SOUTH EAST ASIA'S FIRST
SUSTAINABILITY PROJECT BOND

Reviewed by Vigeo Eiris for alignment with the ICMA Green Bond Principles

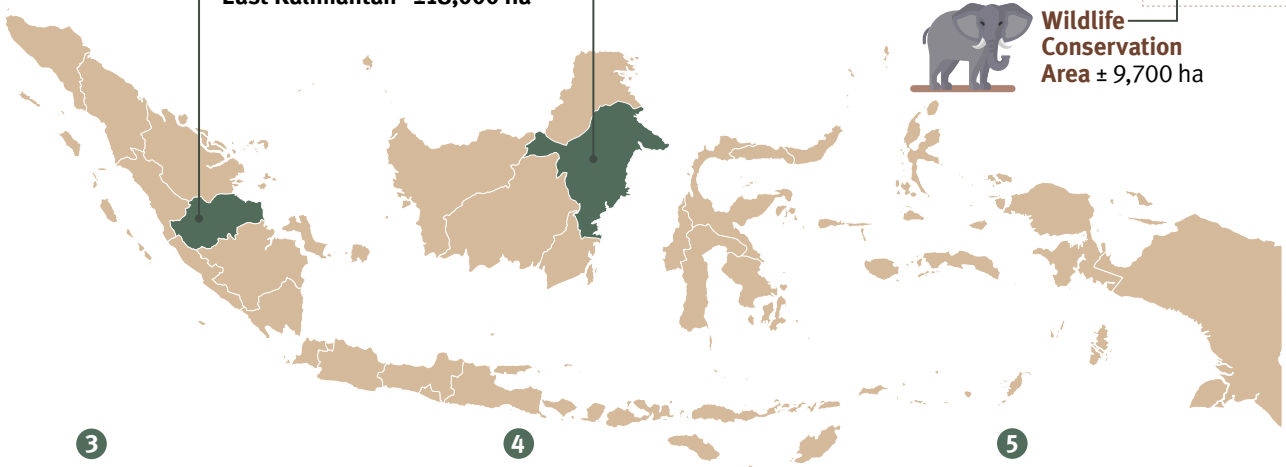
A multi-tranche, long-dated sustainability bond arranged in 2018 by BNP Paribas (BNPP) and issued by TLFF I Pte Ltd for RLU, a JV between Indonesia's Barito Pacific Group and France's Michelin Group. The bond repaid at par in August 2022. The RLU project was forward-looking and designed, in particular, to address the significant challenges of past deforestation and social conflict in the Bukit Tigapuluh landscape in Jambi, Sumatra by implementing rigorous environmental and social safeguards. The RLU project also helps protect the adjacent ±143,000 ha Bukit Tigapuluh National Park (BTPNP) from deforestation through collaboration with park officials and by serving as a buffer zone.

An estimated 50,000 people currently live in and adjacent to the three RLU concessions, LAJ, WMW and MKC. An extensive pre-investment document (the 2017 Environmental and Social Due Diligence Assessment (ESDD)) noted at the time the difficulties of determining attribution in the complex geographic context of the RLU project. It is based on this context that the financing structure for the RLU project set at its core the implemention of sustainability practices and E&S safeguards in the concessions as well as the protection of the BTPNP from encroachment. As a condition of the financing, RLU committed to managing the project to IFC Performance Standards (IFC PS) and to set aside more than half the concession area for conservation and community partnership programmes.

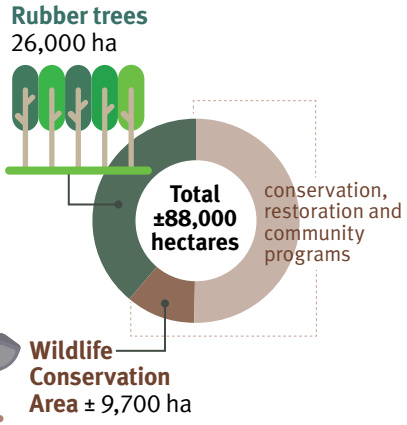
THE PROJECT

1 A concession area of **±88,000 hectares**, 1.25 times the size of Singapore:

Jambi, Sumatra ±70,000 ha
East Kalimantan ±18,000 ha



2 An estimated **26,000 ha** is expected to be planted in rubber, while the rest will be left for conservation, restoration and community programs, including a **± 9,700 ha** Wildlife Conservation Area.



3 The project is expected to enhance the livelihoods of about **50,000 local people**, including at least **4,000 fair-wage jobs**.

4 The project includes six overarching programs to protect and manage the community and biodiversity:

- Forest Protection program
- Wildlife Conservation Area and monitoring program
- Human-Wildlife Conflict program
- Restoration program to cultivate local species
- Community Partnership Program (CPP)
- Indigenous People Engagement Framework

5 As a condition of financing, the project was monitored annually by a third-party specialist consultant against an Environmental and Social Action Plan ("ESAP"), a Landscape Protection Plan and associated KPIs, as well as TLFF KPIs.

RLU SUSTAINABILITY MILESTONES
PRE-2015~2017

Pre-2015

1. Before RLU was formed in 2015, the two Jambi concessions (LAJ and WMW) were licensed HTI-industrial forest concessions under JV partner Barito Pacific Group and legally-managed for the purposes of planting rubber.

   From 2008-2014, the associated companies planted an estimated 9,067 ha of rubber in Jambi, including 5,986 ha in LAJ and 3,081 ha in WMW.

   9,067 ha
   rubber trees planted
2. According to the government- approved permit, the companies operated under a ten-year general work plan (Rencana Kerja Usaha – RKU), which outlines the allowed annual planting areas and follows the local Environmental Impact Assessment (AMDAL) documents. These indicate areas for development and areas for protection under the relevant government regulations.
3. Encroachment activities, both inside and outside the managed concessions, were extraordinarily high over the same period and led to significant deforestation in the landscape due to illegal activities and speculation in anticipation of the establishment of the RLU JV.

2015

1. RLU JV eastablished between Michelin Group and Barito Pacific Group.
2. RLU collaboration agreement with WWF France and WWF Indonesia to support sustainable natural rubber in Jambi and East Kalimantan.
3. High Conservation Value/High Carbon Stock (HCV/HCS) assessment of the RLU concessions by Tropenbos International.
4. RLU makes a commitment to NDPE (No Deforestation, No Peat, and No Exploitation) via its shareholders.

2016

1. Based on the HCV/HCS study, RLU and WWF establish "go" (production) and "no go" (protection) zones within the concessions. 25% of the Jambi concessions and 50% of the East Kalimantan concession is set aside as protected area. Going forward, these clearly identified areas are to be monitored monthly.
2. **±28,000 ha**
   of the concessions are set aside for **conservation and biodiversity**.
3.

2017

1. Extensive Environmental and Social Due Diligence Assessment (ESDD) of the project completed by a Daemeter led consortium of specialist consultants. The ESDD includes an Environmental and Social Action Plan (ESAP), which defines a specific environmental and social performance roadmap in line with the International Finance Corporation's Performance Standards (IFC PS).
2. Social Conflict Study by the Wana Aksara Institute, a recognized local research group.

2018

1. Integrated Forestry Management Plan and Community Partnership Plan developed by Daemeter.
2. South East Asia's first corporate sustainability bond is issued by TLFF for sustainable natural rubber produced by RLU according to clear environmental and social safeguards. An Environmental Social Action Plan (ESAP) is is enshrined in the loan documents for the transaction. Clear E&S KPIs are established with TLFF and Andgreen Fund under the financing. ESAP compliance and update as well as E&S KPIs performance are annually audited by third party ESG consultants and the report is provided to noteholders.
3. A ± 9,700 ha Wildlife Conservation Area (WCA) is established by RLU in partnership with WWF. The WCA sits within the Jambi concessions and is adjacent to the ±143,000 ha Bukit Tigapuluh National Park (BTPNP). The WCA's objective is to contribute to the long-term survival of the Critically Endangered Sumatran Elephants by transforming degraded land into a well-managed conservation zone. The WCA also integrates community livelihood programs and is supported by Partnerships for Forests (P4F).

   ±9,700 ha
   Wildlife Conservation Area
   adjacent to the ±143,000 ha Bukit Tigapuluh National Park
4. Approximately **8.7 million** rubber trees planted across **±18,000 ha**

RLU SUSTAINABILITY MILESTONES
2018-2019

Built 4 schools
3 preschools in Jambi and
1 elementary school in
East Kalimantan

2018

4. **1,100 native trees planted** for restoration and enrichment program.

5. A carbon assessment is conducted by RLU in partnership with USAID's Green Invest Asia. The projected net emissions reduction is over 8.27 million tCO2e for the period between 2014-2030.

2014-2030 → **8.27 million tCO_2e**

6. A formal partnership between RLU and the Bukit Tigapuluh National Park starts. The purpose of the partnership is to monitor and provide mutual support in the pre-identified buffer zones located between the Jambi concessions and the Bukit Tigapuluh National Park.
7. A gender assessment of the communities in and around the concession areas is completed in partnership with UN Women and TLFF.
8. RLU establishes a detailed grievance mechanism policy and program.
9. RLU launches the Conflict Resolution Task Force (CRTF) in Jambi province. The CRTF is comprised of companies, NGOs, and government representatives to help resolve land issues relating to the concessions.

2019

1. RLU launches its Sustainability Policy and Ethics Policy.
2. RLU releases its 1st annual Environment Social Governance (ESG) audit report to noteholders and publishes its 1st Sustainability Report to all stakeholders (available on RLU's website).

3. Ecositrop conducts an **orangutan assessment** in East Kalimantan concession.
4. RLU begins a second, integrated HCV/HCS assessment managed by independent ALS assessors.
5. Initiation of the smallholders in-situ program under the CPP.
6. An Indigenous Peoples Agreement is established in partnership with Rimba Bungaron Indonesia (RBI).

2019

7. Completion of EcoVadis Assessment for RLU concession in East Kalimantan with Bronze rating.
8. Implementation of Rubberway social and environment mapping of the RLU rubber supply chain in East Kalimantan.
9. A Landscape Protection Plan (LPP) is developed as part of the partnership with &Green and TLFF.
10. A total of approximately **10,000,000 rubber trees** are planted across **±20,000 ha**

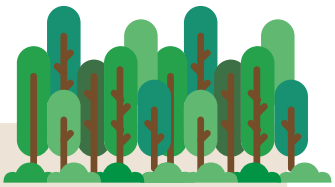
11. Within the year, 1,200 native trees are planted for restoration activities and 7,000+ seedlings are prepared in nursery for future restoration activities.

1,200 native trees
7,000+ seedlings

12. 628,846 tCO2e GHG are estimated to have been absorbed by protected forest and planted areas.
13. 333 smallholder rubber farmers are engaged through the Community Partnership Program.
14. RLU Engages with the indigenous Orang Rimba group living in the RLU Wildlife Conservation Area. RLU provides regular health checks as well as ongoing education support, and facilitates national ID Card issuance in partnerships with the government as part of the WCA program.
15. RLU, supported by an ESG consultant, updates and strengthens the E&S documents of its Environment Social Management System to better respond to the IFC Performance Standards. These include:
    a. Stakeholder Engagement Plan
    b. Community Forum and Socialization document
    c. Grievance Mechanism documents
    d. Community Partnership Programme (CPP) and Smallholder Business Plan documents
    e. Company Regulation document
    f. Land Return Framework
    g. Wildlife Conservation Area Management Plan
    h. Biodiversity Management Plan
    i. IP Plan and activity Framework

Operates 2 clinics
1 in Jambi and and
1 in East Kalimantan

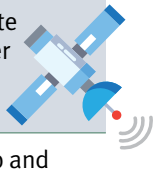
RLU SUSTAINABILITY MILESTONES
2020



Implements a comprehensive forest and land fire management plan

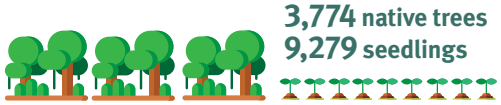
This includes early detection systems, hotspot ground check, fully equipped forest fire team, joint patrol with the authorities, and firefighting process. RLU also monitors fires using the services of a satellite monitoring provider and reports the yearly outcomes in its ESG report.

1. RLU releases its 3rd annual Environment Social Governance (ESG) audit report to noteholders and publishes its 2nd annual Sustainability Report to all stakeholders (available on RLU's website).
2. Recognition from the Indonesian Ministry of Environment and Forestry on partnership with Forest Farmers Group in Jambi.
3. Start of RLU's formal involvement in several working groups, including a) Essential Ecosystem Area (Kawasan Ekosistem Esensial - KEE) Bukit Tigapuluh Forum; b) Social Forestry Acceleration of Jambi Province; and c) Collaboration Platform of Bukit Tigapuluh.
4. RLU appoints an international satellite imagery agency to monitor land cover changes in its Jambi and East Kalimantan concessions.

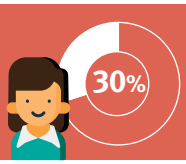


5. RLU produces 4,114 tons of cup lump and 22,817 tons of crumb rubber (TSR20) at its East Kalimantan remilling facility.

6. Within the year, 3,774 native trees are planted for restoration activities and 9,279 seedlings are prepared in nursery for future restoration.

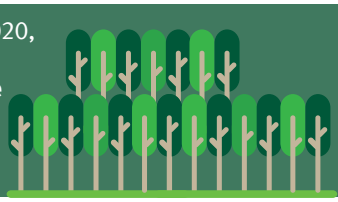


7. RLU partners with Sustainable Trade Initiative to further develop its Community Partnership Program (CPP).
8. 611 smallholder farmers are engaged through the Community Partnership Program (CPP), including training in rubber and other integrated farming, as well as selling into RLU's supply chain. RLU's internal assessment shows an increase in related income by approximately 20-30%.
9. RLU provides **4,259 direct jobs,** with **30% of the jobs held by women.**



10. RLU finances and builds **1,008 housing units** with a total capacity for **±3,900 people.**

11. Establishment of the Indigenous People Framework and plans to implement a partnership between the WCA and Indigenous People experts, PT Rimba Bungaron Indonesia.
12. RLU partners with an international specialist consultancy to support the company on land, community and indigenous people aspects.
13. By the end of 2020, **±11,100,000 rubber trees are planted over ±23,000 ha**



14. RLU establishes a company wide COVID-19 Task Force and Protocol.

15. RLU Group reaffirms and updates its Sustainability Policy in partnership with Ramboll, reconfirming its commitments to the IFC PS. RLU also updates its Ethics Policy.
16. RLU launches transparency page on its website *https://www.rlu.id/rlutransparency*

RLU SUSTAINABILITY MILESTONES
2021

2021

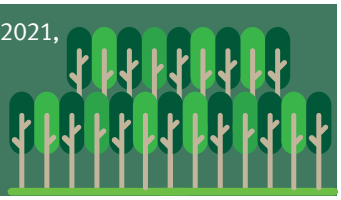
1. PT MKC and PT LAJ concessions receive Satisfactory ratings on integrated HCV-HCS assessments by HCVRN.
2. IDH and P4F award €200K and £100K respectively to RLU for the expansion of CPP in Jambi, targeting a total of 400 households.
3. &Green and IDH provide Technical Assistance for RLU to bridge gap against IFC PS5 and PS 7. In Feb 2021, RLU hired a third party independent consultant.
4. 2 forest farmers groups in RLU receive "Recognition and Protection on Forestry Partnership" (SK KULIN KK) from the President of Indonesia.

5. 5 forest farmers groups in WCA on-board the Forestry Partnership Scheme.

6. Joint wildlife monitoring efforts between Bukit Tigapuluh National Park and PT LAJ capture images of a Sumatran tiger family in Jambi through a camera trap.
7. RLU commences a Social Economic Baseline Study in October.
8. RLU commissions an independent expert to monitor and evaluate the existing CPP, in order to develop a business plan for expansion.
9. Within the year, 4,611 native trees and 3,277 seedlings are planted. Mucuna is removed to improve the habitat of the Sumatran Elephant.

4,611 native trees
3,277 seedlings

10. By September 2021, **11,390,139** rubber trees are planted.



11. **178 (71% of CPP expansion target) smallholders are approached and engaged** via Informed Consult and Participatory Process and a total of **124 (70% approached) smallholders have agreed to join CPP.**

12. Covid-19: RLU establishes a COVID-19 Crisis Management Team and a COVID-19 Task Force at each site.

>98% of employees have been vaccinated with one dose

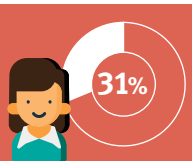
>94% of employees have been vaccinated with two doses

13. RLU produces 3,699 tons of dry cup lump rubber.*

3,699 tons

14. **70 new houses** are built for employees and workers.*

15. RLU provides **3,886 direct jobs**, with **31% of the jobs held by women.**



*January 2021 – September 2021.

2022

1 **23,000 ha** rubber trees planted

Community Partnership Program (CPP)

2 **4,280 Beneficiaries** positively impacted by the CPP Program

Up to **30%** rubber farmers' income increased through forestry partnership

3 **CPP Social Forestry: 856 persons (733.84 ha)**

Rubber smallholders in Community Partnership Program (CPP)

4 **CPP intergated Farming: 185 persons (28 ha)**

Involved in integrated farming to build a food security program and access to market for the farmers

5 **Women Farmers Group: 89 persons**

Established to empower and provide access for women and also increase their income and improve farming skills

6 In partnership with a consultancy, RLU develops and begins to implement:

1. Indigenous People Framework

2. Land Return Framework

Conservation in RLU (HCV/HCS)

7 The second HCV/HCS study has been completed and verified by HCVRN. These reports can be found on the HCVRN website, with one study completed for each of the land companies that make up RLU.

8 **Seedlings for Restoration: 9,350**

Active restoration by planting native trees from the forest conducted as part of effort to reforest degraded and deforested areas in RLU concessions

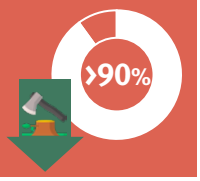
9 **HCV/HCS Actively Managed: 12,348 ha**

Out of the 39,000 ha HCV/HCS identified in RLU concession, 12,348 ha is actively managed by the company, including the 9,700 ha Wildlife Conservation Area (WCA).

10 **Patrols in km: 81,844**

Total 20 dedicated rangers conduct routine patrols to protect conservation areas from deforestation, illegal logging and other illegal activities.

11 **Joint Patrols**

With the National Park team to protect the buffer zone from illegal activity.

12 **>90%** illegal logging has been reduced since 2015 through patrols and partnership with Bukit Tigapuluh National Park.