Press Release

1st Corporate Sustainability Bond in Asia Issued by TLFF for a Natural Rubber Company in Indonesia

Jakarta, February 26th 2018 - The Tropical Landscapes Finance Facility (TLFF) today announced its inaugural transaction, a landmark US$ 95 million Sustainability Bond to help finance a sustainable natural rubber plantation on heavily degraded land in two provinces in Indonesia. The project incorporates extensive social and environmental objectives and safeguards. Planted areas will serve as a buffer zone to protect a threatened national park from encroachment.

A multi-tranche Sustainability Bond arranged by BNP Paribas (BNPP) and issued by TLFF I Pte Ltd. will fund PT Royal Lestari Utama (RLU), an Indonesian joint venture between France’s Michelin and Indonesia’s Barito Pacific Group, for climate smart, wildlife friendly, socially inclusive production of natural rubber in Jambi, Sumatra and East Kalimantan provinces.

The project involves collaboration with WWF, which has worked with Michelin and RLU to set aside remaining High Carbon Stock (HCS) and High Carbon Value (HCV) forest in the RLU concessions, as well as critical wildlife conservation and riparian areas. Out of a concession area of 88,000 hectares, roughly 45,000 hectares will be set aside for community livelihoods and conservation.

In Jambi Province, the two concession areas held by RLU and two WWF concessions form a contiguous buffer zone protecting the Bukit Tigapuluh National Park, which is one of the last places in Indonesia where elephants, tigers and orangutans co-exist. At maturity, the natural rubber plantation is expected to provide approximately 16,000 fair-wage jobs, providing a critical source of employment for local communities.

Welcoming the announcement, H.E. Siti Nurbaya Bakar, Hon’ble Minister of Environment and Forestry, Republic of Indonesia, said, “We highly support this positive drive from the private sector using an investment structure like the TLFF, which not only boosts economic development, but also improves much needed skills in the longer term.”

“We are honored to take this important step alongside TLFF towards establishing an impactful partnership for the development of a more sustainable rubber industry,” said David Sulaiman, President Director of RLU. “This demonstrates our commitment to a thriving, sustainable rubber market for the country and our unwavering support for local communities.”

Dr. Kuntoro Mangkusbroto, Chairperson of the TLFF welcomed the project’s alignment to achieving the Sustainable Development Goals through a holistic triple bottom-line approach that puts people and planet at the heart of all TLFF projects.

An initial 18,100 hectares of rubber were planted as of December 2017 and the TLFF bond issue will contribute to financing further development of the plantation. USAID has provided a partial credit guarantee on the transaction.

Erik Solheim, Executive Director of UN Environment expressed his delight at the progress achieved since the MoU between UN Environment and BNP Paribas signed at the One Planet Summit in Paris in December 2017 to target innovative sustainable finance of US$ 10 billion by 2025 for projects that support sustainable agriculture and forestry in ways that help solve the climate crisis rather than accentuate it.

“It is the role of banks today to make sure we can enable sustainable and impactful projects everywhere. While not without its own challenges, this transaction is proof that financial institutions can generate socially beneficial outcomes when we really work hard” said Eric Raynaud, CEO, Asia Pacific and Member of Group Executive Committee at BNP Paribas. “This complex structuring arrangement also demonstrates that our institutional investor clients have the appetite to invest in projects and companies that combine commercial and financial performance with clear environmental and social purpose and impact.” Luc Cardyn, President Director of PT Bank BNP Paribas Indonesia, added “As the Lead Manager on this groundbreaking Sustainable Bond transaction, BNP Paribas is proud to help generate economic, environmental and social benefits for Indonesia.”
ADM Capital co-founder and partner, Chris Botsford said, “reversing the current adverse trends on deforestation and climate change will take many billions of dollars. Private sector capital must be an essential part of the solution. We hope this transaction will inspire many others to step forward urgently.”

“We are delighted to be involved in this exciting and innovative funding approach” said Tony Simons, Director General of the World Agroforestry Centre (ICRAF). Simons noted “A new paradigm is emerging here with high value investments that seeks to contribute substantial environmental and social dividends alongside risk shared financial returns”.

This transaction is the first corporate sustainability bond in Asia and the first sustainability bond in ASEAN. Vigeo Eiris, the Environmental, Social Governance (ESG) research agency, has confirmed that the Notes are ‘Sustainability Notes’ with positive contribution to sustainable development, aligned with the ICMA Sustainability Bond Guidelines¹. More information is available at https://tlffindonesia.org/.

The US$ 95,000,000 Fixed Rate Secured Notes comprise of the following classes: US$ 30,000,000 Class A Notes due 2033, US$ 20,000,000 Class B1a Notes 2033, US$ 15,000,000 Class B1b Notes due 2023, US$ 15,000,000 Class B1c Notes due 2025 and US$ 15,000,000 Class B2 Notes due 2033. The Class A notes have been assigned a Aaa(sf) rating by Moody’s.

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About RLU:
PT. Royal Lestari Utama (RLU) – established as a joint venture of Michelin and a subsidiary of the Barito Pacific group in 2014 – operates three licenses covering 70,000 ha in BTP, PT. Wanamukti Wisesa (WMW) and PT. Lestari Asri Jaya (LAJ) as well as 18,000 ha in East Kalimantan, PT Multi Kusuma Cemerlang (MKC). All areas have been heavily deforested by mostly migrant encroachers. Barito and Michelin joined their expertise in agronomy and re-milling and established RLU to better manage the area including reforestation and socially inclusive and/or wildlife friendly rubber plantation development.

About TLFF:
The Tropical Landscapes Finance Facility (TLFF), a partnership between UN Environment, World Agroforestry Centre (ICRAF), ADM Capital and BNP Paribas aims to bring long-term finance to projects and companies that stimulate green growth and improve rural livelihoods in Indonesia. TLFF consists of a lending platform managed by ADM Capital with BNP Paribas as structuring adviser and arranger, as well as a grant fund managed by the UN Office for Project Services (UNOPS).

For more information, please visit: www.tlffindonesia.org

About TLFF Founding partners:

UN Environment (UNEP) - is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment.

World Agroforestry Centre (ICRAF) - is a centre of scientific excellence that harnesses the benefits of trees for people and the environment. Leveraging the world’s largest repository of agroforestry science and

information, we develop knowledge practices, from farmers' fields to the global sphere, to ensure food security and environmental sustainability.

ADM Capital (ADM) - is an investment manager, established in 1998 and headquartered in Hong Kong, with offices also in London, Istanbul and Singapore. ADM has been investing in Indonesia since 1998 and is one of the longest established players in the private debt space in Asia. ADM has been particularly innovative in designing debt structures that provide strong alignment of interests between borrower and lender. In 2006, the Group established The ADM Capital Foundation, ("ADMCF"), which has pioneered work in avoiding deforestation, marine conservation and water pollution, among other programs. The IFC works closely with ADM to deploy capital in Asia in a way that complies with best ESG practices. ADM has a 50-person team led by Robert Appleby and Christopher Botsford.

BNP Paribas - is one of the best-positioned international financial institutions with an uninterrupted presence in Asia Pacific since 1860. Currently with over 15,000 employees* and a presence in 14 markets, BNP Paribas provides corporates, institutional and private investors with product and service solutions tailored to their specific needs. It offers a wide range of financial services covering corporate & institutional banking, wealth management, asset management, insurance, as well as retail banking and consumer financing through strategic partnerships. Worldwide, BNP Paribas has a presence in 74 countries with more than 190,000 employees. It has key positions in its three main activities: Domestic Markets and International Financial Services (whose retail-banking networks and financial services are covered by Retail Banking & Services) and Corporate & Institutional Banking, which serves two client franchises: corporate clients and institutional investors. Asia Pacific is a key strategic region for BNP Paribas and it continues to develop its franchise in the region.

* excluding partnerships