

Forest Conservation Policy

Natural Habitats is a group of companies dedicated to the production, collection and processing of organic and fair trade palm oil. The group has production operations in Ecuador, and Sierra Leone. The group works with a social and participative production model that has been providing economic and social benefits to hundreds of farmers and communities.

Natural Habitats Group and our subsidiaries commit to the responsible production of palm oil and its associated products. Both new and existing production units are committing to no deforestation under any circumstances and this is a core principle of our business. This policy applies to our existing and any future projects, in our own plantation areas and the smallholders we work with in Ecuador and Sierra Leone.

We define deforestation as “the conversion of primary or secondary natural forest into agricultural production areas, tree plantations, or other land uses.”¹ The assessments that will use to define primary and secondary forests are the High Conservation Value and High Carbon Stock methodologies. An HCV area is a biological, ecological, social or cultural value of outstanding significance or critical importance. The High Carbon Stock (HCS) Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.

We will not develop on land forested or not that has been identified as peat soil. Tropical peat soils are defined by RSPO as an acidic organic soil with more than 65% of organic matter, more than 50cm in depth.²

We meet the highest international standards, for protection of the rainforest in Ecuador and Sierra Leone. Our farm and production practices encourage regional biodiversity from organic growing methods. By protecting forests that are identified through the HCV and HSC assessments, we can put in place programs to preserve the habitats of native species, maintain and enhance environmental and social values in our production landscapes.

CEO.

¹ http://www.rainforest-alliance.org/sites/default/files/2016-08/Deforestation-and-Sustainability-RA-position-paper-2015-04-13_1_0.pdf

² Lim, K.H., Lim, S.S, Parish. F. and Suharto, R. (eds) 2012. Summary: RSPO Manual on Best Management Practices (BMPs) for Existing Oil Palm Cultivation on Peat. RSPO, Kuala Lumpur

The Implementation of our policy:

Our existing production areas will undergo a yearly geospatial risk assessment (using the Global Forest Watch's PALM Risk Tool) to assess areas that have a high risk of deforestation and fire, alongside any new occurrences of deforestation. Using this information, we can adapt our existing management plans to improve forest management and fulfil our deforestation commitment.

Any new developments will follow RSPO's New Planting Procedures (Principle 7). The assessments that will identify existing intact forest habitats are the HCV and HCS methodologies. Additionally, an ESIA is conducted to identify further environmental and social impacts and a geospatial risk assessment is done to identify areas that are at highest risk of deforestation.

Assessments:

Environmental and Social Impact Assessment (ESIA):

An ESIA is a detailed environmental, socio-economic and health assessment to identify and assess the impacts (both adverse and beneficial) of future and current projects and proposes mitigation measures to reduce and/or mitigate the identified impacts.

Geospatial Risk Assessment:

Key risks covered by geospatial risk assessment

A geospatial risk assessment currently covers a special set of environmental risks, largely related to forests. These are:

1. Deforestation: The amount of deforestation over the last two years is used as a predictor of future deforestation.
2. Deforestation on peat: Peat is very high in carbon. When this land is converted to oil palm plantations it releases many tonnes of greenhouse gases and can severely affect air quality.
3. Deforestation in protected areas: Land clearance is generally prohibited in protected areas and forest loss indicates the occurrence of illegal activities.
4. Fire: As fire is often used to clear land of forest or scrub to make way for planting.

High Conservation Value (HCV) Assessment:

An HCV area is a biological, ecological, social or cultural value of outstanding significance or critical importance. The HCV must be conducted using a licensed HCV assessors accredited by the HCV Resource Network's Assessor Licensing Scheme (ALS). Prior to new developments, HCV assessments are conducted to identify any HCV areas. The resulting identified areas are

protected and maintained/enhanced within our new developments. Smallholders will be assessed using the HCV for Smallholders Guidance.

The six categories of HCVs are:

HCV 1 Species diversity

HCV 2 Landscape-level ecosystems and mosaics

HCV 3 Ecosystems and habitats

HCV 4 Ecosystem services

HCV 5 Community needs

HCV 6 Cultural values

High Carbon Stock (HCS) Assessment:

The High Carbon Stock (HCS) Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The assessment stratifies the vegetation in an area of land into six different classes using analyses of satellite data and ground survey measurements. These six classes are: High Density Forest, Medium Density Forest, Low Density Forest, Young Regenerating Forest, Scrub, and Cleared/ Open Land. The first four classes are considered potential High Carbon Stock forests and will be protected and maintained within our new developments.

Footnote. From June 1st 2017, a new integrated HCV/HSC assessment will be used to conduct both assessments simultaneously.

Zero Burning Technique:

Zero burning practice entails numerous advantages, among which include: no release to the atmosphere of particle pollutants and greenhouse gases, protecting soil fertility by recycling nutrients and, also, conveniently arranged plant debris pose a richer substrate nutrient for new palms than the original soil.

The standards governing organic agriculture and the RSPO criteria, reject the practice of burning as a way of clearing the arable land. Instead, alternative techniques are promoted as those contained in the guidelines of zero burnings from Aesan.

For all the above, Natural Habitats states making efforts to fulfill the following practice of zero burning:

- Prohibition of burning under any circumstances
- Train producers in alternatives to burning.
- Help spread the benefits and techniques of practice zero burning.

Management Plans:

Management plans are created following the recommendations given in the assessments, alongside recommendations from consultations with the communities, that have occurred



during the Free, Prior and Informed Consent (FPIC) process, community mapping and participatory land use planning.

Monitoring and Evaluation:

Yearly field and desk audits of documentation and the implementation of the management plans will be conducted alongside an up to date Geospatial Risk Assessment (using the PALM Risk Tool). This will allow us to identify any deforestation that may have occurred and what may have been the cause (be it social or environmental, intentional or accidental). This will allow us to greatly inform and adapt our management plans to minimize any future deforestation risk. The geospatial risk assessment does not generally include social indicators, such as land rights, labor issues or child labor that is why we also have the ESIA management plan.

Additional Projects for Forest Conservation

With our smallholders, we support in re-forestation of buffer zones and water course edges. We also recognize that the cause of deforestation often occurs due the lack of economic opportunity for smallholders. By working with the company, our smallholders can increase their livelihood potential and avoid common causes of disforestation such as slash and burn agricultural. Educating communities, no hunting.

Annex 1 A matrix detailing the implementation procedure of our forest conservation policy

