



Information regarding Mighty Earth Rapid Response Report No 32

The following is a briefing to inform SIPEF stakeholders about a recent publication by Mighty Earth in which they accuse the Company of not following its own No Deforestation Policy. The evidence given was based on satellite imagery showing land clearing between May and October 2020 within the Agro Muara Rupit 1 & 2 concessions. I would like to take this opportunity to negate this claim and provide verifiable supporting evidence.

The publication was made without prior consultation, and the Company, therefore, did not have the opportunity to advise the stakeholders. The publication in question, Rapid Response Palm Oil Report No 32, January 2021, is available publicly at: https://www.mightyearth.org/wp-content/uploads/RR-Report-32_vers_e_20210108.pdf.

Six separate claims linked to perceived deforestation have been made against SIPEF by Mighty Earth. In order to simplify the Company response, the claims will be responded to in two thematic areas, where the original claimant's lack of understanding of the process has conflated the issues. The first thematic area has to do with compliance with the RSPO requirement to conduct High Carbon Stock Assessments (HCSA) utilising the HCSA approach in the context of a zero-deforestation commitment. The second thematic area has to do with the claim that SIPEF is not complying with its own no deforestation commitment. The claims that were issued by Mighty Earth can be seen in the text box below.

Rapid Response Palm Oil Report No 32 page 5

For this case, it appears SIPEF proceeded with development on the PT Agro Muara Rupit before its HCV-HCSA assessment had been completed.

SIPEF's website claims that: 'All new [SIPEF] projects are developed after integrated HCV-HCSA assessments.' As noted on the HCVRN website, integrated HCV-HCSA assessment reports 'must follow the HCV-HCSA Assessment Report Template and be submitted for quality control by the HCVRN ALS.'

Further, the HCVRN-in response an ongoing conflict regarding clearing by PT Medco Papua Hijau Selaras (Capitol Group), as originally highlighted in March 2020 through Rapid Response Report 25-has recently given a set of 'general recommendations for companies using the ALS as a system to ensure quality of HCV and HCV-HCSA Assessments'. These include a mandate to, 'Ensure no clearing is taking place during the HCV-HCSA assessment.'

Wilmar, a SIPEF customer, claims that its NDPE policy requires its suppliers to follow the HCS Approach to ensure that assessment are conducted by a registered HCS assessor and that the resulting 'HCS reports will be subjected to peer review to ensure the quality of the report.'

According to the HCSA website, assessments have been completed for the PT Agro Muara Rupit(I&II, and III&IV estates), but they are not listed as either being peer reviewed or having completed the peer review process. Hence, it appears that SIPEF has gone ahead with new land development in PT Agro Muara Rupit without submitting the report for review and waiting for the final HCV-HCS areas to be determined.

This would be a violation of many traders' requirements, including Wilmar's. Other traders and downstream companies should also determine that the clearance by SIPEF is a violation of their NDPE policies.

High Carbon Stock Assessment

The claim that this development is proceeding without a proper Integrated HCV-HCS Assessment utilising the HCSA methodology is incorrect. The development was approved through the RSPO New Planting Procedure (NPP) process¹ in August 2014, at a time during which integrated HCV-HCS assessments were not a requirement and the

¹ <https://www.rspo.org/certification/new-planting-procedure/public-consultations/sipef-pt-agro-muara-rupit> .

HCSA methodology had not yet been approved as such. Subsequent to ratification of the current RSPO Standard, in November 2018, integrated assessments for new developments became the requirement. The current development being monitored by Mighty Earth has not undergone an Integrated HCV-HCS Assessment, given it relates to an NPP of 2014 and it was not required at the time. It has, however, undergone a standalone HCSA assessment, which is currently still under review by the HCSA Secretariat. No clearing within any of the HCS areas indicated in that report has been undertaken.

In June 2019 the No Deforestation Task Force (NDF) of the RSPO issued the guidance document "Interpretation of Indicator 7.12.2 and Annex 5" which assists growers with the transition from HCV to HCV-HCS assessments. As per the guidance provided in Annex 5, clearing is allowed to proceed in areas that are identified as "Low Risk" within a Land Use Risk Investigation (LURI), during which time a standalone HCS assessment is conducted as per the HCSA methodology. A LURI was conducted by an independent assessor and accepted by the RSPO in April 2020. The LURI shows that all of the clearings identified by Mighty Earth are wholly within the area identified as "Low Risk".

As mentioned before, a standalone HCSA assessment was carried out for the area in question. The HCSA assessment is a rigorous process which included full consultation with local communities to approve the resulting integrated conservation land use plan. None of the areas that are earmarked within the HCS, including the indicative development and conserve areas, have been cleared pending the final revision of the report by the HCSA. As explained earlier, the HCS report has already been submitted to the HCSA and is currently still under review.

No Deforestation Commitment

With regards to not respecting the Company's own no deforestation commitment, it needs to be pointed out that Mighty Earth has cherry-picked the Company policy and interpreted this out of context. Below are the relevant sections of the Responsible Plantation Policy²:

Responsible development of new operations

→ SIPEF is committed to no deforestation. All new projects are developed after integrated HCV-HCS assessments. For ongoing projects, and acquired going concerns, HCS assessments are conducted with the results integrated into habitat management plans.

→ SIPEF believes that a thorough Free, Prior and Informed Consent (FPIC) process is critical to the long-term success of any new operation, both for the communities and for the Company. The first step of all new projects is a robust FPIC process.

→ SIPEF is committed to the RSPO New Planting Procedure (NPP). All SIPEF's oil palm developments comply with the RSPO NPP.

SIPEF has issued its commitment to do integrated HCV-HCS assessments for new developments following the RSPO 2018 standard. For the existing pre 2018 developments the RSPO guidance was followed to ensure no HCS forest would be cleared in the ongoing development.

The publication also makes reference to the AMR 3 & 4 concession. This is misplaced. This concession is currently undergoing the NPP process. There has been no clearing in those areas, and there will not be until they have gone through the RSPO NPP requirements, which include the HCS assessment using the HCSA methodology.

The publication also makes reference to clearing by PT Medco Papua Hijau Selaras (Capitol Group).

SIPEF has no association with this company and, therefore, it is also mistaken comment.

To conclude, the allegations made publicly without any consultation or verification of the facts with the Company are disheartening. The trust of our customers and stakeholders is valued greatly and efforts to continue to be made to maintain that trust through demonstrating full transparency and cooperation. Please do let us know if you have any further questions regarding the Mighty Earth report.

² https://www.sipec.com/media/2189/sipec-responsible-plantations-policy_nov-2019.pdf