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News Release

HCS Convergence Process Concludes: Agreement on Unified Approach to Implementing No Deforestation Commitments

Bangkok/Singapore, 8 November 2016 - Following a year of intensive work, the HCS Convergence Working Group announced in Bangkok that they have reached agreement on convergence between the HCSA and HCS+ approaches (see Appendix). The Group has agreed on a single, coherent set of principles for implementation of companies' commitments to "no deforestation" in their palm oil operations and supply chains. The members of the Group worked together constructively to develop recommendations that provide a roadmap forward for addressing the issues that remain in a collaborative and integrated way.

The agreement outlines:

- Fundamental elements of the converged methodology that protects HCS forests, HCV areas and peatlands, including forest stratification and decision-making in "young regenerating forest" within fragmented landscapes, the role of carbon and robust implementation of FPIC and other social requirements;
- The intention for functional and institutional integration of HCS with the HCV Resource Network; and
- A roadmap for resolving outstanding issues through a collaborative process.

The recommendations will be incorporated into the revised HCSA Toolkit and the members of the Group are committed to further the implementation of these recommendations and to address the important remaining issues through their engagement in the HCSA Steering Group. In addition, the agreement will be reflected in the policies and positions of the organizations endorsing this agreement and the revised HCSA toolkit will be implemented by the companies when it is issued in early 2017.

Organisations reaching agreement are:

Asian Agri
Cargill
Forest Peoples Programme
Golden Agri-Resources
Greenpeace
IOI Corporation Berhad
KLK
Musim Mas

Rainforest Action Network
Sime Darby
TFT
Unilever
Union of Concerned Scientists
Wilmar International
WWF

This agreement has also been received and endorsed by Executive Committee of the HCSA.

Quotes from a number of the participating organisations:

"This is a significant milestone for the palm oil industry to enable us to meet our "no deforestation" commitments. This initiative is a clear demonstration of what is possible when all parties collaborate openly. While we recognise there are issues that need to be further addressed, such as balancing the socio-economic development needs in highly forested landscapes, we are committed to working through these with the other members of the HCS Steering Group," said Datuk Franki Anthony Dass, Managing Director, Sime Darby Plantation.

"Agreeing a single approach to put No Deforestation into practice is a huge step forward for the palm oil sector and the environment. HCS convergence has not been an easy road but we got there in the end - this is a game changer for the forests and communities where oil palm is expanding in Asia and Africa," said Kiki Taufik, Global Head of Indonesian Forests, Greenpeace.

"The Agreement is a significant step in uniting the palm oil industry and all its stakeholders toward a common understanding about how to protect forests and peatlands. More importantly, it will lead to collaborative and concrete actions on the ground toward achieving this goal" said Dato' Lee's Yeow Chor, Group CEO, IOI Corporation Berhad.

Jeremy Goon, Chief Sustainability Officer, Wilmar said, "Recognising the importance of having a unified HCS methodology, in 2014 – 2015 Wilmar joined the HCS+ scientific study despite not being a signatory to the Palm Oil Manifesto (SPOM). Wilmar was already a member of the HCS Approach (HCSA) Steering Committee. With the intent of bridging the differences between the HCSA and HCS+, we actively contributed to the convergence process. Wilmar is very pleased that the efforts of stakeholders representing these two groups have now resulted in agreement and a unified approach to the application of No Deforestation commitments by palm oil companies. We look forward to having more plantation companies commit to zero deforestation and join us in making palm oil a sustainable, globally acceptable and competitive product."

"Rainforest Action Network supports this foundation-laying agreement between the major players in the industry to finally break the link between palm oil and deforestation in Southeast Asia," said Gemma Tillack, Agribusiness Campaign Director, Rainforest Action Network (RAN). "This new found consensus is a recognition by all parties of the urgent need to protect forests and peatlands while upholding community land rights. It's now critical no more time is wasted turning these words into action."

"As an early adopter of the HCS Approach Golden Agri-Resources is delighted to support this HCS convergence agreement and the development of a single pathway for the identification and protection of forests," said Götz Martin, Head of Sustainability Implementation, Sinarmas Agribusiness.

"It's a historic day for forests, communities and for businesses", says Bastien Sachet, CEO, TFT. "This agreement means there is now a single common practical tool that brings together those who want to conserve forests and develop responsibly, maximizing benefits for Nature and People". "It's the kind of win-win achievement that only high level mutual trust can bring and that we all need today to face climate change and a rising population."

Dr. Petra Meekers, Director of Sustainable Development and CSR, Musim Mas said, "Musim Mas is pleased with the outcome of this important process. We believe that this outcome can be

supported by the Roundtable on Sustainable Palm Oil (RSPO) as the HCS tool. It is also our aspiration to look at an inclusive pathway that will address the aspirations of local communities and the smallholders too.”

“This agreement is an important step towards defining what zero deforestation actually means on the ground. We need to make sure it is adopted far beyond the palm oil industry by the other sectors that have been driving deforestation around the world,” said Aditya Bayunanda, Forest Commodity Leader, WWF-Indonesia. “Now we have to fully integrate HCS and HCV and clearly define how they are applied beyond the fragmented moist tropical landscapes for which the approach was developed.”

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ABOUT WILMAR’S SUSTAINABILITY

As a leading agribusiness group, Wilmar recognises we have a fundamental role to play in developing quality products required by the world while ensuring a responsible and sustainable manner of production. We adopt a holistic approach to sustainability that is fully integrated with our business model. Guided by the philosophy that our business must enhance stakeholder value while minimising our environmental footprint, our business practices are aligned with universally acceptable social and environmental standards. Wilmar’s [No Deforestation, No Peat and No Exploitation policy](#) underpins our aspiration to make a positive impact and drive transformation across the palm oil industry.

For more information, go to www.wilmar-international.com/sustainability.

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HCS Convergence Agreement

This HCS Convergence Agreement is the outcome of discussions conducted by the High Carbon Stock (HCS) Convergence Working Group (the Group) from October 2015 through November 2016. The Group members committed to work together to develop a single, coherent set of rules for implementation of companies' commitments to "no deforestation" in their palm oil operations and supply chains. The group focused on developing a single HCS methodology for application to oil palm plantations in fragmented landscapes in moist tropical forest. The Group encourages the HCSA Steering Group to consider adoption of this agreement for application to other commodities, including the possible adaptation and application to other biomes.

The following organizations participated in the Group process and are endorsing this Agreement. They were supported in this process by the chairs of the HCSA Steering Group and the HCS+ Science Study.¹

- Asian Agri
- Cargill
- Forest Peoples Programme
- Golden Agri-Resources
- Greenpeace
- IOI
- KLK
- Musim Mas
- Rainforest Action Network
- Sime Darby
- TFT
- Unilever
- Union of Concerned Scientists
- Wilmar International
- WWF

Jim Leape chaired, with process assistance from Meridian Institute and technical assistance from Proforest.

The Group agreed three goals for the Convergence process:

- Consensus on the fundamental elements of an HCS methodology, including forest stratification, below-ground carbon, decision-making in "young regenerating forest" within fragmented landscapes, and social requirements;
- A pathway for institutional integration of HCS with existing systems², with appropriate governance; and
- A roadmap for resolving outstanding issues through collaborative process and, as needed, field trials, including:
 - Approaches to estimating and managing the overall carbon impacts of land-use decisions;
 - Rules for applying an HCS methodology in high forest cover regions;
 - Application of the HCS methodology by small producers and communities;

¹ Dr. John Raison, who chaired the HCS Science Study, participated in the Convergence Working Group until October 2016.

² Specifically HCV and FPIC

- and
- Assuring protection of HCS forests together with other conservation areas

It was also recognized that the HCS methodology will continue to evolve over time. Therefore, the Group agreed to pursue a convergence agreement that covers the fundamental elements of HCS as well as a process for addressing these outstanding issues in an efficient and effective manner.

The Fundamental Elements of HCS

The Group recognized that the HCS Approach and the HCS Science Study were consistent in many areas. Both called for rigorous implementation of HCV identification and protection, and robust Free, Prior and Informed Consent (FPIC) processes for the recognition of rights and interests of local communities. Both required protection of primary forests, forests subjected to moderate levels of logging disturbance, and older secondary forests, and both prioritized the allocation of low-carbon scrub areas and open land for any proposed palm oil plantation development. It was agreed that companies will protect peatlands, HCV areas and HCS forests within their concessions and together with other stakeholders, work with rights holders to identify and protect such areas in adjacent landscapes. Companies should not excise peatlands, HCV areas and HCS forests from their concessions, unless it is to achieve their protection.

The Group participants readily agreed on the application of the patch analysis developed by the HCS Approach and on the use of LiDAR, as an acceptable option for deriving biomass maps. However, there were several important issues that the Group needed to address:

1. Social requirements

As noted above, all the Group participants agree on the importance of robust application of social requirements for any plantation development. We recognize important challenges, however, including assuring effective implementation of social requirements by companies of all sizes; addressing social requirements in the context of the landscape and the full range of land uses; and assuring the engagement of and incentive systems for community management of lands set aside for smallholders and communities that will be needed to secure long-term forest protection. There was also agreement on the need to improve measures to ensure accountability and to handle complaints in an effective and timely manner to avoid conflicts.

Over the past year, a subgroup of the Group has worked to develop guidance on social requirements. With the input from a stakeholder workshop in October 2016, the draft guidance will then be field tested and further developed through interviews with stakeholders. The goal is to have a revised and final guidance by the end of 2017.

2. Decisions about Young Regenerating Forest

The Convergence Working Group recognized that Young Regenerating Forest (YRF) patches may be important to conserve based on various environmental values. The

Group set out to create a converged approach that protects those values and community rights and livelihoods, and provides a path for development that benefits a broad range of stakeholders, within the constraints of “no deforestation” commitments. The goal was to create a solution that is both scientifically credible and practical in application, focused on social and ecological viability as well as optimizing for conservation, livelihoods and development.

The Group agrees that decisions about YRF should:

- Seek FPIC of communities following social requirements guidance, including participatory and community land use mapping and robust respect for community rights and livelihoods;
- Identify and protect all HCV areas.
- Identify and protect all peatlands; and
- Apply HCSA forest patch analysis to all forest strata, including YRF.

Decisions about YRF should then be guided by the Decision Tree in the HCSA Toolkit. The Decision Tree has been revised, as outlined below, to reflect the Convergence agreement.

1. Under the Decision Tree, all patches with ‘core’ areas greater than 100 hectares are “high priority” patches and must be protected
2. The revised Decision Tree allows flexibility for “give and take” in decision-making about low (up to 10 ha ‘core’) and medium (10 – 100 ha ‘core’ and subject to the steps prior to the give and take process) priority patches, in ways that maximize ecological and social viability,³ and optimize⁴ conservation, development and livelihood outcomes. The Decision Tree directs that such “give and take” decisions should:
 - Be made in collaboration with on site and adjacent communities and concession holders, and local governments, and with the consent of the customary landowners;
 - Provide demonstrable positive benefits for conservation, considering equivalence and habitat quality of the areas being exchanged, permanence of protection with local stakeholders, and the community consent process
 - Consider forest patches within the concession and in adjacent areas⁵; and
 - Ensure restoration/rehabilitation of secure and additional scrub, open land or other low priority areas, subject to clearly specified safeguards, in

³ Social Viability: Forest patches are integrated and harmonized with community current and future land use, in particular farmland for food security; local land and use rights have been respected through FPIC; and risks to clearance have been mitigated via co-management and incentives/benefits

⁴ This idea of “optimization” originated from the observation that in many cases there will be scope for creating more practical blocks for plantation development and, at same time, more coherent and robust conservation blocks. This flexibility was not intended to require a broad economic development calculus but rather to get to a more sensible landscape.

⁵ The specific definition of “adjacent areas” in this context is yet to be finalized. However, Convergence Working Group participants agree that it should include achieving HCS and HCV conservation in collaboration with adjacent communities, concession holders and local governments.

exchange for development of areas of low and medium priority YRF.

3. Carbon

The Group has concluded that carbon stock estimates alone should not be the primary basis for defining or making decisions about HCS forest. Carbon stock measurements should be used to inform delineation of vegetation classes and a stratification output which can then be assessed for its ecological viability and livelihood values, as per the HCSA toolkit. The Group recognizes, however, that reliable carbon estimates are important for many other uses, including:

- As a basis for enabling government engagement in discourse on HCS;
- Translating HCSA vegetation strata into nationally relevant strata classifications;
- Determining land use impacts on soil carbon;
- Monitoring, reporting and verification;
- Linking forest protection to national climate commitments; and
- Securing finance for communities and conservation.

For those reasons, the Group has agreed that the HCSA Toolkit should be revised to include a new chapter on carbon that clarifies the role of carbon in the methodology and provides clear guidance on the scope of its application:

- All companies should aim to adopt carbon estimation, measurement and accounting procedures that:
 - Are consistent with and complement national approaches on forest and below-ground carbon measurement/accounting and help improve them;
 - Support national greenhouse gas emission reduction strategies and Nationally Determined Contribution commitments;
 - Are consistent with RSPO New Planting Procedures, RSPO criteria 7.8 and the Palm GHG tool
 - Can contribute to land use planning and decision making considerations and processes; and
 - Use transparent and comparable monitoring, reporting and verification systems.
- Soil carbon in addition to that found in peatlands should be considered as part of land use decisions. Organic soils should be included as an important component of greenhouse gas calculations. A credible, practical, and science-based methodology is being sought.
- Above-ground carbon stock measurement should be used to inform a stratification output which is ecologically and nationally relevant and can help translate HCSA stratification to nationally relevant strata.
- Above-ground carbon stocks can be determined through the use of LiDAR or optical datasets in combination with biomass inventories.
- Options among existing and new climate finance approaches that may be used for the purposes of community development, forest protection, rehabilitation/restoration and/or conservation should be explored, recognizing the concerns that many have with the possible negative implications including the transfer of carbon rights and trading between biotic and fossil carbon.

The Path Forward

We have agreed on the fundamental elements of a converged HCS methodology, but this approach must be implemented and there are several important outstanding issues that still need to be addressed. The agreed-upon next steps are as follows:

1. Implementation of Convergence Decisions

Our decisions will be reflected in the revised HCSA Toolkit, which is currently being prepared and is expected to be completed by early 2017. Specifically:

- The use of LiDAR, as an acceptable option for deriving biomass maps is included in the vegetation stratification section.
- The role of carbon in the methodology is addressed in a new Chapter
- Social requirements are also addressed, but as described above, will be further elaborated in the guidance on social requirements to be completed in 2017
- The converged approach to decision-making in YRF will be reflected in the revised Toolkit's Decision Tree

Our decisions will be reflected in the policies and positions of the organizations endorsing this agreement and the revised HCSA toolkit will be implemented by the companies when it is finalized.

2. Resolution of Outstanding Issues

As noted above, there were several vitally important issues that were beyond the scope of this process. These issues are being addressed as follows:

- A subgroup of the Group is developing guidance on social requirements. They expect to complete their work by the end of 2017.
- Several working groups, convened under the auspices of HCSA but with the invited participation of all the Group members, are addressing:
 - Integration of HCS with HCV assessments and FPIC processes;
 - Application of HCS in high forest cover landscapes;
 - Application of HCS by smallholders and communities;
 - Developing best practices for ensuring long-term protection of HCS forests together with other conservation areas;
 - Integration of the function and governance of the HCSA Steering Group and the HCV Resource Network to further increase efficiency and effectiveness in the field.

The new provisions in the revised HCSA Toolkit (particularly the revised Decision Tree), as well as the social requirements guidance and the Technical Integration Manual, will need to be tested in field trials.

It was agreed that overall governance for HCS, and oversight of the follow-up on this Convergence agreement – implementation in the revised Toolkit, Working Groups to address unresolved issues, and field trials – will be with the HCSA Steering Group. All

participating organizations that are not currently members of the HCSA Steering Group will apply for membership. In addition, the Group recommends that a new name be sought for the converged HCS methodology and in the interim it will be referred to as HCSA.

THE FOLLOWING ORGANIZATIONS HAVE REACHED THIS HCS CONVERGENCE AGREEMENT:

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November 4, 2016

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