessment will need to be updated prior.

In light of these operational limitations, &Green requires compliance with RSPO's P&C by end 2026, demonstrated annually through an external audit report, until certification has been attained, latest by end 2028. A pre-audit will be carried out in 2025.

Prestige also commits to ensuring RSPO certification for all their outgrower suppliers within 3 years after plantation establishment.

In addition to RSPO certification, Prestige is working to achieve certification from APSColombia, a sustainability certificate developed by Fedepalma, Colombia's Palm Oil Association. The company intends to be certified by end 2024.

5.4 Intervention 3: IFC PS Compliance

Prestige will work to achieve full compliance with the IFC Performance Standards, both on its plantation and mill operations, within 3 years following investment. This will require the establishment of an Environmental and Social Management System, and implementation of the actions described in the IFC PS Compliance Matrix. The IFC PS will also apply to the establishment of the outgrower system, which should comply with FPIC and biodiversity net gain requirements, among others.

5.5 Intervention 4: Implementation of NDPE Policy

Prestige will commit to compliance with the &Green NDPE Policy one year after investment. The company will develop and publish an NDPE Policy, approved by &Green, by March 2024. Prestige will set up the appropriate monitoring and reporting systems to ensure compliance within 1 year after investment.

6. MONITORING, REPORTING AND VERIFICATION

The company's actions and targets specified in section 5 are summarized in the Environmental and Social Action Plan (ESAP), agreed between &Green and Prestige and annexed to this document.

To ensure the implementation of these actions, and progress against targets, a monitoring, reporting, and verification framework is designed between &Green and Prestige. The means of verification are described in the ESAP, per ESAP target, and in the KPI Matrix, per KPI target.

To monitor progress, two reporting elements will be required:

1. Self-reporting

Progress achieved against the ESAP milestones and targets will be monitored and reported on a 6-monthly basis during the first two years of the transaction, and annually for the



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remaining tenor of the &Green loan, until 2033. A template for this progress report will be agreed during the contracting phase of the transaction. Templates might be updated during the loan period to ensure relevancy against progress achieved and recommended actions.

2. Independent Verification

Independent verification of Prestige's progress against the LPP and ESAP targets will be carried out annually, by external experts. The experts will prepare a verification report, supported by an updated version of the IFC PS compliance matrix. The compliance matrix should be treated as a "live document" that supports Prestige in reaching its compliance targets, by providing clear recommendations for compliance. The verification period is defined as the standard calendar year from 1 January to 31 December of each year. The annual verification report is completed before May of the following verification year. The first verification will take place between January and May 2025 and cover Prestige's progress in the year 2024. The executive summary of all verification reports will be disclosed on &Green's website.

In addition to these two reports, an external party with specific expertise on outgrowers may be engaged to assess progress against the outgrower model targets. As this model is key to the transformational change rationale for this investment, &Green may request this expertise to support the monitoring efforts.



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ANNEX 4.1: ENVIRONMENTSL AND SOCIAL ACTION PLAN (ESAP)

The ESAP is provided as a separate document.

ANNEX 4.2: KEY PERFORMANCE INDICATORS (KPIs) AND DEFINITIONS

The KPIs and definitions are provided as a separate document.