

PGC Management Services
Management Update #2

August 2019

Context and background

On 21 June 2019, a client service agreement has been signed between Earthworm Foundation (EF) and PGC Management Services Sdn. Bhd. for a scoping exercise to guide Prosper in the beginning stage of implementing its No Deforestation, No Peat and No Exploitation (NDPE) policy. The agreement covers three key scope items:

1. NDPE engagement activities
2. Develop and provide an implementation plan template for Prosper's action planning
3. Prosper's grievance management support

The project is scheduled to be delivered over a 10 to 12 weeks' period following the initial kick off meeting on 21 June 2019. This document serves to provide an update to Prosper's management team about progress made to-date.

Project timeline

✓ Completed activities

Where we are today

| Activities | Jun | Jul | | | | Aug | | | | Sep | |
|-----------------------------|-----------------------------------------|-----|----------------------------------------|----------------------------------------------------------------------|----|--------------------------------------------------------------|----|----------------------------------------------|----|-----|------------------------------------------------------------------------------------------|
| | W1 | W2 | W3 | W4 | W5 | W6 | W7 | W8 | W9 | W10 | W11 |
| NDPE engagement | ✓ Review supply chain mapping | | ✓ Review Prosper's NDPE policy | ✓ Engagement with Future Prelude ✓ Engagement with Far East | | | | | | | |
| Implementation plan | ✓ Review materials shared by Prosper | | ✓ Develop draft implementation plan | | | ✓ Review draft and finalize implementation plan framework | | | | | Workshop to socialize implementation plan |
| Grievance management | | | ✓ Share sample Grievance Process | ✓ Finalise Prosper's Grievance Process | | ✓ Log known grievance cases | | ✓ Workshop to socialize grievance process | | | ✓ Compile analysis on Bewani and develop guidance for indicative re-entry action plan |

Project Updates – NDPE Engagements

1. NDPE Engagements

Activities completed as off 24 Jul. 2019

Activities completed as off 27 Aug. 2019

Next steps

Prosper Palm Oil Mill
Sdn. Bhd.

- Prosper has published its NDPE policy on 30 Apr 2019. EF has assessed Prosper's NDPE policy and shared our recommendation for improvement:
 - Extend scope of application to include 3rd party and associated suppliers
 - Enhance requirements based on gap analysis shared
- EF has reviewed the ownership structure of Prosper, Far East and Future Prelude and recommended that Prosper publish/ share this structure to clarify any opacity around Prosper Group.

- Upon recommendation by EF, Prosper has published their improved NDPE policy on 31 July 2019
- Prosper has published the ownership structure of Prosper, Far East and Future Prelude as advised by EF. This was published on their website through EF's project update #1

- Prosper will continue to engage with buyers and stakeholders to update them on :
 - NDPE commitments
 - Provide clarity and transparency around the ownership structure of Prosper, Far East and Future Prelude

Far East
Holdings Bhd.

- Far East has published its NDPE policy on 15 May 2019. EF noted that similar improvements are required.
- EF has met with Far East's management on NDPE policy implementation, which includes participation in a IOM project to understand labor supply chain risks

- FEHB participation into IOM program has not been confirmed to date

- EF recommends FEHB to run a due diligence to identify and take action on risks of forced and bonded labor within its supply chain

Future
Prelude

- EF advised Future Prelude to develop their own policy, taking EF's recommendations into consideration

- Future Prelude has developed their own NDPE policy and has been reviewed by EF

- Future Prelude to publish new NDPE policy

Project Updates – Implementation Plan

2. Implementation Plan

Activities completed as off 24 Jul. 2019

- EF has completed a review of Prosper's supply chain data and noted that >60% of FFB supply are from 3rd parties (plantations, dealers and smallholders).
- EF recommended that Prosper captures the application of their NDPE policy in a time-bound implementation plan, and this plan should include 3rd party engagement.
- A draft implementation plan has been shared with Prosper on 25 Jul 2019 for further discussion.

Activities completed as off 27 Aug. 2019

- EF and Prosper discussed and developed a time bound implementation plan as recommended in Update #1 through several meetings. The framework with major strategic orientation have been finalized on 19 August 2019
- The developed implementation plan for Prosper focuses on:
 - NDPE implementation roadmap
 - Traceability strategy
 - Risk of Deforestation
 - Retention of workers
- Clear milestones have been developed on a yearly basis for each priority topic
- The Prosper implementation plan also includes 3rd party engagement as and is time bound as recommended by EF

Next steps

- Socialization of NDPE implementation plan which includes discussion on retention of workers will be carried out with operations team which include mills and estates in the first week of October 2019. This will be supported by EF
- On 19 August 2019, EF advised Prosper to communicate and publish publically the implementation goals and progress to its stakeholders
- Prosper's management to start the planning and budgeting process for implementation activities (from Q4 2019 onwards). This process should allow to better define transformation and support activities in the next 24 months

Project Updates – Grievance Management

3. Grievance management

Activities completed as off 24 Jul. 2019

- A strong grievance management process will be required to strengthen Prosper's NDPE policy. EF has shared a draft grievance management procedure based on industry standards

Activities completed as off 27 Aug. 2019

- Prosper has reviewed the draft of grievance management procedure which was shared by EF (as per industry standard) and adapted the procedure centered on their internal capacity and shared their procedure on 17 August 2019.
- The Grievance document and names and designation of the committee was shared with EF on 17 August 2019. The feasibility of the committee and next steps was discussed
- EF assisted in developing a Grievance log that can be used by Prosper. This was shared on 23 August 2019
- EF carried out a workshop to brief Prosper team and the selected committee members on the process and their roles in grievance management. The workshop was carried out on 26 August 2019

Next steps

- Grievance Management Procedure to be published on Prosper's website
- EF advised the Grievance committee team to work on a test case to ensure everyone is familiar with the process
- Grievance log to be published on the website

Project Updates – Focus on Bewani

4. Focus on Bewani

Focus on Bewani

1 – Assessing liabilities & non-compliant areas

- EF carried out discussions with Prosper to understand the Bewani ownership. Chronology of Bewani ownership was drafted based on discussions and shared with Prosper on 9 August 2019
- EF reviewed the Land Use Change Analysis on Bewani concession that was shared by Prosper^(*). Two other methods were used by EF to measure the hectarage cleared and findings was shared with Prosper on 9 August 2019.
- EF provided input on the various methods used and encouraged Prosper to acknowledge the scale non-compliant land clearing based on the findings shared

2 – Preliminary listing of recovery options

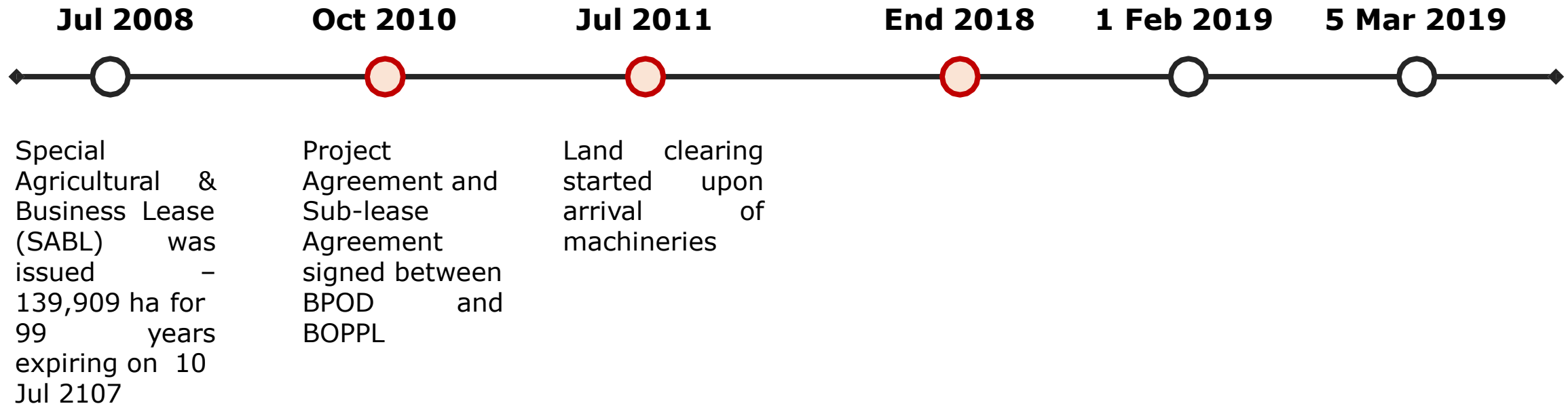
- [Guidance for recovery and/or compensation](#) was discussed. EF shared details on the industry developments and expectations along with approach for restoration & conservation projects in PNG or in Malaysia
- EF recommended as a top priority to investigate restoration options in PNG ('In-Situ' & 'Ex-Situ') before considering alternative locations ([see Appendix F](#))

Next steps

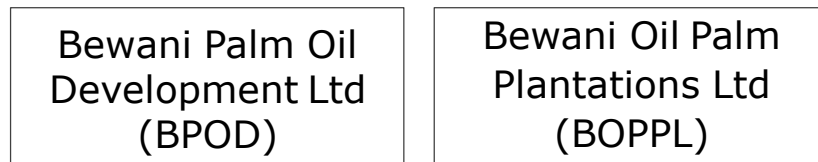
- Prosper to (re) initiate relationships with external stakeholders and campaigning NGOs that can provide add. guidance for:
 - Defining liabilities (in the context of sold assets)
 - Completing a recovery plan

Note – (*) Data provided was based on external analysis and Prosper was not able to provide direct documentation on historical palm oil development on Bewani.

Chronology of Tee family's involvement in BOPPL (1)



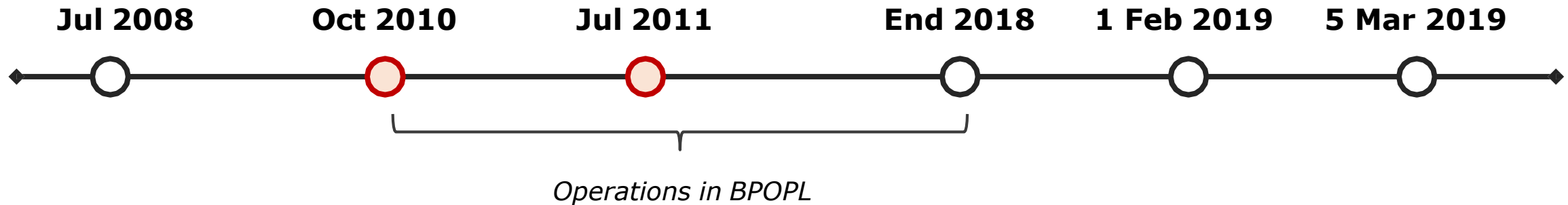
Entities and ownership structure:



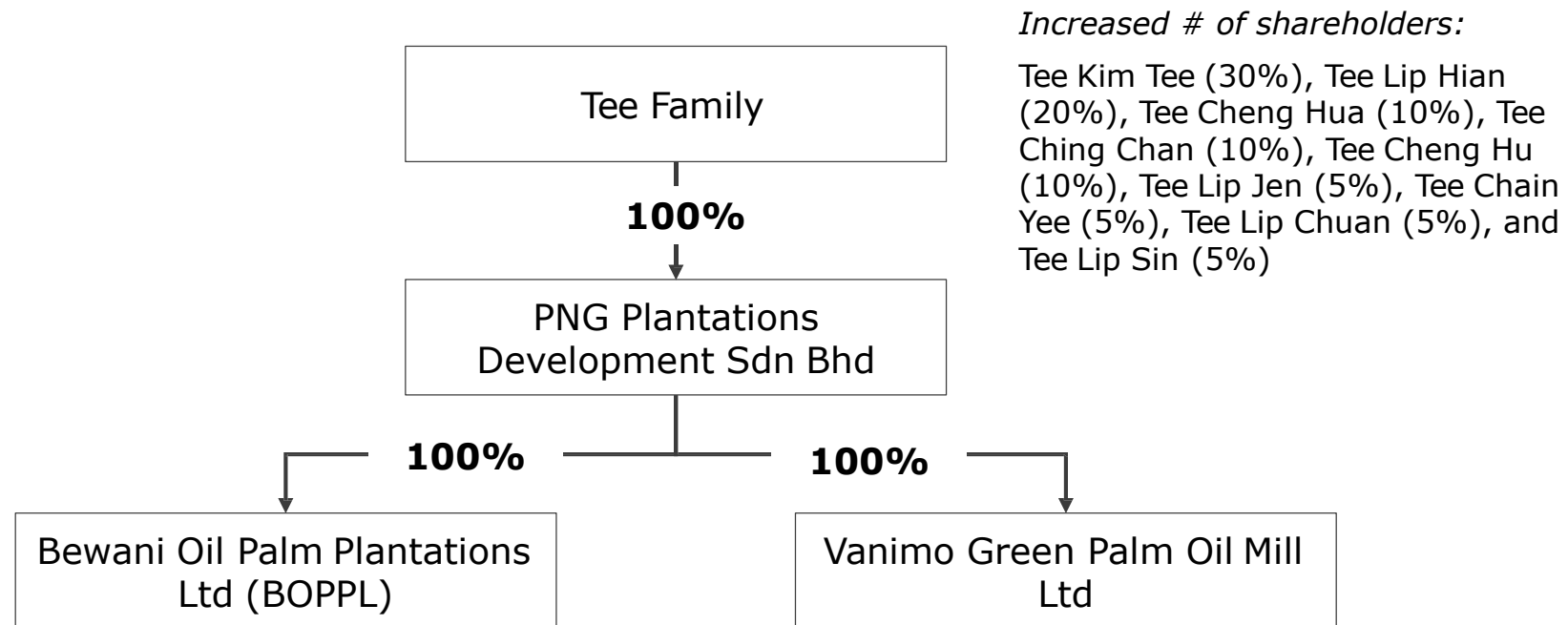
Owned by local communities

Initially owned by Tee Kim Tee and Tee Lip Hian

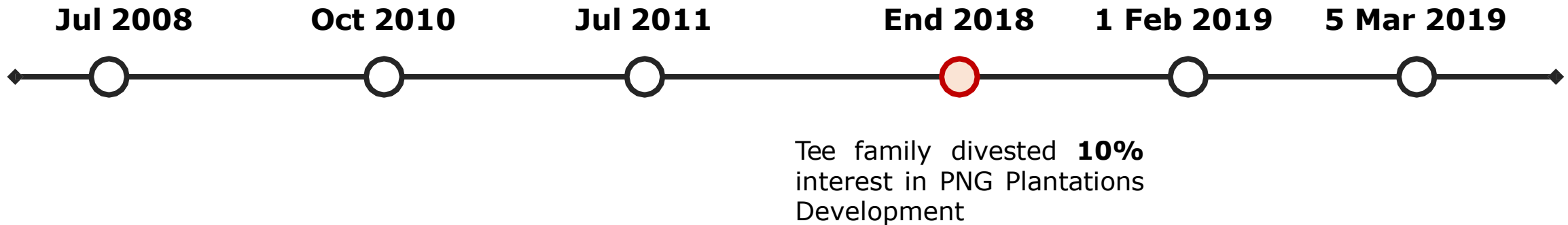
Chronology of Tee family's involvement in BOPPL (2)



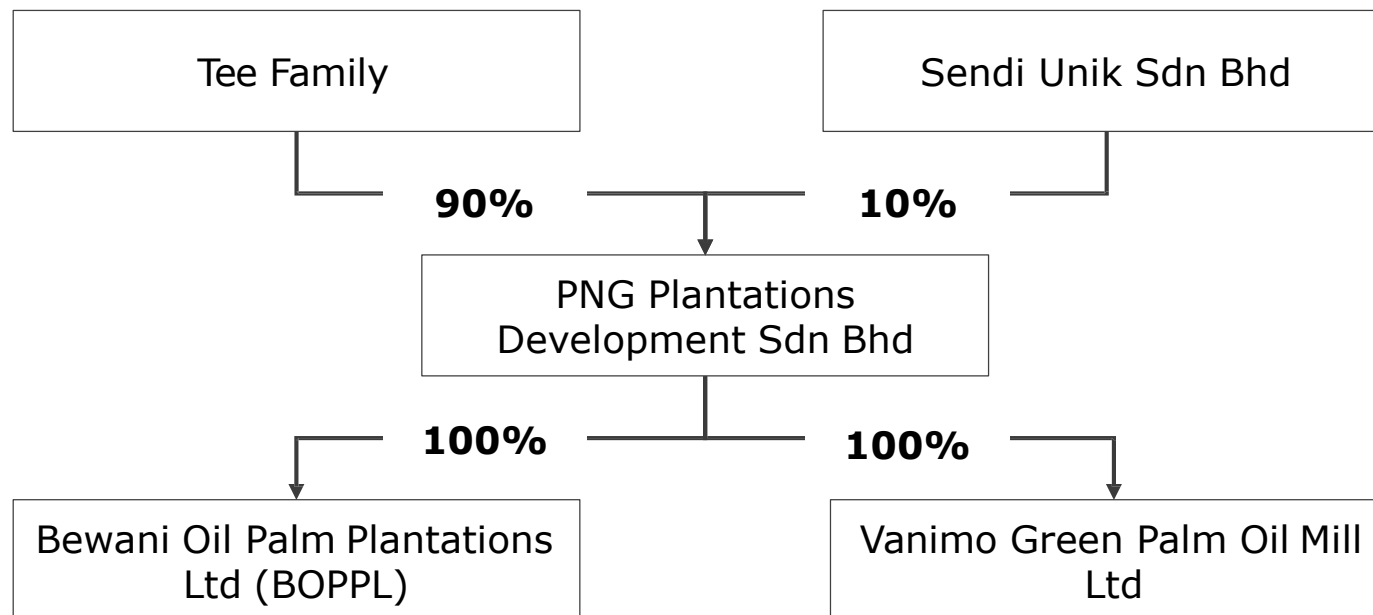
Entities and ownership structure:



Chronology of Tee family's involvement in BOPPL (3)



Entities and ownership structure:



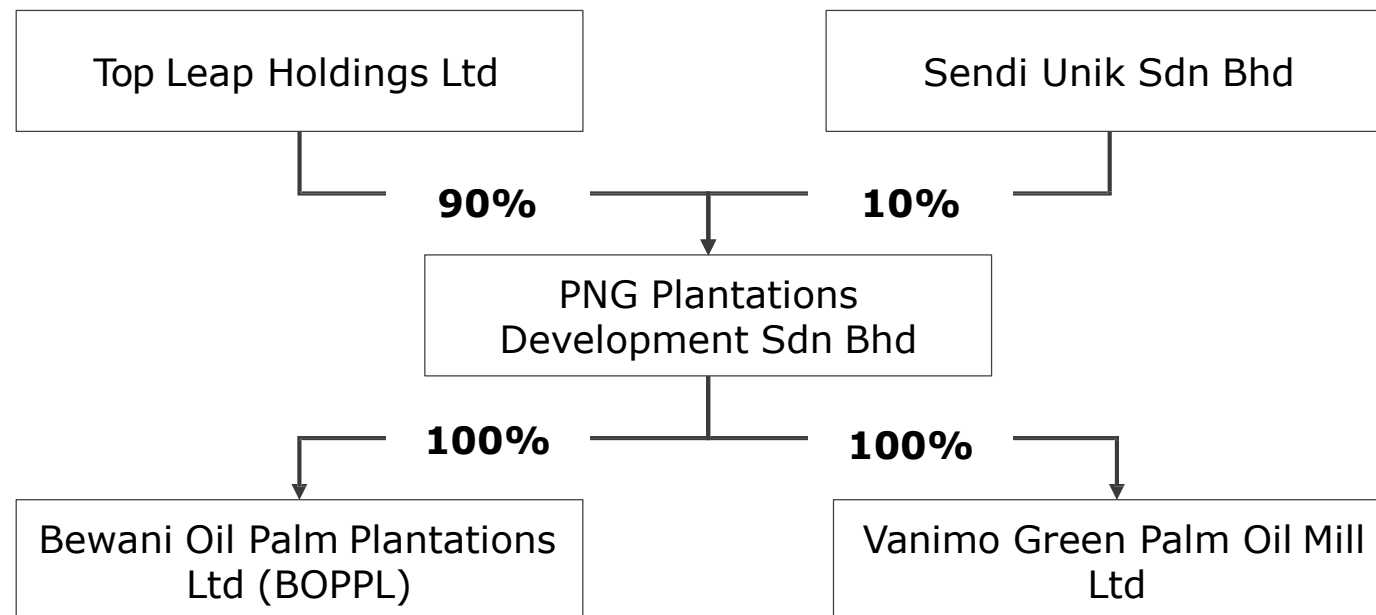
Links to Tee family through Sendi Unik's shareholders:

- United Pacific Acres Sdn Bhd (16%)
- Tee Cheng Hua Holdings Sdn Bhd (16%)
- Tasik Sentosa Sdn Bhd (15%)
- Semai Jelata Sdn Bhd (15%)
- Mergeboom (M) Sdn Bhd (15%)

Chronology of Tee family's involvement in BOPPL (4)



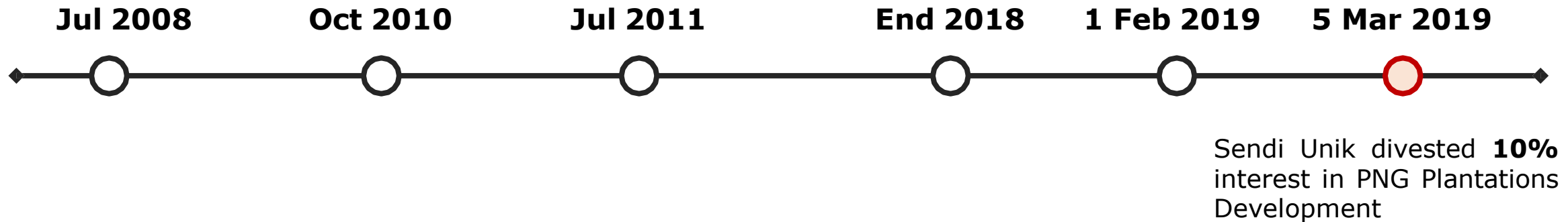
Entities and ownership structure:



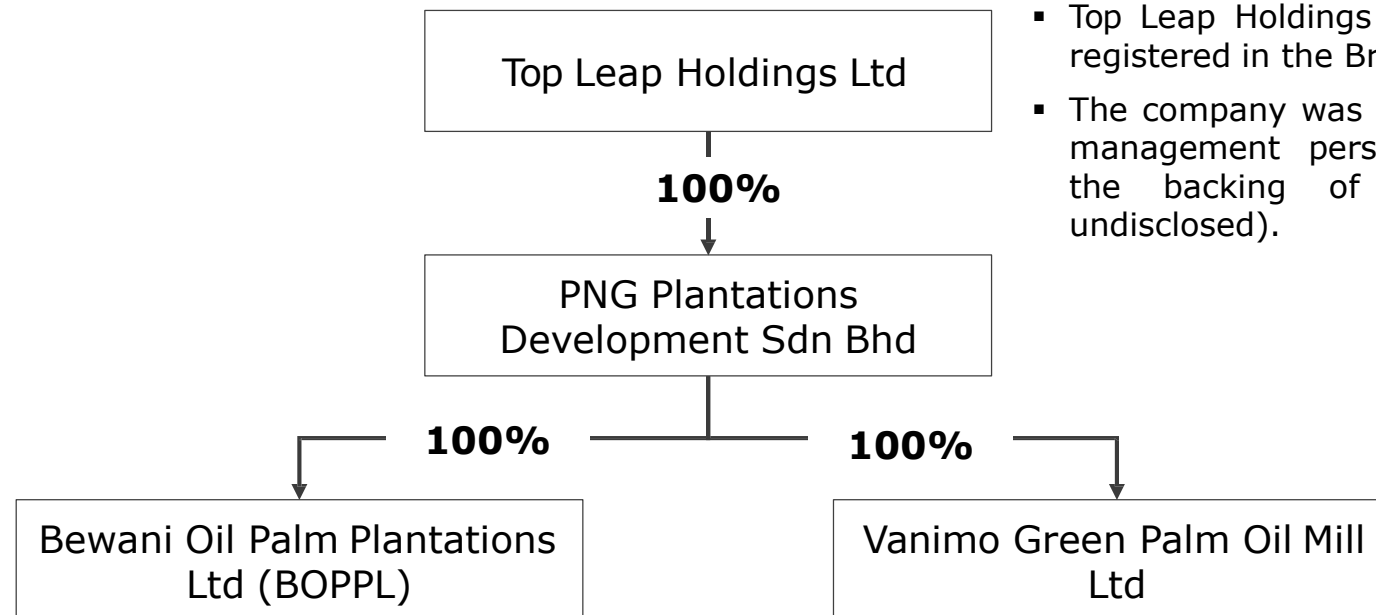
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Chronology of Tee family's involvement in BOPPL (5)

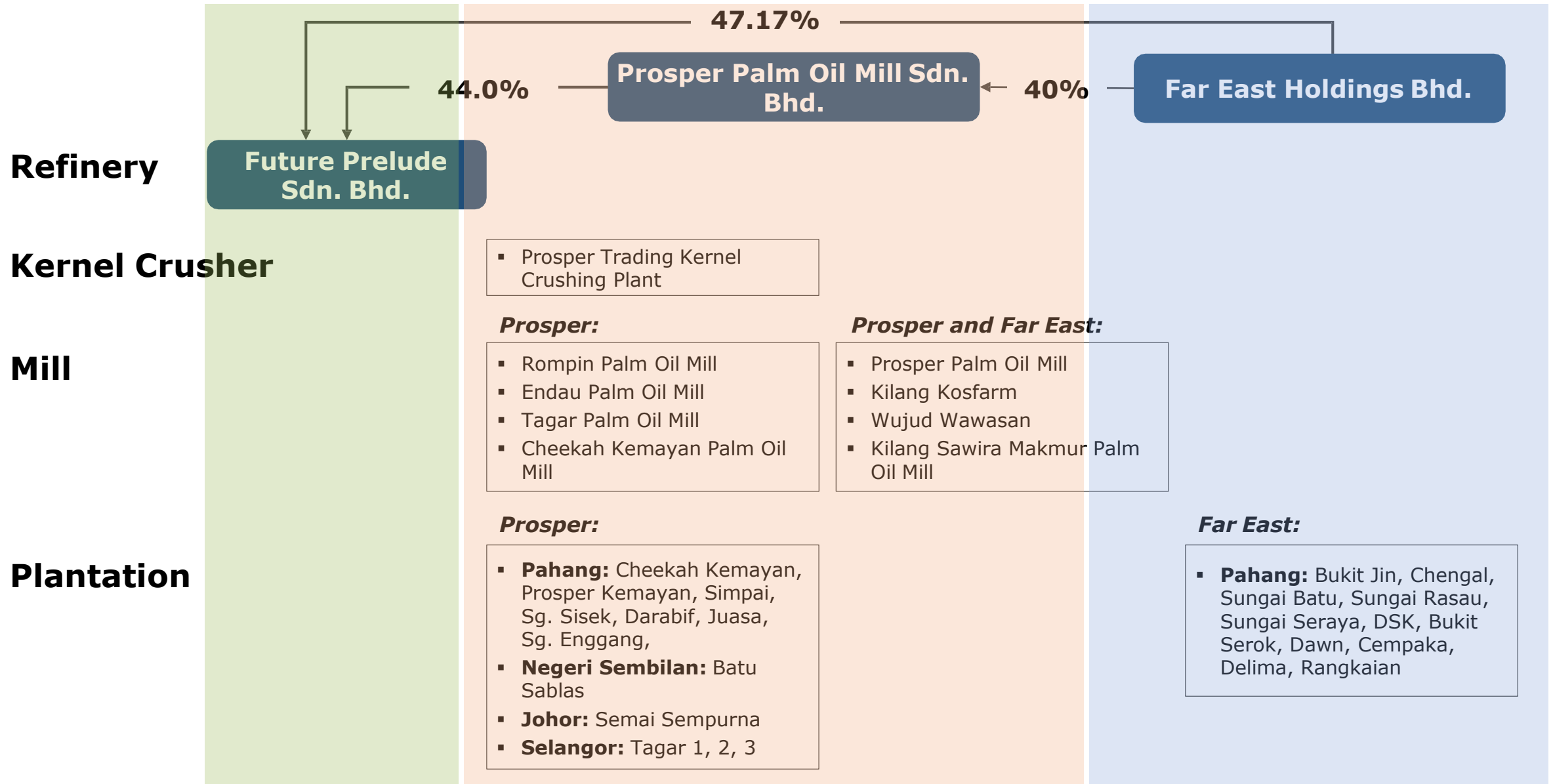


Entities and ownership structure:



- Top Leap Holdings Ltd. is an offshore company registered in the British Virgin Island.
- The company was established by former BOPPL's management personnel and contractors, with the backing of foreign partners (identity undisclosed).

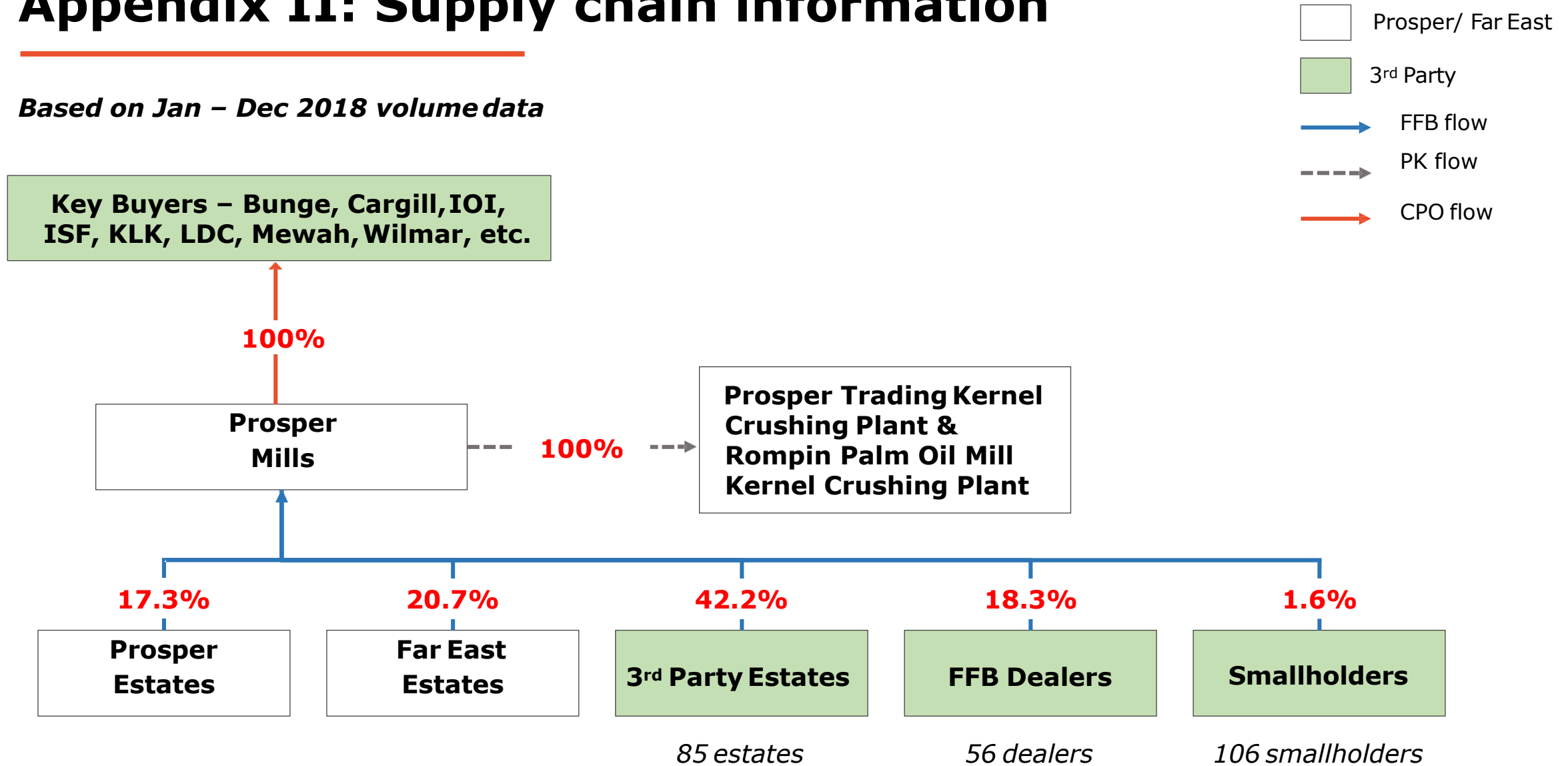
Appendix I: Scope of NDPE policy coverage



Note – (*) Data provided was based on Management information only- not verified nor audited by EF.

Appendix II: Supply chain information

Based on Jan – Dec 2018 volume data



Guidance for restoration/ conservation projects

- Possibly to consider some form of restoration and conservation, preferably in the same landscape
- Preference to protect standing, high quality forests – Look for projects site of **similar type and of equivalent or higher value** to what was lost
- Outcome should be **long lasting** – Think about a conservation period of at least 25 years
- Consider **effects to persons or groups affected** by the original deforestation/ conversion and of the proposed project
- Resources must be dedicated to protection activities and a conservation management plan is developed and published
- Shape files of conservation areas is included in the concession monitoring system
- Annual public reporting of conservation activities is expected

Sources & methodology - These restoration/ conservation guidance are based on current industry discussions between NGOs and industry representatives through various formal committees such as HCSA, Framework Initiative (AFi) but also more informal working groups such as the “Sundaland group”

Approach for restoration/ conservation projects (1)

What can be done in PNG?

- Open doors to the current owners of Top Leap Holdings Ltd and management of BOPPL for further dialogue on future development plans for the Bewani concession.
- Conduct due diligence on the feasibility of restoration/ conservation project within the same landscape, i.e. in PNG.
- Factors for consideration:
 - Ability to best ensure clear, secure, long-term protection of natural ecosystems
 - Consider geographical, legal, social and ecological context
 - Consider available options for Tee family and other parties to implement and manage restoration or compensation efforts