

PRESS RELEASE

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HCS+ Proposes a New Pathway to Sustainable Oil Palm Development

Kuala Lumpur, 11 December 2015 - A landmark study on High Carbon Stock (HCS) forests, which began a year ago, has concluded, and its findings are released today.

The HCS Science Study, commissioned by some of the largest players in the palm oil industry and supported by a wide range of stakeholders from around the world, was conducted by an independent Technical Committee, made up of experts in the fields of biomass, soil carbon, remote sensing, socio-economics and sustainable development. The Study which was subjected to two transparent peer reviews, also took into account feedback from a wide range of stakeholders.

The HCS Science Study proposes a practical methodology (the 'HCS+ methodology') as a new pathway to sustainable oil palm development.

The HCS+ methodology offers the possibility of delivering oil palm development that:

- Protects all forests having an above-ground carbon stock of more than 75 tonnes per hectare, and forests on peat and other organic soils;
- Ensures carbon neutral land conversion, and contributes to protecting biodiversity and other important conservation values;
- Protects human rights and improves the welfare of communities at local and regional scales; and
- Is economically viable, and acceptable to key stakeholders including governments, local communities and companies undertaking new developments.

HCS+ aims to achieve these four goals while still enabling responsible conversion of suitable areas of land to oil palm. The authors of the Study believe that this will help to reduce tropical deforestation, while also taking into consideration the need to address chronic poverty, and respond to the world's rapidly growing demand for vegetable oils.

HCS+ emphasises equitable, transparent, conflict-free and carbon neutral oil palm development. Building on the work of the Roundtable on Sustainable Palm Oil (RSPO), it requires full and rigorous implementation of the RSPO's Principles and Criteria, and the principle of Free, Prior and Informed Consent (FPIC). It also recommends a stronger social contract in order to share the value created by companies more equitably with local communities, employees and shareholders; a strict adherence to the proposed HCS thresholds, and the active and ongoing protection of all forest set-asides. Done well, the Study concluded that oil palm development creates genuine economic and social benefits, minimises environmental impacts, and contributes significantly to sustainable development.

By setting critical carbon thresholds, the HCS+ methodology will prevent conversion of old-growth forests, forests regrowing after selective harvesting, and well-established secondary forests. The thresholds will also ensure that peat and other organic soils are set aside.

Complementary to the application of the carbon thresholds is the concept of carbon neutral land conversion. A carbon neutral oil palm concession produces zero net carbon emissions to the atmosphere in the first planting cycle, and encourages development on low carbon lands. Carbon

losses from forest conversion can be balanced against ongoing carbon sequestration in protected set-aside forests, as well as in oil palm plantations established on lower carbon stock lands.

HCS+ proposes an auditing process dedicated to socio-economic objectives, guidance procedures for the establishment of smallholder models and the provision of social infrastructure. HCS+ also proposes the Palm Oil Welfare Index (POWI), as a way of tracking the impacts of companies' operations on community welfare.

Launching the Study's Overview Report in Kuala Lumpur today, the Co-Chair of the Steering Committee, Jonathon Porritt, said:

"We believe this Study gives the industry a unique opportunity to reconcile its wholly legitimate economic interests with the critical need to protect forests, reduce emissions of greenhouse gases, and support the rights and wellbeing of local communities and smallholders. Industry and political leaders, supply chain partners and NGOs must now work collaboratively to put the industry on a genuinely sustainable path over the next few years."

Presenting the main findings from the Study's Independent Report, Co-Chair of the Steering Committee, Dr John Raison said:

"The HCS Science Study has been rigorous and fully independent. It has been supported by 17 consulting reports, and has also benefitted from extensive stakeholder feedback received during two phases of public consultation. The HCS+ methodology covers all the key inputs required to support the sustainable development of oil palm, and provides a comprehensive process for integrating these so as to guide good land use planning decisions."

The HCS Science Study has benefitted from the important earlier work of the HCS Approach, especially in the areas of forest patch analysis, in urging the rigorous implementation of HCV assessments and the FPIC process.

Signatories to the Sustainable Palm Oil Manifesto, which commissioned the HCS Science Study, have outlined a set of commitments following the conclusion of the Study. In particular, Signatories have committed to joint trials of both the HCS+ and the HCS Approach methodologies in their own areas of operations, or in collaboration with other organisations. Additionally, the Signatories plan to commission further work with developmental economists and experts to strengthen the socio-economic studies, taking into account multi-dimensional poverty assessment and marginal utility gain measure, and increase engagements with key stakeholders including governments, NGOs, palm oil users and manufacturers, and producer associations to provide critical feedback to fine-tune HCS+.

These trials, expected to take up to 2 years to conclude, would allow the comparison of both the HCS+ and HCS Approach methodologies in terms of conservation and developmental outcomes, as well as practicality of implementation. Results from these trials will also inform further discussions on the possibilities for further convergence of the two methodologies, to ensure one HCS methodology moving forward. To oversee these trials, a joint working group with the HCS Approach will be established.

The final report of the HCS Science Study draws upon a range of detailed consulting reports, which provide critical input in terms of biomass estimation, soil carbon dynamics, remote sensing, and socio-economics. All reports are now publicly available and may be downloaded at www.carbonstockstudy.com

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About the HCS Science Study

The HCS Science Study proposes a new pathway for sustainable oil palm development, by establishing thresholds for what constitutes HCS forest, which takes into account environmental and socio-economic values, and addresses the concerns of all stakeholders including NGOs, local communities, smallholders and governments in developing and emerging economies. Building on existing scientific work on carbon stock, systematic and robust scientific methods were used to establish assessment tools for above-ground carbon stock, while a consultative approach was employed in engaging governments and leading experts in the field of social and developmental economics to help deepen the understanding of sustainable palm oil. The Study was conducted over a 12-month period and was subjected to public consultation.

About the Technical Committee for the HCS Science Study

A Technical Committee comprising experts in the areas of biomass, soil carbon, remote sensing, socio-economic and sustainable development were appointed in November 2014. The Technical Committee supported, provided guidance to, and monitored the progress of a team of Research Consultants in undertaking the in-depth scientific analyses required in the HCS Science Study. Technical Committee meetings have included a representative of the HCS Approach Steering Group, who provided valuable insights and experience to the research work.

About the Steering Committee for the HCS Science Study

A Steering Committee; independently co-chaired by Founder Director of Forum for the Future, Sir Jonathon Porritt, and former Chief Research Scientist from Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO), Dr John Raison; was established to oversee the HCS Science Study. Members of the Steering Committee represent key players in the palm oil value chain which includes Wilmar International and the Signatories of the Sustainable Palm Oil Manifesto. They were joined by independent economic advisor for the agribusiness sector, Dr James Fry, Chairman of LMC International, who lent his expertise in international commodities to the process. Observers to the Steering Committee included representatives from the Roundtable on Sustainable Palm Oil (RSPO), IDH, The Sustainable Trade Initiative, Neste, the Malaysian Palm Oil Board (MPOB), Proforest, the Global Environment Centre (GEC), Indonesian Oil Palm Research Institute (IOPRI) and the Zoological Society of London (ZSL), who actively contributed to ensure a transparent, objective and holistic approach.

About the Sustainable Palm Oil Manifesto

The Sustainable Palm Oil Manifesto is a commitment to achieve common objectives held by a group of key stakeholders in the palm oil industry; growers, traders, processors, and end-users, to set higher standards for sustainability. Signatories of the Manifesto aim to enhance the RSPO's Principles and Criteria with three specific objectives, in a drive to transform the sector into a more sustainable one. These objectives are to build traceable and transparent supply chains, to accelerate the journey to no deforestation through the conservation of High Carbon Stock (HCS) forests and the protection of peat areas regardless of depth, to increase the focus on driving beneficial economic change and to ensure a positive social impact on people and communities. Current Signatories include Malaysia's IOI Corporation Berhad, Kuala Lumpur Kepong Berhad and Sime Darby Plantation, Indonesia's Apical Group, Asian Agri and Musim Mas Group, global agribusiness group Cargill, and consumer-goods company Unilever. A key commitment in the Manifesto is the funding of a scientific study to determine HCS thresholds, taking into account socio-economic considerations. Signatories of the Sustainable Palm Oil Manifesto have pledged to adopt the findings of the HCS Science Study across their operations and supply chains.