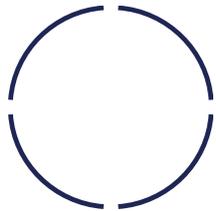




LESTARI
CAPITAL



RIMBA COLLECTIVE

Nature Positive Supply Chains

FREQUENTLY ASKED QUESTIONS

May 2021

RIMBA COLLECTIVE – Frequently Asked Questions

BACKGROUND

- **Who initiated Rimba Collective and why?**

Rimba Collective is a private sector-led initiative that is being driven by leading businesses and brands involved across the supply chain in the palm oil industry. Lestari has been appointed to lead the design, structuring, coordination, and delivery of the Initiative.

Together, the parties are conceptualising, planning, and building the mechanism to raise, manage, and deliver 25 years of financing to at least 500,000 ha of conservation projects in South-East Asia.

These progressive companies have come together to recognise that the industry needs to move forward, not just to ensure that no deforestation policies are robustly implemented, but in order to generate positive conservation outcomes and impact into the future.

The parties wish to make forest conservation part of business as usual. By directly linking the scale of conservation to business activity, growth is synonymous and enables long-lasting projects that in turn, create impact in perpetuity.

- **Why are we doing this?**

The Initiative seeks to address the following challenges:

- Companies utilising palm oil products want to ensure that their impact on nature is to be positive and regenerative.
- Companies need to fulfil all sustainability commitments, but also to be forward-looking and build a new role for the industry in conservation efforts.
- Companies want to ensure that commitments lead to real, verifiable, and positive, conservation impact.
- Rimba Collective companies want to take a leadership position, demonstrate what is possible, and how commitments can, and must, be credible.

- **Who are the Founding Partners and what is their role? What is Lestari Capital's role?**

The founding partners include Nestle, PepsiCo, P&G and Wilmar. These companies operate across the supply chain in the palm oil industry – from processors and traders to manufacturers. They are united in their collective goals around forest protection and restoration.

The founding partners have played a leading role in the conceptualization, design and build-out of the Rimba Collective, facilitated by Lestari Capital. Founding partners contributed funds to support the development of the mechanism and will be the first users of Rimba Collective once operational.

Lestari Capital manages the project portfolio, provides project onboarding to expand the portfolio, safeguards performance-based payments, and ensures the efficient and transparent functioning of

the mechanism.

- **What are the requirements for companies to join Rimba Collective?**

Rimba Collective is designed to complement the legal and sustainability sourcing commitments of corporate users, and to facilitate the fulfilment of verified and demonstrable environmental and social claims that support the delivery of wider forest positive commitments. At the same time, Rimba Collective will seek to ensure that user companies demonstrate true willingness to pursue the achievement of sustainability goals. As such, Rimba Collective will develop and implement robust usership requirements starting in Phase 3.

- **Do you plan to add other partners?**

Beyond the founding partners, this mechanism is built for usership by the wider industry. We especially welcome new supporting partners to join us in the development phases that wish to help us build the mechanism in 2021, and we will of course also welcome companies that wish to become future users of the mechanism when it becomes operational at the end of 2021. Our mechanism is about scale and impact and the more parties that join, the bigger the impact.

- **Do you plan to involve other growers/planters in the Initiative? Have they been invited to take part? Why/why not?**

This mechanism is for all tiers of the supply chain, from growers to retailers. We encourage growers with relevant sustainability commitments and claim needs to join Rimba Collective.

- **Do partners need to make a long-term commitment to the Initiative? How long? What is to stop them pulling out early?**

This initiative is about positive long-term impact on forests and conservation. Each of the parties commits long-term financing support linked to scale of palm oil usage. We wish to support conservation in perpetuity, through a mechanism that creates sustainable conservation payments for a minimum of 25 years, agreed to by the usership in five-year phases.

Usership allows for claims on the impact achieved as a result of the financing provided. Cessation of usership will result in no further claims being made on the conservation and climate impact by that user.

- **How does LC ensure there is no conflict of interest between LC, partners and the projects?**

Rimba Collective will use independent evaluators for the due diligence as well as monitoring and reporting under international conservation standards on projects receiving performance-based payments. Rimba Collective is not involved in the management of the projects, nor are any of the projects within the portfolio owned by Rimba Collective parties. A Board and a Steering Committee oversee the implementation of the mechanism.

- **Beyond Indonesia and the palm oil industry, which other markets and/or industries could you envisage expanding this to?**

The mechanism being developed is aimed to be both scalable and replicable. We envision that following successful implementation in Southeast Asia and within the oil palm industry, a tailored

model could also be developed for other commodities, including soy, beef and cocoa and coffee in Latin America and West Africa.

- **How do companies pay for Rimba Collective? How does it differ from a traditional investment, donation or a CSR program?**

Financing coming from the companies is linked to their procurement volumes of palm oil. Rimba Collective is unique in that it is not a grant or a donation mechanism. It is a performance-based payment for the purchase of numerous verified conservation outcomes.

No party, the users, Rimba Collective, or Lestari Capital receive a financial investment return from the projects. The return gained is the delivery of verifiable conservation outcomes, which users then are able to claim as part of their sustainability commitments.

- **How will the Rimba Collective plan to collaborate with / complement other existing financial mechanisms for conservation?**

Rimba Collective's model aligns well with numerous other forms of financial mechanisms for conservation, whether it is traditional donor models, to blended finance models, or project investment finance. We are actively exploring complementarity and potential collaborations on each.

- **Are we selling carbon credits and what is the price?**

Some of the projects funded by the Rimba Collective will generate emission reductions that qualify for SBTi carbon accounting and/ or VCU carbon credits. These outcomes, when achieved, will be retired in the name of the users of the mechanism.

- **What are the fees of Lestari Capital**

Lestari Capital, as the manager of the Rimba Collective mechanism, will earn a performance-based fee based on hectares conserved and restored. This is additional to the funds required by the projects. Lestari Capital will provide a wide-ranging management service which includes its role to source, assess, select, manage and report on the project portfolio, as well as develop, fund and manage the system of contributions from the Rimba partners.

PROJECTS & IMPACTS

- **How do you select projects and ensure they can achieve results?**

Projects are identified by Lestari Capital (an open and inclusive process) in consultation with the Steering Committee. Once projects pass an independent due diligence process, the Board of Rimba Collective approves new projects as part of the portfolio.

We prioritise projects that protect and restore large, continuous areas of natural ecosystems as well as critical habitat to produce more meaningful biodiversity outcomes. Projects are also prioritised according to their potential to generate measurable ecosystem service benefits, such as maintaining water quality and supply, improving soil fertility and sequestering carbon as well as improving the livelihoods of local communities. Projects must be within general regions and

landscapes in which our partners source palm oil.

All projects in the Rimba Collective portfolio must undergo rigorous due diligence, onboarding, contracting, and monitoring procedures as well as legal, fiduciary and governance safeguards and third-party independent verification.

- **What are the criteria for projects to join?**

Broad criteria have been defined as follows:

- Project Activities: Must protect and/or restore natural ecosystems, focused on forest and/or peatland restoration and protection
- Management and Use Rights: Project areas must have land tenure rights for the location
- No Commercial extraction: Project areas must not be used for commercial harvesting of timber or agricultural commodities (except subsistence/small-scale timber harvesting and agroforestry by local community members)
- Social Safeguards: Respect for the rights of indigenous peoples and local communities. Take account of the need and participation of stakeholders in sustainable livelihoods and use of ecosystem services by local communities
- Climate Impact: Have a measurable and verifiable positive benefit and impact on the climate as a Nature Based Solution
- Project Operator: Must be a civil society (NGO) or private sector organization (Company) which, potentially with partners, has experience in effective conservation & restoration implementation, including the following elements:
 - project design
 - project monitoring and reporting
 - budget accounting and management

More detailed due diligence criteria support these broad principles.

- **How do we ensure projects are credible and result in real impact? How do we measure and monitor impact?**

All projects submit annual monitoring reports. All projects must be certified under international standards for conservation including Plan Vivo, the Climate, Community, Biodiversity Standard (CCBS), and the Verified Carbon Standard (VCS), and are regularly audited by independent 3rd party auditors.

Figure 1: Process for verification by 3rd party standards

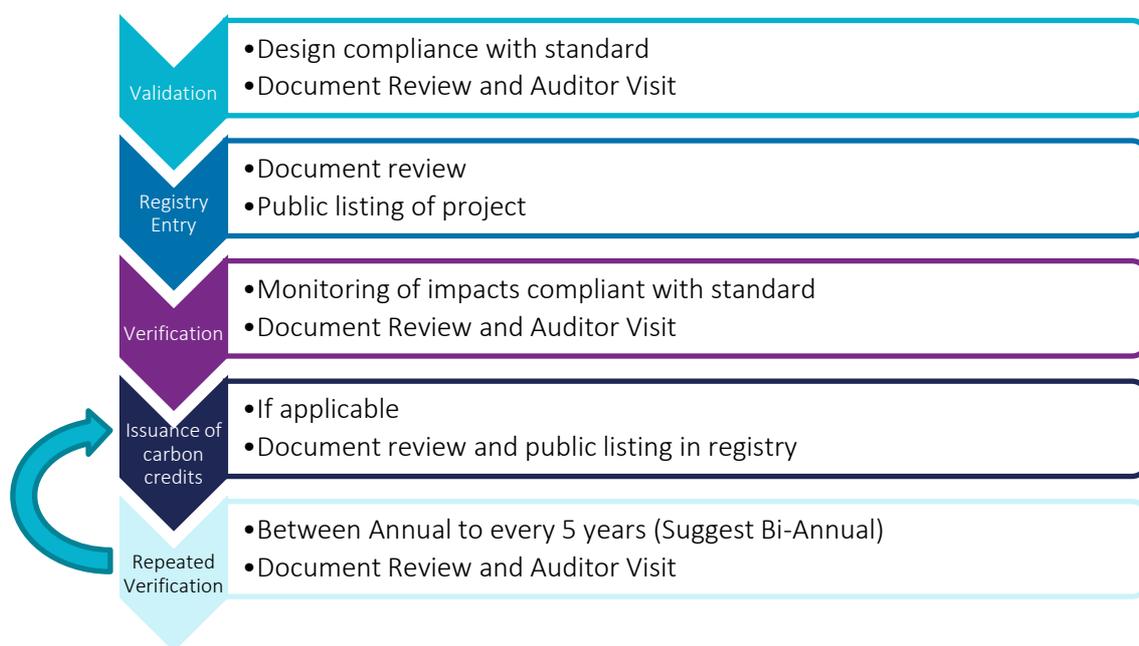


Table 1: Targeted minimum indicators reported by all Rimba Collective projects and verified by independent auditors according to the certification standards applicable.

CLIMATE AND LANDSCAPE	COMMUNITY	BIODIVERSITY
Hectares Conserved (per ecosystem)	Number of households participating	Number of Endangered & Vulnerable Species (occurring in project habitats)
Hectares Restored (per ecosystem)	Average net income changes per participant (men/women)	Number of Endangered & Vulnerable Wildlife Interactions (Sighting, Hearing, Tracks). Link to photo gallery of camera traps
Trees Planted & Regrowing	Number of total beneficiaries (men/women)	Number of Individuals actively re-introduced (Endangered & Vulnerable wildlife)
Ton CO ₂ e Emission Reduction	Number of beneficiaries women's empowerment activities	Area of connectivity to other critical habitat
Ton CO ₂ e Emission Removal	Number of beneficiaries child education (boys/girls)	

	Number of beneficiaries health support (men/women)	
	Number of beneficiaries clean water support (men/women)	
	Number of markets accessible	
	Yield of NTFPs	

- **What happens if a project does not fulfil its agreement?**

In the first instance, a project will be engaged to understand the reasons behind a failure to fulfil the KPIs and deliver the desired ecosystem outcomes. A plan for resolution of the issue will be developed and monitored. Ecosystem outcomes not delivered by the project will not be included in the annual claims of the Rimba Collective users. In instances where a fault is not resolved, performance-based payments may be stopped until a demonstrated resolution is achieved. In instances of total project failure, claims will not be delivered, and an alternative project will be sought for the portfolio.

- **Is the project portfolio already identified or are we seeking additional projects?**

The initial 200,000 ha project portfolio has been identified and is in the process of being onboarded. We have an additional 300,000 ha project area targeted. It is also important to note that the Rimba Collective is about scale and we aim to surpass the target of 500,000ha as soon as possible. We are actively seeking additional projects in South-East Asia and further afield as we begin to focus on other commodities.

- **What are the requirements for projects in terms of legal status/license type?**

All projects must have legal license to operate conservation/restoration activities for a minimum of 25 years.

In Indonesia, there are currently two main types of licenses that facilitate this:

- Social Forestry (*Hutan Desa, Hutan Adat*)
- Ecosystem Restoration Concessions (*IUPHHK-RE*)

We limit activities to these license types as these have strong legal status, clear land tenure and user rights and would be secure for the full 25 years of funding under the Rimba Collective.

We are also actively exploring the potential for other types of permits. We welcome collaboration from the government and other organizations to further explore long-term permitting mechanisms to secure land use rights for projects that could qualify for Rimba Collective financing.

- **What is our strategy to expand the project portfolio outside of Indonesia?**

The Rimba Collective project portfolio aims to expand the project portfolio beyond Indonesia, focusing first on Malaysia in the immediate term. Additional countries in Southeast Asia, such as

PNG, will be added in the near-term as the portfolio expands and in-line with the interest of partner companies.

We are actively looking at opportunities to support conservation further afield. Join us to expand our impact in other regions!

- **How are local and indigenous communities involved in your projects? What safeguards are in place to ensure communities benefit from the projects?**

All projects involve local and indigenous communities as implementing partners and primary beneficiaries. Every project has components for local empowerment and livelihood benefits.

All projects must utilize a participatory design process to ensure livelihoods benefits are in-line with the needs and conditions of the local community. All projects must undergo a Free Prior and Informed Consent (FPIC) process as part of the due diligence conducted, as this is also required as a component of certification under Plan Vivo and the Climate, Community, and Biodiversity Standard (CCBS).

All national legislation and applicable international conventions on indigenous people will be respected.

INDUSTRY

- **If the problems the Initiative addresses are such an issue, then why is the industry leading this and not the Government or an NGO group?**

Issues concerning the lack of conservation finance are complex and multifaceted and no one stakeholder group is capable of addressing them alone. This Initiative represents a positive, collaborative way that industry, project developers and supporters, and the public sector can have a collective impact by working together.

This is why we have come together, as progressive industry leaders, to work collectively, utilise the leverage we have, and the willingness to be ambitious, to try to drive change. We welcome all other parties, NGOs, governments, and certification bodies to get behind this initiative and make it even better and more ambitious.

- **Is RSPO involved in the Rimba Collective? Are Rimba Collective contributions related to the RSPO Compensation Mechanism?**

The projects and funding streams that make up the Rimba Collective are separate from and additional to the RSPO Compensation Mechanism. Rimba Collective is about supporting further ambition for the sector and embraces the notion of collective responsibility with the focus of generating positive conservation and climate benefits.

Lestari Capital has two product lines designed to address the distinct needs of different market segments:

SCCM Solutions: Designed for individual companies to channel finance to individual projects.

- SCCM RSPO Solutions is our pioneer mechanism for individual commodities companies to meet a growing range of sustainability commitments, including RSPO certification.

SCCM Collective: Designed for industry groups to drive impact at scale using a project portfolio approach.

- Rimba Collective is an initiative led by buyers and processors of palm oil to collectively support long term sustainable conservation and restoration of forests.

GOVERNMENT

- **How does Rimba Collective engage with governments?**

Rimba Collective sees the government as an essential partner in every country where our projects operate. As our initial portfolio focuses on Indonesia, we aim to partner and align with the goals and targets of the Government of Indonesia as we move toward full operation of the initiative. We aim to build relationships across all relevant Ministries at the national and sub-national level and have started initial dialogue with the Coordinating Ministry of Maritime Affairs and Investment and the Ministry of Environment and Forestry (including Director General of Climate Change, Director of Conservation, and Director General of Social Forestry). Through these relationships, we hope to make a lasting contribution to Indonesia's goals on green investment, economic development, social forestry and environmental protection.

- **How will this investment benefit Indonesia broadly?**

All projects protect and restore ecosystem services that are essential to the well-being of local communities and Indonesia broadly, such as protection of water resources, food security, job creation and employment, prevention of landslides and flooding, as well as removal and reduction of GHG emissions.

It is estimated that the projects in Rimba Collective's initial 500,000 ha portfolio will have a direct impact on over 32,000 local community members directly involved in project activities such as livelihoods enhancement, and even more indirect beneficiaries who will benefit from long-term improvements to environmental services.

Rimba Collective offers a source of long-term financial and capacity building support for the implementation of Indonesia's social forestry program as well as the expansion of Ecosystem Restoration Concessions.

- **How do projects feed into the national climate change plan?**

All activities comply with the law and align with government programs and policy objectives. Jurisdictional programs and processes for nesting projects are still under development by the government. This includes accounting for GHG benefits to Nationally Determined Contributions. We hope that an initiative like Rimba Collective can contribute to National and Jurisdictional plans.

- **What will this bring for economic recovery / job creation? How will local communities benefit?**

All projects involve local communities as a cornerstone of project implementation and include

activities that support and enhance sustainable local livelihoods. Each project has unique community development activities according to the local needs, interests, markets and resources available, and may include development of non-timber forest products, Agroforestry (coffee, cacao, others), Climate Smart Agriculture, Eco-Tourism and more.

These activities connect forest-frontier communities to new markets, bringing in additional income and jobs. Some projects also include education and health services enhancement as well as support of the empowerment of specific disadvantaged groups within communities.

- **Does Rimba Collective face any challenges regarding obtaining licenses?**

Rimba Collective will not be the holder of the project licenses. It will work with the respective national and local partners who obtain the licenses according to the processes defined by the government.

- **What kind of support does Rimba Collective need from the government?**

Rimba Collective seeks the support and input of government to ensure our projects contribute to the government's goals and plans. A key requirement for all projects receiving funding from Rimba Collective is to obtain legal land tenure and all relevant licenses. We seek partnership and collaboration with the government at the national, regional and local levels to support the issuance and management of these licenses, and to ensure that all projects and project proponents are in full compliance with the law.

CLAIMS / BENEFITS

- **Is it (or will it be) a requirement for partners and users of the Initiative to have pledged / committed to any other industry initiatives or standards (e.g. NDPE, SBTs, HCSA)? If yes, which ones?**

We are currently developing the usership requirements and the commitments (outside of this mechanism) that demonstrate that users of this mechanism are serious about transformation of the industry towards sustainability. We will be consulting broadly on these requirements in the near future.

- **How do you plan to administer and manage carbon credits?**

This initiative is principally focused on hectare-based conservation. Some of the projects funded by the Rimba Collective are likely to generate emission reductions that qualify for SBT carbon accounting and/ or VCU carbon credits. These outcomes, when achieved, will be distributed to the funders of the mechanism.

- **How will the Initiative materially contribute to the SDGs?**

Projects supported by the Initiative will generate outcomes that support the SDGs in the areas of Climate & Area Based Benefits (SDGs 13, 15); Social Benefits (SDGs 1,2,4,6) and Biodiversity

Benefits (SDG 15).

PRODUCTS

- **If these costs are being integrated across the supply chain, will this raise the price of palm-oil-based products in the future?**

The Initiative is focused purely on the methodology and collection of the funding. It does not in any way dictate nor propose how the users will themselves manage to raise the cost of funds, which is out of its scope. That decision is for each individual company to determine.

- **Will there be any on-product branding to signal that companies are part of this Initiative? Or are there plans to develop this in the future?**

This is not a focus of the initial plans for the Initiative, but it may be a possibility that is looked at in the future.