A DEADLY TRADE-OFF

IOI’s Palm Oil Supply and its Human and Environmental Costs
“This vast economic and environmental crisis is repeated year after year, as a few hundred businesses and a few thousand farmers profit from land and plantation speculation practices, while tens of millions of Indonesians suffer health costs and economic disruptions.”


24 October 2015
School children in the playground against the background of thick haze from nearby peatland fires. © Rante/Greenpeace
Following IOI’s Sustainable Implementation Plan, announced on August 8th this year, we have moved fast to meet one of our primary objectives, which is to build a traceable, transparent and sustainable Palm Oil supply chain.

In addition to our on-site mill verification program [...], we are taking a number of risk mitigation actions.

Firstly, we have requested third party suppliers to the group to confirm their commitment to our new Sustainable Palm Oil Policy. All third party suppliers already confirmed their commitment to the previous IOI Loders Croklaan Sustainable Palm Oil Sourcing Policy.

Secondly, we take direct responsibility for ensuring that directly sourced mills are compliant to our Sustainable Palm Oil Policy by direct engagement with these mills. [...] We continuously monitor our third party suppliers and the indirectly sourced mills. If issues arise, we will regularly contact the relevant third party supplier and monitor the actions they take to address these issues.

Thirdly, we are now engaging with suppliers at group level. Based on further research (including stakeholder reports, grievance procedures of third party suppliers and the IOI weekly alert system) we have identified a number of mills in our supply chain with reported issues. [...] These parent companies include, but are not limited to, Felda, KLK, Sime Darby, Wilmar, AAA and Genting. Since we have a direct relationship with these parent companies, we will engage with them directly to resolve the reported issues.

IOI Loders Croklaan (2016) ‘IOI on track to meet 100 percent traceability by end 2016’ 8 September 2016
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CONCLUSION: TIME FOR PALM OIL TRADER ACTION ON THIRD-PARTY SUPPLIERS

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A villager walks through the burning remains of recently cleared peatland orang-utan habitat. The area, which is covered by the government moratorium on new permits for development on primary forest or peatland, is located next to the Gunung Palung National Park in Keyong Utara, West Kalimantan.

©Ifansasti/Greenpeace
INTRODUCTION: THE HUMAN AND ENVIRONMENTAL COST OF PALM OIL EXPANSION

Over the last two decades, the plantation sector has laid waste to Indonesia’s forests and peatlands. Millions of hectares have been destroyed for pulp and oil palm concessions at great cost to wildlife, the climate and people. A Harvard and Columbia University study out this month estimates that in 2015 alone, more than 100,000 adults in the region died prematurely as a result of the pollution from the haze of burning forests and peatlands.1 Who knows how many have died since these fires started to plague the region 20 years ago? The financial toll has also been enormous. The World Bank estimates the cost of the 2015 fires to Indonesia at US$16 billion – twice the estimated value added from Indonesia’s 2014 gross palm oil exports – and admits that “adding in regional and global costs means the actual figure is much higher.”2

But who is to blame?
And who has the power to deliver change?

Greenpeace analysis shows that in the key palm oil production provinces of Riau and West Kalimantan, around half the recorded 2015 fire hotspots were in identified pulp or oil palm concessions.3 In the frontier region of North Kalimantan, 48% were in oil palm concessions alone.4

Clearly, palm oil companies have something to answer for, be their liability criminal or simply moral. After all, it is the wholesale clearance and drainage of peatlands that establishes the conditions in which these fires thrive, regardless of who or what sparks the flame.

IOI under fire

Greenpeace International first raised issues with Malaysian palm oil company IOI Group’s plantations in Kalimantan in 2008, highlighting deforestation and drainage of peatland and clearance of forested orang-utan habitat.5 Over the following years, IOI produced a string of commitments to protect peatland and forest,6 including an August 2014 statement from CEO Dato Lee that “[IOI Group’s] commitment to halt clearance of peatland and potential HCS areas applies to all […] active concessions,”7 but investigations continued to show breaches of the group’s policy commitment.8

IOI’s downstream and trading subsidiary, IOI Loders Croklaan, adopted a sustainable palm oil/’no deforestation’ sourcing policy in November 2014.9 IOI Group created its own policy in December 2014, revising it again in July 2016.10 All of these policies are supposed to apply to third–party suppliers.

In March 2016, the complaints panel of the Roundtable on Sustainable Palm Oil (RSPO) upheld a complaint from Dutch nonprofit consultancy Aidenvironment regarding clearance of high conservation value (HCV) forests and forested peatland in IOI’s concessions in Ketapang, West Kalimantan, and failure to obtain proper licenses and permits from the Indonesian authorities. The RSPO suspension came into effect in April.11

However, following a perfunctory paper exercise, the complaints panel elected to lift IOI’s suspension in August12 without evidence of any meaningful action to address the problems in IOI’s Ketapang concessions. Greenpeace visited IOI’s Ketapang concessions on several occasions in 2016, including September 2016, and saw only limited efforts in focus areas that left the real problems unaddressed. As Greenpeace informed IOI CEO Dato Lee prior to publication of this report, erecting a fire monitoring tower will not protect or restore high conservation value peat forest that has already been burnt as a result of inadequate management. Significant investment of time and resources – along with a commitment to change driven from the very top of the company – is still needed if IOI is to have any chance of undoing the damage done to the Ketapang peat landscape.

The ‘Sustainable Palm Oil Policy’13 that IOI Group adopted in the wake of the RSPO suspension falls short of the commitments we expect from responsible palm oil producers and traders. The policy and IOI’s implementation plan14 fail to resolve or adequately mitigate the risks of deforestation, peatland drainage, fires and human rights abuses in IOI’s supply chain.

Beyond the paper policy is IOI’s failure to ensure adherence to its sustainability policies either in its own operations – eg its continued failure to respect the customary rights of the Long Teran Kanan communities in Sarawak, East Malaysia, whose complaint remains unresolved after almost six years15 – or, as this report exposes, in those of its third–party suppliers. Importantly, the policy does not include a comprehensive plan to ensure IOI’s third–party suppliers have stopped clearing rainforests and peatlands.

IOI is one of the leading traders of palm oil to the international market. In 2015, IOI traded and/or processed 1,527,696 tonnes of palm oil and palm oil–derived products,16 but only 38% of IOI Loders Croklaan’s volumes came from IOI’s own mills in Indonesia and Malaysia.17 The company states that the majority of the 800 mills in the supply base of IOI Loders Croklaan are indirectly sourced,18 meaning they are supplied by third parties sourced through other palm oil traders (including Golden Agri–Resources, Musim Mas and Wilmar International).

IOI Loders Croklaan’s sustainable palm oil policy has always explicitly covered its suppliers of palm oil, palm oil fractions and palm kernel oil (PKO),19 and the company has described itself as engaging third–party suppliers who have committed to ensuring compliance.20

However, analysis by Greenpeace of IOI Loders Croklaan’s traceability data published on its dashboard, best available
A DEADLY TRADE-OFF: IOI’s Palm Oil Supply and its Human and Environmental Costs

22 February 2014, PT Bumi Sawit Sejahtera: 2°54’6.75”S 110°48’21.24”E
Fire burns beside a canal extending outside the boundary of IOI’s oil palm concession in Ketapang, West Kalimantan. © Avenirnment

17 April 2016, PT Bumi Sawit Sejahtera: 2°55’55.686” S 110°44’41.496” E
Drone footage reveals the impact of repeated fires on peat forest near IOI’s oil palm concession in Ketapang, West Kalimantan. © Greenpeace

17 April 2016, PT Bumi Sawit Sejahtera: 2°47’57.5”S 110°54’36.2”E
A Greenpeace investigator logs his GPS position beside a canal cutting through a peatland area identified as containing High Carbon Stock within the IOI’s oil palm concession in Ketapang, West Kalimantan. © Ifansasti/Greenpeace

16 May 2016, PT Bumi Sawit Sejahtera: 2°55’13.1”S 110°43’46.9”E
An oil palm sapling brushes against the charred remains of a tree in the IOI’s oil palm concession in Ketapang, West Kalimantan. The area, which suffered extensive fires in 2015, was subsequently planted. Landsat analysis shows that the area, which borders a company-identified No Go area of peatland, was cleared after mid-2014. © Ifansasti/Greenpeace

3 December 2015, West Kalimantan: 2° 53’ 46.23” S 110° 40’ 9.33” E
Fires in forest between two IOI oil palm concessions – PT Berkat Nabati Sejahtera and PT Bumi Sawit Sejahtera – in the Ketapang Peat Landscape. © Ifansasti/Greenpeace
concession maps and deforestation alerts accessible via Greenpeace's online ‘Kepo Hutan’ platform, NASA fire hotspot data, published reports and official RSPO complaints suggests that the IOI Group continues to buy palm oil from third-party suppliers linked to serious environmental destruction and human rights abuses.

Apparent policy violations by groups in the IOI Loders Croklaan’s most recent published list of palm oil suppliers include:

- **Clearance of forest** – including primary forest, high carbon stock (HCS) areas and areas of high conservation value – in Papua (Austindo Nusantara Jaya, Eagle High, Goodhope, Korindo) and Kalimantan (Eagle High, Indofood, TH Plantations)
- **Development on peatland** (Eagle High, Goodhope, TH Plantations)
- **Extensive uncontrolled fires** (Eagle High, Indofood, Korindo), including evidence of deliberate use of fire in land clearing (Korindo)
- **Exploitation of workers**, including allegations of **child labour** (Eagle High, Indofood)
- **Human rights abuses**, including developing land without the proper free, prior and informed consent (FPIC) of the local community (Austindo Nusantara Jaya, Goodhope) and **excessive force** including use of state security forces (Eagle High, Goodhope)

Traceability data from IOI Loders Croklaan show that palm oil from these third-party suppliers reached its refineries in Asia, Europe and North America between Q2 2015 and Q1 2016. Consumer goods companies23 such as Nestle, Mars and Unilever24 only dropped or suspended IOI Loders Croklaan as a supplier of palm oil or palm-based products following the RSPO suspension, despite IOI’s ‘no deforestation’ commitments that ‘go beyond’ RSPO criteria.25 Given that these same consumer companies continue to buy from Wilmar, Golden Agri-Resources (GAR) and Musim Mas – the third-party traders connecting IOI to several of the problematic groups identified in this report – it is clear that palm oil linked to deforestation, peatland degradation, social conflict and worker exploitation has continued to flow into the consumer market.

For this report, Greenpeace relied upon information in the public domain. Greenpeace contacted IOI before publication to seek confirmation of its findings. IOI Group should already have been well aware of the violations documented in the report. In some cases, published allegations of wrongdoing by the supplier group were first made more than five years ago and remain unresolved. Other allegations were made as recently as April 2016. However, in each instance IOI either is still sourcing from the group at the time of publication of this report or has only stopped sourcing as a result of decisions made by third-party traders when the violations were put to them publicly by a non-governmental organization (NGO). IOI’s response to the report findings is symptomatic of its continued complacency in the face of grave evidence of serious environmental problems and human rights abuses in its palm oil supply chains:26

‘IOI group does not source directly from the Korindo group, Goodhope, Indofood, Eagle High and Austindo Nusantara Jaya. However, some of our third party suppliers (other refiners) have sourced from these companies in the past or are still sourcing from them. We have contacted these third party suppliers and requested them to engage with Goodhope, Indofood, Eagle High and Austindo Nusantara Jaya to address these allegations.’

The problems identified in this report are not limited to IOI’s palm oil supply. Similar issues can no doubt be found in all other traders’ supply chains. Indeed, as IOI’s response to the evidence in this report emphasises, in several instances IOI was supplied with palm oil from non-compliant suppliers by another trader, such as Wilmar International, Musim Mas or Golden Agri-Resources. These companies have their own ‘no deforestation’ policies and are working with partner organisations to implement them. But for all the good work that is being done, there remains a systemic failure to do the basics: to identify and exclude non-compliant suppliers. The day when major palm oil traders can state with conviction that their palm oil is not linked to deforestation, peatland destruction or human rights abuses is still a long way off.
A DEADLY TRADE-OFF: The Human and Environmental Costs of IOI’s Palm Oil Supply

IOI’S GLOBAL PALM OIL TRADE

Export or Import Point
Mill or Local Refinery
Multiple trade links between Export/Import Points
Single trade links between Export/Import Points

Export or Import Point
Mill or Local Refinery
Multiple trade links between Export/Import Points
Single trade links between Export/Import Points
IOI is a grower, processor and trader of both its own and third-party palm oil products

Headquartered in Malaysia, IOI is reportedly the world’s third-largest palm oil company. It is a vertically integrated company that manages palm oil plantations, processes fresh fruit bunches (FFB) from both its own plantations and those of other companies into crude palm oil (CPO) and palm kernel oil, and manufactures palm oil derivatives, specialty ingredients and oleochemicals. It trades its palm oil and derivatives around the world. IOI Loders Croklaan is a downstream subsidiary.

Just as IOI Group sources FFB from third-party suppliers in addition to its own plantations, its major subsidiary IOI Loders Croklaan sources from IOI mills and directly from third-party suppliers, who in turn can source palm oil from other suppliers. In 2015, IOI Group purchased 6,362 tonnes of FFB from third-party suppliers, of a total of 3,587,264 tonnes of FFB that it processed. However, at year end 2015, IOI Loders Croklaan was sourcing 62% of all of its palm oil volumes from mills not owned or managed by IOI. So while IOI sources most of its FFB from its own plantations, most of its downstream volumes that end up in both domestic and global markets are sourced via third-party suppliers.

IOI Group owns four refineries: three in Asia (Sabah and Johor, Malaysia) and one in Rotterdam, Netherlands. Downstream subsidiary IOI Loders Croklaan also owns refineries in Channahon, Illinois, United States; Wormerveer, Netherlands; and Rexdale, Ontario, Canada. The Group also operates manufacturing sites globally.

IOI Loders Croklaan operates some of the largest palm refining and processing plants in the world. The company claims that the four refineries in Asia and Rotterdam have a combined annual refining capacity of 3,3 megatonnes (Mt); the Rotterdam complex has a capacity of 1.2Mt. IOI Group claims that its Channahon refinery, with a capacity of 450,000t per year, is the largest palm oil processing complex in the western hemisphere.

From October 2014 through October 2015, IOI and its subsidiaries sold 6.88% of the palm oil that was imported into the United States, and IOI Loders Croklaan was responsible for importing 5.99% of the oil into the US market (this is similar to the market share of Musim Mas, which sold 5.40% of the oil brought into the US market in the same time period). However, IOI Loders Croklaan’s market share may be even higher as its traceability data indicates that it purchases some of its oil from Victory Tropical Oils, GAR’s US subsidiary. Refineries may not always run at full capacity due to shifting supply of palm oil; however, given the scale of recent investments in the Rotterdam and Channahon complexes, the company is likely to seek additional palm oil volumes and customers to preserve its investments.
IOI Group subsidiaries

IOI Group’s downstream arm handles manufacturing and marketing of bulk oils and proprietary functional ingredients to the food and personal care industry (via IOI Loders Croklaan USA). Oleochemical production and marketing is handled by subsidiary IOI Oleochemical Industries Bhd (IOI Oleo) and its three subsidiaries, Acidchem International Sdn Bhd, Derichem Sdn Bhd and Esterchem Sdn Bhd. It appears that IOI’s oleochemical subsidiaries produce oleochemicals entirely from palm products, but the specialty oils and fats subsidiaries and sub-segments incorporate other edible oils.37 IOI’s website, product brochures38 and press releases reveal that these oils include cottonseed, soya bean, rapeseed, coconut, sal, illipe and shea.40

IOI Oleo has an office and manufacturing facility in Johor, Malaysia, and all three of its subsidiaries have a shared manufacturing facility and office in Prai, Penang, Malaysia. IOI Oleo’s principal activities include the manufacture and sale of fatty acids, glycerine, soap noodles and fatty esters to personal care industry customers such as Davlyn Industries, which manufactures Shiseido skincare products in the United States.41 IOI Oleo products are exported to more than 65 countries worldwide. 42 In 2015 IOI Oleo acquired Cremer Oleo GmbH & Co’s oleochemical business, becoming IOI Oleo Gmbh and now operating three production facilities in Germany.43

IOI Loders Croklaan BV, headquartered in Hogeweg, Netherlands, sells bulk palm oil and palm products and develops, markets and produces functional trade ingredients and custom formulations for the food and personal care industry. The company has three sales organizations (Europe, Americas, Asia), each with further divisions into Specialties, Bulk Edible Oils and Marketing. IOI Loders Croklaan has a robust research and development unit, where food scientists from client companies can develop new ingredients alongside Loders Croklaan staff. It has developed specifically branded products to appeal to customers seeking transfat-Free oils following the Food and Drug Administration’s (FDA’s) ban on partially hydrogenated oils (PHOs).

IOI Loders Croklaan also holds a patent for, and appears to be the only producer of, Betapol(R), a human breast milk substitute used in infant milk formulas.

From forest to fork – the palm oil supply chain

Fresh fruit bunches are harvested at the plantation by hand with long knives. The FFB leave the plantation via truck and go to a mill within 50 km. At the mill, the fruit is crushed and turned into crude palm oil. Then it is transported to a refinery.

Refining is the process of turning crude palm oil into refined palm oil and products (olein, stearin), and manufacturing is the processing of turning refined palm oil into oleochemicals and specialty products (specialty food ingredients, soap noodles, etc.).

The refined, bleached and deodorised (RBD) palm oil can be packaged in these facilities in drums, flexitanks/isotanks or – most commonly – bulk chemical tankers. Palm products that are hard (wax, palm stearin) can be packaged in cartons, and palm products that are soft (palm olein) can be packaged in jerry cans (for cooking oil in China, India, Africa and South America as well as specialty stores in the US).

After arriving in the import country, the product is then blended and processed into further ingredients. Sometimes this is done by the trader’s downstream partner, and sometimes there is a distributor involved that will blend, refine or both. The end result is transported by truck or train to the consumer brand customer to be made into cupcake frosting, packaged cookies, face lotion and a wide array of other products.
PolicY VIOLATIONS IN IOI’S THIRD-PARTY SUPPLY CHAIN
IOI’s Sustainability Policy

All provisions in this policy apply to all third-party suppliers in our supply chain.
- Ensure no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) areas.
- Protect peat areas regardless of depth in new developments.
- Eliminate all forms of forced and child labour.
- Respect the right of indigenous and local communities to give their Free, Prior and Informed Consent (FPIC) to operations on lands over which they hold legal, communal or customary rights.

Revised December 15 2014

Austindo Nusantara Jaya (ANJ) is an Indonesian family-owned company whose main interest is palm oil plantations, with developing interests in biogas, geothermal energy and sago plantations in Papua.

Violations of IOI policy
- Deforestation: destruction of primary forest in Papua (PT Permata Putera Mandiri and PT Putera Manunggal Perkasa, West Papua)
- Exploitation: land disputes, absence of free, prior and informed consent by local communities (PT Permata Putera Mandiri and PT Putera Manunggal Perkasa, West Papua)

Links to IOI

In the period from Q2 2015 through Q1 2016, IOI Loders Croklaan purchased palm oil or palm kernel oil from the following ANJ mills for all four of its refineries in the Americas and the Netherlands (not all CPO or palm products from each mill or trader went into each IOI Loders Croklaan refinery):
- Binanga (via AAA/APICAL, GAR, ICOF (Inter-Continental Oils and Fats)/Musim Mas, Victory Tropical Oil/GAR, Wilmar)
- PT Austindo Nusantara Jaya Agri Siais (via AAA/APICAL, GAR, Victory Tropical Oil/GAR, Wilmar)
- Kayung Agro Lestari (via GAR)
- Sahabat Mewah Dan Makmur (via GAR, ICOF/Musim Mas, Wilmar)

Emails to Greenpeace from GAR, Musim Mas and Wilmar confirm that they halted purchasing from ANJ in 2015.

Group overview

Company: PT Austindo Nusantara Jaya Tbk
Group: PT Austindo Nusantara Jaya Tbk
Headquarters: Indonesia
Stocklisted: Indonesia Stock Exchange
RSPO member: Yes
As of 31 December 2015, 90% of shares were controlled by various members of the Tahija family.
Plantations and mills

The group owns four mature plantations: two in North Sumatra (operated by PT Austindo Nusantara Jaya Agri and PT Austindo Nusantara Jaya Agri Siais), and one each in Belitung (PT Sahabat Mewah dan Makmur) and West Kalimantan (PT Kayung Agro Lestari). Planting has also commenced on two plantations in West Papua province (PT Permata Putera Mandiri and PT Putera Manunggal Perkasa) and one in South Sumatra (PT Galempa Sejahtera Bersama), but these plantations are not yet in production.

The company also owns a third Papuan concession – PT Pusaka Agro Makmur, which remains undeveloped and was formally merged with the parent company in 2015 – and holds minority 20% stakes in four other Sumatran plantation concessions.

Austindo Nusantara Jaya produced 192,891 tonnes of CPO in 2015.

Near its Papuan oil palm concessions, a subsidiary called PT Austindo Nusantara Jaya Agri Papua has built a sago mill in which it intends to process sago starch from 40,000 hectares (ha) of sago forest. Another subsidiary, PT Gading Mas Indonesia Teguh, cultivates tobacco and more recently edamame in East Java.

Environmental position

ANJ does not have a public policy to avoid development on forested areas or peatland. In its 2015 Annual Report it specifically addresses the issue of developing plantations on the island of Papua, which is almost entirely forested, suggesting that a different approach is needed there and claiming to have developed a sustainable socio-economic framework that balances rural development with conservation of natural resources, including HCV and HCS areas:

“Specifically, we are committed to conserving a minimum of 30% of the legally allocated land for development in West Papua.”

This falls far short of a public no deforestation policy.

Certification and transparency

ANJ is a member of the RSPO and has obtained certification for its three Sumatran plantations. Although in general it is an active RSPO member, both PT Permata Putera Mandiri and PT Putera Manunggal Perkasa started clearing forest in Papua in 2013/2014 before announcing this new planting on the RSPO’s website (a requirement for members as part of the New Planting Procedures).

Indonesian NGO Greenomics produced a report highlighting this, and ANJ admitted it had infringed RSPO procedures and said it would stop work on the two plantations until the conditions of the New Planting Procedures were met.

ANJ hopes to achieve RSPO certification for its remaining productive plantation in Kalimantan in 2016 and full certification for all plantations, including its Papuan plantations, by 2022.

ANJ has submitted required information to the RSPO through its Annual Communications of Progress (ACOP) report.

‘According to the letter from the Minister of Agraria and Spatial Planning to GAPKI of 8 September 2016, which was based on the Act No 14/2008 on the Public Information Disclosure and National Land Agency Regulation No 6/2013, not all documents can be made public. Even so, we truly believe in the spirit of engagement as a means to build better understanding and, therefore, welcome information requests from relevant parties seeking clarification from us. This is, however, ruled by conditions requesting that the information provided is not misused for ulterior motives nor deliberately misinterpreted, placing the company in a financial disadvantage. In such cases, information requests can be deemed as corporate espionage.’

ANJ response to Greenpeace inquiries, 23 September 2016
CASE STUDY: PERMATA PUTERA MANDIRI AND PUTERA MANUNGGAL PERKASA

Concession names: PT Permata Putera Mandiri, PT Putera Manunggal Perkasa
Location: West Papua

Policy violation

- Extensive clearance of primary forest and exploitation of local communities, including failure to conduct a proper FPIC process, place Austindo Nusantara Jaya in violation of IOI’s policy.

Mapping analysis from Kepo Hutan and Global Forest Watch

- Ministry of Environment and Forestry (MoEF) landcover maps available through Kepo Hutan show that all three of ANJ’s Papuan concessions were almost entirely covered with forest in 2012, the majority being classified as primary forest and primary swamp forest.
- More than half of PT Permata Putera Mandiri and PT Putera Manunggal Perkasa’s concessions were classified as Intact Forest Landscapes in 2013, meaning they have a particular conservation importance which would be disturbed by even partial plantation development.

Deforestation

ANJ’s three Papuan concessions encompass an area of 88,086 hectares (PT Permata Putera Mandiri 34,147ha, PT Putera Manunggal Perkasa 23,424ha and PT Pusaka Agro Makmur 30,515ha). Clearance work started in the first two of these concessions in late 2013 or early 2014, and according to the company, by the end of 2015 3,441 hectares had been planted across the two concessions.

Environmental groups have drawn attention to deforestation in PT Permata Putera Mandiri and PT Putera Manunggal Perkasa’s concessions, directing their criticism at palm oil trading companies which buy from the ANJ Group. Responding to this criticism, ANJ said it had commissioned a new set of HCV assessments that “will be used in the preparation of a comprehensive development plan for the ANJ concessions to help ensure that those areas of forest deemed critical for regional biodiversity will as far as possible be conserved.” These new HCV assessments were not available at the time of writing. HCV maps published with the New Planting Procedure notification showed that 5,051 hectares would be set aside in the PT Permata Putera Mandiri concession and 3,788 hectares in PT Putera Manunggal Perkasa’s concession. Areas set aside for conservation included buffer zones along river banks, lakes and wetlands, an area of peat; an area of forest; sago groves which local people rely on for subsistence; and sacred cultural sites.

In August 2015, ANJ temporarily halted land clearing in its Papuan concessions, claiming that this step would cost the company US$8.8 million due to terminated contracts. Landsat satellite images show no clear evidence of resumed land clearing as of August 2016. The company did, however, state its intention to continue planting at its West Papua plantations in its 2015 Annual Report.

Although ANJ has claimed that its decision to slow development in West Papua was the reason the company recorded a net loss in 2015, analysis by Chain Reaction Research indicates that loss of customers cost the company 10% of its revenue in Q4 2015 and projected that 35% of the company’s revenue would be at risk in 2016.

Peat

PT Permata Putera Mandiri’s HCV assessment indicates that peat soils are present within the eastern part of the concession, which mostly consists of swamp forest. 2,661 hectares have been set aside as an HCV area. Large parts of both concessions border on areas of peat, so drainage for plantations risks damaging the wider peat landscape.

Exploitation

Since work started in ANJ’s two Papuan plantations in 2013/2014, a number of land disputes have emerged involving local indigenous groups. In March 2015, five clans from Saga village blocked access to the company’s work site, claiming that the company was clearing their customary land without obtaining their permission or giving compensation.

In 2015 the Gue clan from Puragi village brought a case against PT Permata Putera Mandiri in the Sorong District Court for material losses of 6.6 trillion Rupiah (US$503 million). The Gue clan

'We are aware of the global market requirements of No Deforestation, No Peatland and No Exploitation principles, and we conform to these principles.’

ANJ response to Greenpeace inquiries, 23 September 2016

25 August 2016, PT Putera Manunggal Perkasa.
©Yayasan Pusaka
alleged that land cleared by the company belonged to them, and the company had not paid them for damage to watersheds, water sources running dry, loss of sacred sites, damage to sago groves and hunting grounds, and loss of livelihood.\(^7\) On 25 July 2016 the District Court judges declared that the case was inadmissible,\(^7\) meaning that although the company was not found to be legally liable, the dispute remains essentially unresolved.

Several demonstrations were held by community members opposed to PT Permata Putera Mandiri during 2015. Dozens of people were arrested in one action which took place on 15 May 2015,\(^7\) and two men were subsequently imprisoned for five and seven months for property damage. Separately, two village leaders from the Benawa and Anuni villages were reportedly arrested after protests opposing PT Putera Manunggal Perkasa and held in police detention awaiting trial for at least eight months.\(^7\)

PT Putera Manunggal Perkasa is also facing opposition from the Wetaku, Sowe and Worait clans, who reportedly withheld their consent as customary landowners in December 2015.\(^7\)

ANJ claims to implement a free, prior and informed consent process when dealing with local communities,\(^7\) but the number of disputes which have emerged suggests that steps taken before planting started were insufficient.

Statements in ANJ’s 2015 Annual Report indicate that as part of its decision to slow down its Papua projects it intends to reappraise its approach to local indigenous communities.\(^7\) However, the company has not given any public notice that it intends to comprehensively renegotiate land access on an FPIC basis.

**IOI statement**

‘[ANJ was] already reported in the list of grievances of our third party suppliers which is monitored by our sustainability department. We have also requested our third party suppliers for an update.’\(^7\)

**Trader statements**

As a result of NGO pressure, ANJ buyers GAR and Wilmar reportedly suspended dealings with the company (in the case of GAR, pending further HCV and HCS surveys).\(^7\) In an email to Greenpeace on 23 September, AAA/Apical replied with the general statement that ‘Based on our records and preliminary investigations, Apical does not currently buy from any of the mills in the list you presented to us’\(^8\) which suggests that the company is not proactively monitoring suppliers at group level; it later stated that ‘Apical has no sourcing transaction with ANJ at this point of time’ but asked Greenpeace to share the name of the mill in order to investigate. In emails to Greenpeace on 20 September 2016, GAR, Musim Mas and Wilmar all confirmed that they had ceased trade with the company in 2015. According to Musim Mas, the suspension was due to ANJ showing ‘no indication of willingness to go through the sustainability journey.’\(^8\)

**Company statement**

Greenpeace contacted ANJ before publication to seek confirmation of its findings. The company confirmed that it had inadvertently cleared primary forest and instituted a ‘self-moratorium’ until a more detailed study could be performed.\(^8\) With regard to peatland, the company has commissioned an international consultant to perform a landscape study, identifying peatlands to be marked for conservation. No other details about the study or methodology were included.\(^8\)

The company did not acknowledge that the land acquisition of PT PPM and PT PMP fell short of FPIC standards only noting that the process will be ‘ongoing’ and that in addition to stakeholder meetings, it is engaging in a research study to identify economic development needs of West Papua.\(^8\) The study will be made available to the RSPO after socialization. The FPIC assessments for PT PAM have been conducted and stakeholder meetings will continue. The company noted that in West Papua is a ‘special development case’ where it is attempting to ‘balance conservation and economic development’.

With regard to transparency, ANJ referenced a letter from the Minister of Agraria and Spatial Planning sent to GAPKI on 8 September 2016, stating that not all documents can be made public.
EAGLE HIGH/RAJAWALI

IOI’s Sustainability Policy

‘All provisions in this policy apply to all third-party suppliers in our supply chain.

• Ensure no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) areas.
• Protect peat areas regardless of depth in new developments.
• Observe zero-burning in all new planting and replanting of oil palm.
• Eliminate all forms of forced and child labour.
• Respect the right of indigenous and local communities to give their Free, Prior and Informed Consent (FPIC) to operations on lands over which they hold legal, communal or customary rights.

Dato’ Lee Yeow Chor
IOI CEO

Eagle High is the plantations arm of the Rajawali Group, an Indonesian conglomerate with interests including hotels, cement, consumer goods and transport. Rajawali CEO Peter Sondakh is a friend of Malaysian prime minister Najib Razak and a former business associate of a son of Indonesian president Suharto.

Violations of IOI policy

• Deforestation: satellite deforestation alerts show forest loss since early 2015 (PT Artru Energi Resources, West Kalimantan; deforestation has also occurred in PT Varia Mitra Andalan, West Papua)
• Peat: concession development on peat (PT Artru Energi Resources, West Kalimantan)
• Fires: extensive fires raise questions about deliberate or negligent mismanagement (PT Artru Energi Resources, West Kalimantan)

Exploitation: excessive use of force, use of state security forces and child labour (PT Tandan Sawita Papua, Papua)

Links to IOI

Between Q2 2015 and Q1 2016, IOI Loders Croklaan purchased from Eagle High in Central Kalimantan, Indonesia via Wilmar (BW Plantation) for its Channahon and Rexdale refineries in the Americas, and via GAR (Bedaun Palm Oil Mill) for its refineries in Rotterdam and Wormerveer in the Netherlands. During the same period, IOI Loders Croklaan also purchased from Rajawali-owned Jaya Mandiri Sukses in East Kalimantan via Wilmar and GAR for its refineries in the Americas and the Netherlands.

Group overview

Company: PT Eagle High Plantations Tbk (previously known as PT BW Plantation Tbk)
Headquarters: Indonesia
Stocklisted: Indonesia Stock Exchange
RSPO member: Yes

Plantations and mills

Jakarta-based PT Eagle High Plantations Tbk was established in 2000. Eagle High is controlled by the Rajawali Group, which holds around 69% of the shares. Via BW Plantation Tbk, it has been a member of the RSPO since 2008. The company took on its current form in 2014 when PT BW Plantation Tbk took over Green Eagle Group, roughly tripling its land holdings. Rajawali had previously controlled Green Eagle Group but had bought a 21.5% stake in BW, making the BW acquisition a reverse takeover. There are currently plans for an investment unit of Malaysian conglomerate Felda to acquire a 37% stake in Eagle High, after a similar deal by Felda’s international business arm Felda Global Ventures (FGV) was scrapped.

As of 2014, Eagle High controlled around 425,000ha in Kalimantan, Sulawesi, Papua and Sumatra,
24 February 2014, PT Adhyaksa Dharma Satya:
An excavator at work in a BW Plantation concession in Kotawaringin Timur, Central Kalimantan. BW Plantation is part of the Eagle High group.
©Ifansasti/Greenpeace

20 September 2014, West Kalimantan:
1°37’20.21”S 110°3’29.65”E
PT Arrtu Energie Resources. A Greenpeace investigator captures GPS coordinates beside the burning remains of recently cleared peatland orang-utan habitat.
©Ifansasti/Greenpeace
17 May 2009, Central Kalimantan:
01°47'50.3"S 112°36'06.6"E
A Bornean langur holds the hand of a villager in Kotawaringin Timur. Loss of habitat, for instance for plantations, is a chief threat to such wildlife.
© Greenpeace

24 June 2013, PT Bumi Langgeng Perdanatrada:
2°46'28.8"S 111°50'30.7"E
A Greenpeace investigation team with FNPRI documents orang-utan remains inside and adjoining a BW Plantation concession near Tanjung Puting National Park. BW Plantation is part of the Eagle High group.
© Greenpeace
153,250ha planted area in 2015, including 18,931ha of plasma (smallholdings). Over 90% of the planted area is in Kalimantan. The 2015 annual report lists 32 palm plantation subsidiaries, with 6 mills.

Eagle High’s total production in 2015 was 1,418,270 tonnes FFB, 350,578 tonnes CPO and 60,236 tonnes PKO.

Eagle High has just obtained a US$116 million bank loan to fund expansion in some of its subsidiaries, apparently not including the concessions in the case studies below.

Environmental position

According to Eagle High’s website: ‘We commit to conducting rigorous Social and Environmental Impact Assessments and High Conservation Value assessments for all of our existing plantations and prior to commencing any new planting. [...] We further commit to High Carbon Stock studies for all new planting and will not develop on land identified as an HCS area. In early 2016 we have completed our first HCS study.’

It continues: ‘we are shifting focus from the strong growth of our planted area in recent years to slower planting and we have halted land clearing. We will continue this policy in 2016 until the requirements for certification are met.

It is not clear which concession or concessions the HCS study mentioned relates to, and it does not appear on the company website at the time of writing. Neither the 2015 Annual Report, the company website nor its entry on the RSPO website offers any more detail on forest policy, nor do any of these sources mention peatland or HCV areas. While the company has registered an HCS assessment with the High Carbon Stock Approach Steering Group, it lacks a public commitment to the HCS Approach methodology and toolkit for implementation.

Certification and transparency

Eagle High has been a member of the RSPO since 2008.

The company’s 2015 Annual Communication of Progress (ACOP) report to the RSPO lists 49,975 hectares of its plantations as managed for conservation, but the nature of these areas is not described.

The 2015 ACOP claims to sell through the Mass Balance supply chain, but the company apparently had no certified plantations at the time this report was submitted.

According to its 2015 ACOP, Eagle High aims to have its first plantation RSPO certified in 2016 (this has slipped from 2014 in the 2013 ACOP report) and to achieve certification of all estates and mills by 2025 (this has also slipped, from 2018 in the 2013 report). It aims to achieve 100% RSPO certification of associated smallholders and independently sourced FFB by 2029 (this has slipped from 2020 in the 2013 ACOP).

In summary, Eagle High’s commitment to meeting RSPO standards has gone backwards since 2013.

In terms of transparency, its 2015 ACOP was submitted to the RSPO but maps of concessions listed in this ACOP have been removed from RSPO website.

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**CASE STUDY: ARRTU ENERGIE RESOURCES**

Concession name: PT Arrtu Energie Resources (2 concessions)

Location: Ketapang, West Kalimantan

Policy violation

- Deforestation and peatland development place Eagle High in violation of IOI’s policy.
- Extensive fires raise questions about deliberate or negligent mismanagement.

Mapping analysis from Kepo Hutan and Global Forest Watch

- MoEF landcover mapping shows forest loss in both concessions, mainly in the southern block, between 2011 and 2013, with a large area of forest remaining in the southern block in 2013.
- GLAD alerts show tree cover loss in these concessions since early 2015, accelerating in late 2015, including clearance on peat areas and loss of much of the forest that remained in 2013.
- The concessions include around 11,000 hectares of peat.
- The concessions saw over 60 fire hotspots in 2015, mostly on peat areas, including areas mapped as forest in 2013.

The two PT Arrtu Energie Resources concessions are adjacent to Gunung Palung National Park in Ketapang, West Kalimantan – home to one of largest and densest populations of orang-utans in Borneo.

In 2015, a Greenpeace investigation documented peatland fires burning unchecked in the Arrtu Energie Resources concessions.
20 September 2015,
PT Aritsu Energie Resources:
Drone footage collects evidence of fires burning along access roads as new industrial development replaces remaining peatland orang-utan habitat in the Eagle High oil palm concession in Ketapang, West Kalimantan.
© Greenpeace.
CASE STUDY: TANDAN SAWITA PAPUA

Concession name: PT Tandan Sawita Papua
Location: Keerom Regency, Jayapura, Papua

Policy violation
• Recent deforestation of primary forest, exploitation of workers including use of child labour, human rights abuses such as excessive use of force and use of state security forces and failure to follow a proper FPIC process place Eagle High in violation of IOI’s policy.

Deforestation
PT Tandan Sawit Papua’s concession covers 18,337 hectares. 2009 MoEF landcover maps show the concession was almost entirely covered with a mixture of primary and secondary forest. 117 The conservation value is likely to have been significant: a 2010 wildlife survey in PT Tandan Sawita Papua’s concession discovered that 8 rare or protected mammal species were present (including two species of critically endangered cuscus), as well as 39 rare or protected birds and 3 reptile species. 118

PT Tandan Sawita Papua had cleared most of the forest in the concession by the end of 2014. 119 Much of the remaining forested area has been set aside for conservation based on the 2012 HCV assessment, 120 or was not appropriate for cultivation.

Child labour
It has been reported that children as young as six work in the plantation to support their parents. 121 As a member of the UN Global Compact, PT Tandan Sawita Papua has stated a commitment to abolish child labour, but its measures intended to achieve this aim were limited to advising workers not to bring children to work and providing some educational support. 122

Exploitation/mistreatment of workers
In September 2013, PT Tandan Sawita Papua reportedly sacked four casual labourers after they took strike action in protest at the way the company had allegedly doubled the daily targets for workers without permanent contracts, resulting in unmanageable workloads. 123

In April 2014 two employees were imprisoned after demanding better working conditions. The two men were reportedly summoned to the police station, where they were held for around two weeks until agreeing to sign statements accepting dismissal from the company and agreeing not to make further demands. 124

Excessive use of force and use of state security forces
Since PT Tandan Sawita Papua started operations there have been a number of reported incidents that suggest repressive treatment of company workers. The most serious of these was the fatal shooting of a 22-year-old company employee, Marvel Doga, by the state security forces in the early hours of 21 December 2015 as he was demanding his unpaid holiday allowance. 125 Beyond the apparent excessive use of force, the incident raises questions about why the state security forces were on call to protect the plantation, tasked with guarding the management office.

FPIC
Several reports allege that PT Tandan Sawita Papua did not engage the whole indigenous community in an inclusive FPIC process, but merely negotiated land rights with clan leaders, 126 while some others in the community opposed the plantation. 127 The concession’s location in a militarised area near the border with Papua New Guinea reportedly meant that some clans eventually accepted the company’s offer, even if this may not have been their free choice. 128 Protest actions against forest clearance also took place, with indigenous community members erecting roadblocks and confiscating keys to bulldozers. 129

Compensation paid to the eight clans who accepted a deal with Rajawali was reportedly low, an average of 384,000 Rupiah (US$29) per hectare. 130

Map:
- Forest cover 2013
- Concession boundary
- Deforestation 2011-2013
- FORMA alerts

Background satellite images are Landsat 8
CASE STUDY: VARIA MITRA ANDALAN

Concession name: PT Varia Mitra Andalan
Location: Moswaren and Wayer sub-districts, South Sorong, West Papua

Policy violation
• Post-2014 forest clearance (and apparent failure to follow an FPIC process) places Eagle High in violation of IOI’s policy.

PT Varia Mitra Andalan received a Forest Release permit for its 20,325ha concession in 2013. The concession was part of the Rajawali’s Green Eagle Group before the BW Plantation deal which resulted in the creation of Eagle High Plantations Tbk.

Deforestation
Mapping analysis from Kepo Hutan based on MoEF landcover maps shows PT Varia Mitra Andalan’s concession was almost entirely covered in secondary forest in 2013, before plantation work commenced in 2014.

Satellite images indicate that PT Varia Mitra Andalan cleared an area of around 1,000ha in 2015. The majority of the concession remains forested.

FPIC
No reports were available of whether PT Varia Mitra Andalan engaged in a process of free, prior and informed consent with local indigenous communities.

IOI statement
‘Based on the information provided by Greenpeace we have contacted our third party suppliers and requested for an urgent update on these allegations. Several suppliers already provided an update on how they are dealing with [Eagle High].’

Trader statements
In emails to Greenpeace on 20 September 2016, Wilmar and GAR confirmed that they still have ongoing commercial relationships with Eagle High. Wilmar has been in ongoing dialogue with Eagle High since June 2015, noting that the company agreed to a moratorium in PT Varia Mitra Andalan and has completed an HCS assessment. Wilmar told Greenpeace that it had no prior knowledge of the issues relating to PT Arrtu Energie Resources and PT Tandan Sawita Papua. GAR told Greenpeace that it is aware of the issues with the PT Varia Mitra Andalan and PT Arrtu Energie Resources concessions, but its grievance dashboard only references the former.

Company statement
Greenpeace contacted Eagle High before publication to seek confirmation of its findings. At the time of publication, Greenpeace had received no response from the company.
A DEADLY TRADE-OFF: IOI’s Palm Oil Supply and its Human and Environmental Costs

IOI’s Sustainability Policy

All provisions in this policy apply to all third-party suppliers in our supply chain.

• Ensure no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) areas.
• Protect peat areas regardless of depth in new developments.
• Eliminate all forms of forced and child labour.
• Respect the right of indigenous and local communities to give their Free, Prior and Informed Consent (FPIC) to operations on lands over which they hold legal, communal or customary rights.

Dato’ Lee Yeow Chor
IOI CEO

Goodhope is the palm oil plantations subsidiary of Carson Cumberbatch, a conglomerate that began as a 19th-century Sri Lankan coffee and rubber producer and now holds interests across Southeast Asia including hotels, real estate and breweries.136

Violations of IOI policy

• Deforestation: clearance of primary forest in Papua (PT Nabire Baru, Papua)
• Peat: plantation development on peat (PT Nabire Baru, Papua)
• Exploitation: taking over indigenous land without free, prior and informed consent and using state security forces to repress local opposition (PT Nabire Baru, Papua)

Links to IOI

From Q2 2015 through Q1 2016, IOI Loders Croklaan purchased palm oil or palm kernel oil from the following Goodhope-owned mills for its refineries in the Americas and the Netherlands:137
• PT Agro Wana Lestari Bukit Santuain Mill (via Victory Tropical Oil/GAR, Wilmar)
• Karya Makmur Sejahtera (via Victory Tropical Oil/GAR, Wilmar)
• PT Agro Indomas Sungai Purun POM (via ICOF/Musim Mas, GAR, Wilmar)
• PT Agro Indomas Terawan POM (via ICOF/Musim Mas, GAR, Wilmar)
• Agro Bukit (via Wilmar)

Group overview

Company: Goodhope Asia Holdings Ltd
Group: Carson Cumberbatch PLC
Headquarters: Sri Lanka (Goodhope Asia Holdings Ltd is incorporated in Singapore)
Stocklisted: Carson Cumberbatch is listed on the Colombo Stock Exchange (Sri Lanka)
RSPO member: Yes138

Carson Cumberbatch PLC holds a 53.3% stake in Goodhope Asia Holdings Ltd, with another Carson Cumberbatch Group company, Bukit Darah PLC, holding a 35.6% stake. Bukit Darah is a holding company which itself owns 45.7% of Carson Cumberbatch.139

Plantations and mills

Goodhope holds 15 oil palm concessions in Indonesia, in the provinces of West, South, Central and East Kalimantan and Papua.140 The company has four further concessions in Malaysia.141
Landbank: 132,463 hectares
Planted area: 69,502 hectares
Mature area: 54,961 hectares
Immature area: 14,542 hectares142

Goodhope’s two concessions in Papua, PT Nabire Baru and PT Sariwana Adi Perkasa, comprise 17,000 hectares and 8,190 hectares respectively.143 Timber extraction in the two concessions
is carried out by a company called PT Sariwana Unggul Mandiri, which is not listed as a subsidiary of Carson Cumberbatch PLC in its annual report or on the Goodhope website.

Goodhope also owns edible oils and fats processing plants in Malaysia and India.

Goodhope stated that it produced 234,270 tonnes of CPO during the financial year 2014/15.

Carson Cumberbatch PLC, as well as its agribusiness and oils and fats divisions, is involved in portfolio and asset management, breweries, real estate, hotels and management services.

Environmental position

The environmental policies on Goodhope’s website are limited to implementing good environmental management practices in plantation areas and mills and a commitment to identify and maintain high conservation value areas. The company makes no public commitment to avoid developing plantations on forested areas or peatlands, nor to implement a rigorous FPIC process with indigenous or other affected communities, although a document was furnished to Greenpeace.

Goodhope’s 2015 Annual Communication of Progress to the RSPO refers to a ‘Sustainability Code of Conduct’, but no document using that title could be found in the public domain, including in annual reports or on company websites or the RSPO website.

Certification and transparency

Goodhope has been a member of the RSPO since 2 December 2014. Three palm oil estates have received RSPO certification and two processing facilities in Malaysia have received supply chain certification.

Goodhope has stated that it plans to achieve full RSPO certification by 2019.

Goodhope has submitted information to the RSPO under the New Planting Procedures for its plantations in Kalimantan, but no concession maps or management plans for the Papuan concessions are publicly available.

Documentation related to a complaint about PT Nabire Baru that was submitted to the RSPO in April 2016 has not been uploaded to the RSPO’s website case tracker facility at the time of publication, despite the RSPO having discussed the case in its complaints committee and sought meetings with the company.

Goodhope’s 2015 ACOP omits important and relevant information. It claims that no land disputes exist, despite a high-profile ongoing dispute in PT Nabire Baru’s concession (see below).
**CASE STUDY: NABIRE BARU**

**Concession name:** PT Nabire Baru  
**Location:** Nabire, Papua

**Policy violation**
- Deforestation of primary forest and peatland, permit irregularities including development without an Environmental Impact Assessment, failure to follow a proper FPIC process and excessive use of force including use of state security forces place Goodhope in violation of IOI’s policy.

**Mapping analysis from Kepo Hutan and Global Forest Watch**
- MoEF landcover maps show that in 2011 the concession was predominantly forested.
- By 2013, MoEF maps showed several thousand hectares of mostly primary forest, including peat forest, had been cleared.

**Deforestation**
As of mid-2016 deforestation was believed to be ongoing, with Landsat images showing at least 70% of PT Nabire Baru’s concession cleared or divided into plantation blocks.

**Peat**
The concession includes several thousand hectares of peatland, which were not excluded from the area that was cleared.

**Permit irregularities including lack of Environmental Impact Assessment**
PT Nabire Baru commenced operations in 2010 using a licence issued in 2008. However, the company had not fulfilled all the requirements for such a permit to be issued under regulations in force at the time; in particular, no Environmental Impact Assessment (EIA) had been carried out.

- A location permit from the Bupati of Nabire was issued eighteen months later and the company commenced land clearing, still without an EIA.
- The first public consultation for an EIA took place in April 2013. PT Nabire Baru’s Environmental Permit was finally approved by the provincial governor on 26 August 2014.
- In October 2015 the Yerisiam Gua indigenous group launched a legal challenge to this permit in the State Administrative Court (PTUN). The judges did not make a decision about the legality of the permit, having declared the case inadmissible as the limit of 90 days to appeal a government decision had been exceeded.
- On 25 March 2016, just one week before the court took its decision, the Sima village within PT Nabire Baru’s concession area suffered severe flooding which inundated 56 houses, requiring the residents to evacuate the village. Local people attributed the flooding to deforestation for the oil palm plantation, claiming that flooding had occurred repeatedly since forest clearance began, years before the EIA was approved. A thorough Environmental Impact Assessment would have been expected to anticipate flooding risk and only recommend going ahead with the plantation if a way could be found to mitigate this risk.

*The FPIC component has been be integrated into the land acquirement process (the description of the awareness session on both positive and negative aspects of development), with cooperation of an independent neutral parties including Local Politicians, District Officers, Local Police and Army units.*

[12 May 2016, PT Nabire Baru: Yerisiam youths protest land clearance within the concession. ©Yerisiam]
There has been sustained opposition to PT Nabire Baru and neighbouring Goodhope concession PT Sariwana Adi Perkasa’s operations by the local indigenous Yerisiam people. Local indigenous activists have alleged that PT Nabire Baru did not obtain the community’s free, prior and informed consent, having only received permission for selective logging, which would have much less impact on local people.

On 26 October 2015, members of the Waoha clan, together with other members of the Yerisiam people, erected banners and traditional markers to prohibit PT Nabire Baru from clearing 1,000 hectares of forest, using a customary law practice known as sasi. It appears that individuals from the clan had signed over this area to PT Nabire Baru without first bringing the matter to a consensus meeting.

On 12 April 2016 a further dispute emerged when the company started clearing land for plasma, including the Jarae and Manawari sago groves, which are sacred sites for the Yerisiam people as well as being important food sources.

Fully armed state security force guards were reportedly present when the sago groves were cut down.

Excessive use of force including use of state security forces

PT Nabire Baru has used state security forces to provide security on its plantation, and this has resulted in a series of violent or intimidating incidents, which have often reportedly targeted community members who oppose the plantation.

1. In June 2013, customary landowner and employee Titus Money was handcuffed and assaulted after protesting that his wages were late.
2. State security forces pointed guns at and threatened to shoot Immanuel Monei, an indigenous landowner, when he complained that PT Nabire Baru was not honouring a memorandum of understanding promising to employ local people in construction work.
3. State security force guards smashed up local resident Yunus Money’s house, causing his family to flee to the forest in fear, possibly as a response to his involvement in previous community protests against the aggressive approach of state security forces.

RSPO complaint

These issues of taking land without consent, deforestation, flooding, the destruction of sacred sites and the use of state security forces as company guards are the subject of an RSPO complaint against Goodhope brought by NGO Yayasan Pusaka and members of the Yerisiam ethnic group on 19 April 2016. This complaint has not been posted on the RSPO website at the time of publication.

IOI statement

‘Based on the information provided by Greenpeace we have contacted our third party suppliers and requested for an urgent update on these allegations. Several suppliers already provided an update on how they are dealing with [Goodhope].’

Trader statements

In emails to Greenpeace on 20 September 2016, GAR and Wilmar confirmed that they have ongoing commercial relationships with Goodhope. Wilmar stated that it has engaged with the company, and that monitoring shows that development has stopped since 2015, though this case is not registered on its current grievance list. GAR stated that the case study is new information. Musim Mas stated that it does not purchase from Goodhope’s Papuan operations, but would ‘follow up on the process of engagement regarding the Central Kalimantan and South Sumatran operations’.

Company statement

Greenpeace contacted Goodhope before publication to seek confirmation of its findings. In an email reply, Goodhope states that ‘Goodhope Indonesia has not sold any CPO to IOI corporation’. It fails to address general policy compliance questions of deforestation or peatland development that apply equally to the policies of its direct traders. The email response fails to respond to allegations of primary forest clearance, but claims to have adopted a No Peat commitment in 2010, and a No Deforestation policy based on High Carbon Stock Assessment in early 2013 which – taken at face value – would put it in the avant garde in terms of policy commitments if not practice.
26

A DEADLY TRADE-OFF: IOI’s Palm Oil Supply and its Human and Environmental Costs

21 May 2016, PT Nabire Baru:
An excavator stuck after the clearance of a sago grove in Manawari, Yaur District.
© Yerisiam

25 March 2016, PT Nabire Baru:
Floods. © Yerisiam

November 2014, PT Nabire Baru:
Cleared forest in Wami, Yaur District.
© Yerisiam
The company response does not address allegations of peatland development in PT Nabire Baru, but does provide the 2011 New Planting Assessment report. The report, which uses the 1990 RepPPProT maps to produce preliminary maps to help the HCV identification process, finds no peat soils in the area to be developed, but notes that 'a more detail soil survey will follow before plantation development commence'; this document has not been shared.

In terms of the social issues, including respecting the principle of FPIC, it claims to adhere to this. Indeed, according to the 2011 New Plantings Assessment report for PT Nabire Baru, 'PT NB is in the process of negotiating with customary landowners to acquire land for plantation expansion. This process commenced in 2011 and agreements are in the process of being negotiated then will be finalised before planting finalises. The FPIC component has been be integrated into the land acquirement process (the description of the awareness session on both positive and negative aspects of development), with cooperation of an independent neutral parties including Local Politicians, District Officers, Local Police and Army units'. It should be noted that this contravenes RSPO P&C 2.2.6. When asked about the use of state security forces by Greenpeace, the company claimed Goodhope claimed that the situation was complex and included concerns about regional security. Goodhope representatives stated that, as part of the FPIC process, communities admitted that the presence of security forces was not repressive or intimidating but rather something to maintain everyone’s safety and security.

In relation to the RSPO grievance brought by PUSAKA, when asked about this case by Greenpeace, the company claimed that the root of the dispute was not about FPIC or a genuine community land dispute, but about personal demands which could not be agreed to by the company. In an email, the company stated: 'With regards to above issues and concerns related to grievances made by Pusaka and raised by FPP, the RSPO has been playing a role as facilitator in the settlement of the grievances and allegations by organizing several meetings and planned a field verification scheduled on 26–29 September 2016.'

In terms of transparency, echoing the response of ANJ, Goodhope answered: ‘Please note that due to the issuance of the letter from the DG Plantations of the Ministry of Agriculture and latest letter from the Minister of Agrarian and Spatial Planning as clarification to previous minister’s letter (see attached letter below), the sharing and publication of e-maps or georeference locations are prohibited or should be approved by the authority. Goodhope must abide by the Indonesian government policy and regulations.'

Map:
- **Forest cover 2013**
- **Forest cover 2011**
- **Concession boundary**
- **Deforestation 2011-2013**

Background satellite images are Landsat 8.
30 May 2015,
PT PP Lonsum Kedang Makmur:
0°24'37.21"S 116°3'11.48"E
Drainage canal, charred tree stump amid other signs of recent development in East Kalimantan.
©Aidenvironment
IOI’s Sustainability Policy

All provisions in this policy apply to all third-party suppliers in our supply chain.

- Ensure no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) areas.
- Protect peat areas regardless of depth in new developments.
- Observe zero-burning in all new planting and replanting of oil palm.
- Eliminate all forms of forced and child labour.

Dato’ Lee Yeow Chor
IOI CEO

PT Indofood CBP Sukses Makmur (Indofood) is a major vertically integrated food conglomerate, with interests from palm oil plantations to flour mills and a consumer products division that ranks as one of the world’s largest instant noodle manufacturers (Indomie), as well as interests including dairy, snack foods and beverages.

Violations of IOI policy

- Deforestation: considerable clearance in 2013–2014, including 1,000ha of primary forest; satellite-based alerts suggest active clearance continuing in 2016 (Isuy Makmur/Kedang Makmur, East Kalimantan)
- Peat: possible deforestation on peat (Isuy Makmur/Kedang Makmur, East Kalimantan)
- Fires: rampant fires during 2014 and 2015, including in cleared primary forest areas (Isuy Makmur/Kedang Makmur, East Kalimantan)
- Exploitation: use of child labour, paying below minimum wage and breaches of health and safety standards (PT Lonsum concessions, North Sumatra)

Links to IOI

IOI Loders Croklaan’s traceability dashboard shows purchases from the Gunung Melayu mill profiled below as well as the Pahu Makmur mill owned by Indofood (London Sumatra) on the Pahu Makmur concession, neighbouring Kedang Makmur/Isuy Makmur. IOI Loders Croklaan purchased this oil from Inter-Continental Oils and Fats (ICOF, the trading arm of Musim Mas) at least between Q2 2015 and Q1 2016 for its Rotterdam and Wormerveer refineries. IOI Loders Croklaan also purchased from Lonsum mills and Salim mills via ICOF/Musim Mas, GAR and Wilmar.

Group overview

Indofood is part of the Salim Group, headed by Anthoni Salim, who holds a controlling interest in Indofood via First Pacific Company and CAB Holdings. The loosely structured Salim Group also holds extensive palm oil concessions via other companies, including the Gunta Samba Group.

Plantations and mills

Indofood’s agriculture subsidiary Indofood Agri Resources Ltd (IndoAgri) is one of the largest vertically integrated palm oil companies in Indonesia. IndoAgri is headquartered in Indonesia and listed on the Singapore stock exchange. IndoAgri has two operating subsidiaries: PT Salim Ivomas Pratama (Salim Ivomas) and PT PP London Sumatra Indonesia (Lonsum), reported as a subsidiary of Salim Ivomas in its financial statements.

IndoAgri holds plantations in North Sumatra, South Sumatra, Riau, and West, Central and East Kalimantan. The company had 246,000 hectares of oil palm planted in Indonesia as of the end of 2015, plus 90,000 hectares of plasma (this includes an unspecified amount of rubber plantation).
As of 31 December 2015, IndoAgri owned and operated 24 palm oil mills with a combined FFB processing capacity of 6.4 million tonnes per annum. It has an annual FFB output of 4.7m tonnes and CPO output of 1m tonnes.

Environmental position
IndoAgri is the largest private Indonesian palm oil company that does not yet have a comprehensive ‘No Deforestation, No Peat, No Exploitation’ (NDPE) policy. Its own sustainability policy is weak in comparison to those of some of its peers. Its policy for its own plantations includes commitments to no HCV clearance, no peatland cultivation and conserving primary forest, but lacks any pledges to protect high carbon stock forest or proper provision for labour rights such as International Labour Organisation (ILO) conventions or UN guiding principles. IndoAgri’s sourcing policy for its third-party suppliers allows for planting on peat of up to 3 metres in depth, and fails to extend provisions for FPIC, thereby making it weaker than its sustainability policy for its own plantations.

Certification and transparency
IndoAgri subsidiaries PT London Sumatra Indonesia and PT Salim Iomas Pratama are members of the RSPO, but other Salim Group companies are not. Both companies submitted 2015 Annual Communications of Progress to the RSPO, but they have not disclosed maps of their concessions.

RSPO certification
IndoAgri produced 377,000 tonnes of certified CPO in 2015. 27 of its 82 concessions and 9 of its 24 palm oil mills were certified as of 2015. IndoAgri is aiming for full certification of its plantations and smallholders in 2019.

The RSPO returned the submitted New Planting Procedures report for Isuy Makmur due to incomplete documentation. At the time of writing, this document (if re-submitted) was not available on the RSPO website, although evidently non-compliant development of the concession had begun in 2013.
CASE STUDY: ISUY MAKMUR/KEDANG MAKMUR

Concession name: Isuy Makmur or Kedang Makmur
Location: West Kutai, East Kalimantan

Policy violation

- Recent deforestation, including primary forest, and peatland development place Indofood in violation of IOI’s policy.
- Extensive fires raise questions about mismanagement.

Mapping analysis from Kepo Hutan and Global Forest Watch

GLAD alerts suggest ongoing clearance in the concession in 2016.
- GFW satellite-based plantations mapping from 2013–2014 shows large areas of recently cleared land in the concession and beyond the northwest boundary, including areas shown as primary swamp forest in 2013 MoEF landcover mapping.
- The concession saw over 100 fire hotspots during 2015, including in the cleared primary forest area.
- Most of the concession is mapped as peat of unknown depth.

Deforestation

A 2015 investigation by Aidenviornment found PT Lonsum had cleared around 1,000ha of land in the concession during 2013 and 2014 which was shown as primary forest on MoEF landcover maps. IndoAgri claimed the land was secondary forest, but did not disclose evidence for this claim. Aidenviornment’s analysis suggests total clearance of around 4,600ha of forest of all types in the concession, as well as rampant fires. Deforestation puts the company in breach of IOI Loders Croklaan’s sustainability policy.

CASE STUDY: LONSUM CONCESSIONS IN NORTH SUMATRA

Concession name: Confidential to protect workers
Location: North Sumatra

Policy violation

- Use of child labour and exploitation of workers places Indofood in violation of IOI’s policy.

Exploitation/mistreatment of workers and child labour

A 2015 investigation of two PT Lonsum plantations in North Sumatra found evidence of a range of poor labour practices by IndoAgri, including child labour, workers being paid unethically low wages (lower than district minimum), workers using pesticides in violation of RSPO P&C and without proper safety equipment, and quota systems that encourage increased use of informal workers (including workers bringing along their wives and children to help meet the quota). This investigation was reported by OPPUK, Rainforest Action Network (RAN) and the International Labor Relations Forum (ILRF). IndoAgri has thus far declined to comment on the findings of the report, and downstream customers have been reluctant to engage the company on this matter or to require it to investigate the labour conditions on its own plantations.

An RSPO Compliance Assessment was completed at a third Lonsum-owned mill and supply base in North Sumatra to assess the issues raised. This assessment of Gunung Malayu mill, and its supply base of Gunung Malayu and Sei Rumbiya estates, confirmed breaches of health and safety standards, particularly around pesticide use, including one worker consistently detailed to spraying activity for at least three months in spite of health concerns. The assessment also found indirect evidence of use of informal workers including harvesters’ family members, and gender discrimination in employees’ benefits.

IOI statement

‘[Indofood was] already reported in the list of grievances of our third party suppliers which is monitored by our sustainability department. We have also requested our third party suppliers for an update.’

Trader statements

In an email to Greenpeace of 20 September 2016, Musim Mas indicated it had engaged top management at Indofood in June 2016 regarding the documented labour issues and is encouraging the company to go through the RSPO process. Musim Mas has not indicated that it has suspended trade.

While IOI only purchased palm products from Indofood via Musim Mas, the areas in the above case studies are also in the supply chains of Wilmar and GAR. Wilmar has engaged Indofood on issues of land clearance since in September 2015, but stated that no further land clearance by the company has taken place since late 2015, according to its unnamed ‘independent partner’. In response to the labour issues, while monitoring the case and engaging, Wilmar stated that it prefers to let the RSPO process ‘run its course’. Wilmar has not indicated that it has suspended trade. GAR stated that it has ‘initiated engagement with RAN, OPPUK and Indoagri/Lonsum’, but it has not yet updated its grievance dashboard with this case nor indicated any trade suspension.

Company statement

Greenpeace contacted Indofood before publication to seek confirmation of its findings. At the time of publication, Greenpeace had received no response from the company.
“Korindo has been practicing ‘No Deforestation, No Peat, No Exploitation’, in compliance with all palm plantation related regulations of the Indonesian government”

Korindo, 23 September 2016
IOI’s Sustainability Policy

All provisions in this policy apply to all third-party suppliers in our supply chain.

- Ensure no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) areas.
- Observe zero-burning in all new planting and replanting of oil palm.

Dato’ Lee Yeow Chor
IOI CEO

Korindo is a privately held company that publishes little financial or ownership information. It is controlled by the South Korean Seung family. Group interests other than palm oil include logging, pulp and paper, and wood products.

Violations of IOI policy

- **Deforestation**: 50,000 hectares of primary and secondary forest cleared in Korindo concessions in Papua
- **Fires**: apparent use of fire for land clearing

Although IOI stated at the beginning of September 2016 that its third-party suppliers have ‘decided to temporarily stop sourcing from Korindo’,218 this decision (not by IOI itself, but its suppliers) was only taken following public exposure of Korindo’s activities, even though allegations from credible sources about its plantations in Papua have been in the public domain for some time.219 Greenpeace first raised concerns about the wider group in 2004.220

Clearly, any decision to re-engage with this company by any of the major palm oil traders must be based on solid, verified evidence of profound and genuine reform in Korindo’s group-wide business model.

Links to IOI

Between Q2 2015 and Q1 2016, IOI Loders Croklaan purchased products from Korindo’s Tunas Sawa Erma A and B mills in Papua via Wilmar and ICOF (Musim Mas), although the parent company of these mills is listed in IOI Loders Croklaan’s data as Tradisi Group.221

Group overview

**Group**: Korindo  
**Headquarters**: Indonesia  
**Stocklisted**: No  
**RSPO member**: No

**Plantations and mills**

Korindo holds eight oil palm concessions, seven in Papua and one in North Maluku, totalling 159,600 hectares. Korindo’s Tunas Sawa Erma mills produced 109,000 tonnes of CPO and 23,800 tonnes of PKO in the year to September 2015.222

**Environmental position**

Korindo has published no specific sustainability policies with regard to its oil palm and forestry operations.

Korindo subsidiary PT Tunas Sawa Erma, which controls three plantations in Papua, announced on 9 August 2016 a three-month moratorium on development while it establishes a comprehensive ‘No Deforestation, No Peat, No Exploitation’ policy and conducts stakeholder engagement. This followed pressure from customers Wilmar and Musim Mas.223

At the time of writing, Korindo has not announced any suspension of development or introduction of NDPE policies on its other concessions.

A 2016 investigation found that in total, Korindo has destroyed 50,000 hectares of forest across its palm oil concessions, 30,000ha of which since 2013.224 Korindo appears to have systematically used fire in all its concessions and was responsible for 495 fire hotspots in concessions undergoing development in 2015 alone.225
“Korindo has never committed arson or even attempt to do so in its own oil palm plantation for the land clearing purpose”

Korindo, 23 September 2016
CASE STUDY: **DONGIN PRABHAWA**

Concession name: PT Dongin Prabhawa  
Location: Mappi/Merauke, Papua

**Policy violation**
- Deforestation of primary and secondary forest and place Korindo in violation of IOI’s policy.  
- Deliberate use of fire for clearing would violate IOI’s policy and Indonesian law.

**Deforestation**

PT Dongin Prabhawa cleared a total of 6,700 hectares of forest in the period from 2011 to May 2016, 2,900 hectares of which was primary forest.  

Part of this concession was mapped as Intact Forest Landscapes in 2013, meaning the area has a particular conservation importance which would be disturbed by even partial plantation development.

**Apparent deliberate use of fire**

Fire hotspots in the concession since 2013 show clear evidence of Korindo using fire to clear biomass from the land before planting. In total, 351 hotspots were recorded in the PT Dongin Prabhawa concession during the period from 2013 to 2015 (43 in 2013, 144 in 2014 and 164 in 2015). During the period from 2013 to 2015, there were almost no fires in the forested area surrounding the plantation development, and also no fires in the areas that had already been planted with oil palm. This shows that fires occurred only during the land clearing stage.

Map:
- Forest cover 2013
- Concession boundary
- Deforestation 2011-2013
- 2015 Fires Hot Spots
- 2016 Fires Hot Spots
- FORMA alerts

Background satellite images are Landsat 8

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*4 June 2016, PT Papua Agro Lestari*

©Mighty
**CASE STUDY: PAPUA AGRO LESTARI**

Concession name: PT Papua Agro Lestari  
Location: Boven Digoel, Papua

**Policy violation**

- Clearance of primary forest, failure to conduct an HCV assessment and apparent use of fire to clear land place Korindo in violation of IOI’s policy.

**Mapping analysis from Kepo Hutan and Global Forest Watch**

- PT Papua Agro Lestari was almost entirely covered by primary forest in 2013, according to MoEF landcover maps.

**Deforestation**

By the end of 2015, around 2,600ha of primary forest had been cleared and Korindo had carved out plantation blocks in 2,300ha of primary forest east of the cleared area. By the first week of June 2016, it had already cleared 1,200ha of that area. The satellite images from June 2016 show no riparian buffer around the flood area, indicating that there has been no proper assessment of high conservation value areas.

**Apparent deliberate use of fire**

The clearing was accompanied by fires, with a total of 221 hotspots recorded between August and November 2015 – most of them densely concentrated in the recently cleared area in the northwest corner of the concession. In 2013 and 2014, prior to land development, there were no recorded fire hotspots in the concession. This shows that fires occurred only during the land clearing stage, providing evidence of the company using fire to clear biomass from the land before planting.

**IOI statement**

In early September 2016, IOI reported through the press that its third-party suppliers had ‘decided to temporarily stop sourcing from Korindo’, but failed to make a clear commitment itself to stop sourcing from the company. In August, 2016, our suppliers confirmed they have engaged with Korindo and decided to temporarily stop sourcing from Korindo. In the meantime our third party suppliers will continue to engage with Korindo to help Korindo adopt and implement a policy that is compliant with the policy of our third party suppliers.
suppliers as well as our sustainable palm oil policy. We support our third party suppliers in taking these steps. Oil already shipped (in-transit) or delivered by our third party suppliers prior to their decision to dis-engage from Korindo, may still contain oil from Korindo and therefore could be present in our supply chain and in any conventional and RSPO Mass Balance (MB) products produced in our refineries. With the decision to stop sourcing from Korindo, the chance of Korindo oil being present in our supply chain will be reduced to zero over time.  

Trader statements

An August 2016 report by Aidenvironment reported that Wilmar and Musim Mas have stopped sourcing from Korindo, in June and July respectively. Wilmar has confirmed, to Greenpeace and on its grievance dashboard, that it has put on hold purchasing; Musim Mas has initiated a ‘temporary stop-purchase’ for Korindo while Tunas Sawa Erma has agreed to a three-month moratorium. Musim Mas continues to engage in dialogue with Korindo and encourages all stakeholders to do so as well.

Company statement

Greenpeace contacted Korindo before publication to seek confirmation of its findings. On 23 September 2016, Korindo responded. It shared a briefing, ‘Clarification against the misinformation about Korindo’, dated 23 September 2016, ‘to provide objective evidence explaining as to why the statements made in the [Aidenvironment/ Mighty] report are not at all acceptable’. In this briefing, it claims: ‘Korindo has been practicing ’No Deforestation, No Peat, No Exploitation’, in compliance with all palm plantation related regulations of the Indonesian government.’

On evidence of extensive or deliberate fire, it stated: ‘Korindo has never committed arson or even attempt to do so in its own oil palm plantation for the land clearing purpose or for any other reason.’
IOI’s Sustainability Policy

All provisions in this policy apply to all third-party suppliers in our supply chain.
• Ensure no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) areas.
• Protect peat areas regardless of depth in new developments.

Dato’ Lee Yeow Chor
IOI CEO

TH Plantations is the plantation arm of Lembaga Tabung Haji, the Malaysian Pilgrims’ Fund, a government-owned investment body set up to facilitate Malaysians saving to make the pilgrimage to Mecca. The fund is a national institution with around 8.6 million depositors.

Violations of IOI policy
• Deforestation: satellite deforestation alerts show forest clearance from early 2015 (PT Persada Kencana Prima, North Kalimantan)
• Peat: clearance of deep peatland in a priority peat landscape (PT Persada Kencana Prima, North Kalimantan)

Links to IOI
From Q2 2015 through Q1 2016, IOI Loders Croklaan purchased palm oil or palm kernel oil directly from TH Plantations mills in Malaysia: Kilang Kelapa Sawit Kota Bahagia, Kilang Sawit Ladang Pasir Besar and KS Bukit. IOI Loders Croklaan also shows purchases from TH Plantations via AAA/APICAL (Sungaitenegang), Wilmar (Mamahat Mill, Pelita Gedong, Saribas, TH Indo Plantations POM Nyato, TH Indo Plantations POM Pulai) and GAR (TH Indo Plantations POM Nyato). IOI Loders Croklaan uses this crude palm oil and/or palm kernel oil in its refineries in Pasir Gudang, Channahon, Rexdale, Rotterdam and Wormerveer.

Group overview
Company: TH Plantations Berhad
Group: Lembaga Tabung Haji
Headquarters: Malaysia
Stocklisted: Malaysia Stock Exchange
RSPO member: No – previously a member but left sometime after October 2012, when the company was listed as not having submitted its ACOP.

Plantations
TH Plantations is the plantation arm of Lembaga Tabung Haji. In Malaysia and Indonesia, TH Plantations has 104,500ha licensed, 59,300ha of which are planted. In Indonesia, TH Plantations acquired 93% ownership in PT Persada Kencana Prima (PT PKP) in 2013; PT PKP covers 11,400ha and is not yet in production. TH Plantations produced 797,600 tonnes of FFB in 2015. Other group interests include rubber and timber.

Environmental position
TH Plantations has no formal environmental policy available on its website or mentioned in its annual report. A zero-burning policy is in place. The environmental section of the company’s 2015 Annual Report does not mention forest conservation. The company is not a member of the RSPO and does not produce information equivalent to RSPO reporting standards.
A DEADLY TRADE-OFF: IOI’s Palm Oil Supply and its Human and Environmental Costs

Map:
- Forest cover 2013
- Forest cover 2011
- Concession boundary
- Deforestation 2011-2013
- Peat
- GLAD alerts
- 2016 Fires Hot Spots
- FORMA alerts

Background satellite images are Landsat 8

21 March 2016, PT Persada Kencana Prima:
3°42’05.85”N 117°04’24.47”E
Drainage canal, recent deforestation and young oil palm saplings. ©Aidenvironment

21 March 2016, PT Persada Kencana Prima:
3°42’06.29”N 117°03’52.33”E
Plantation marker post, recent deforestation and young palm saplings. ©Aidenvironment
CASE STUDY: PERSADA KENCANA PRIMA

Concession name: PT Persada Kencana Prima
Location: North Kalimantan

Policy violation
- Recent deforestation and development of peatland place TH Plantations in violation of IOI’s policy.

Mapping analysis from Kepo Hutan and Global Forest Watch
- Nearly all of the concession (around 10,000 hectares) is on peat. Most of the concession was mapped as secondary forest in 2013.
- GLAD alerts show extensive clearance ongoing in PT Persada Kencana Prima from early 2015, with clear plantation block preparation.

Peat
The area of North Kalimantan contains large contiguous areas of peat, including areas of peat forest. Such landscapes are a priority for conservation, but concessions represent an immediate threat.

The PT Persada Kencana Prima concession is not yet in production.

IOI statement
‘[TH Plantations was] already reported in the list of grievances of our third party suppliers which is monitored by our sustainability department. We have also requested our third party suppliers for an update. IOI Group does source directly from TH Plantations. TH plantations were classified as a high priority mill following our risk assessment and we have approached TH plantations for an on-site mill verification. So far TH plantations have refused to collaborate. IOI will continue to engage with TH plantations to push for a verification visit and address the issues. In the meantime we will phase out TH plantations from our supply chain.’

Trader statements
In emails to Greenpeace on 20 September 2016, GAR, Musim Mas and Wilmar all confirmed ongoing commercial relationships with TH Plantations. Wilmar indicated that it is engaging the company on reports of clearance and has escalated dialogue to top management, though this does not appear on the Wilmar grievance dashboard. Musim Mas gave no indication whether it has engaged with TH Plantations regarding potential land clearance, and there is nothing on the Musim Mas grievance dashboard. Musim Mas also stated that that the company does not buy from TH Plantations operations in Kalimantan, suggesting a failure to enforce compliance at a group level. GAR stated that the case studies raised here are new to the company. In an email to Greenpeace on 23 September, AAA/Apical replied with the general statement that ‘Based on our records and preliminary investigations, Apical does not currently buy from any of the mills in the list you presented to us’ which suggests that the company is not proactively monitoring suppliers at group level; the company also stated that its records showed no palm oil purchase from TH Plantation, but requests Greenpeace share the names of the mills so it can investigate.

Company statement
Greenpeace contacted TH Plantations before publication to seek confirmation of its findings. At the time of publication, Greenpeace had received no response from the company.
Goodhope has submitted a number of NPP recently, which are currently undergoing review from the RSPO Secretariat before being published.

We have not received an NPP notification from Eagle High to date. We are still checking the submissions of Austindo and Indofood.

Austindo (PT Pusaka Agro Makmur) sent a NPP notification in January 2015. They have been later advised by the RSPO Secretariat to review the submission (25/2/2015) and re-do the HCV assessment. For Indofood (Lonsum) NPP notifications were posted on 30/5/2016 and 17/6/2016.

EXTENSIVE FIRES
Your letter states that data indicate extensive fires in concessions owned by Eagle High, Indofood and IOI, and this raises questions of mismanagement. At this point in time, we can only respond that such incidences can trigger complaints and will be investigated according to the procedures.

HUMAN RIGHTS ISSUES
The RSPO condemns all human right abuses by its members, in violation of its P&C. However, in order to act on the three alleged cases mentioned above, more specific information are required. If the implicated area is certified, the Certification Body will investigate. We invite Greenpeace to provide more detailed information and substantial evidence on these cases. In relation to the use of security forces, the RSPO P&C prohibit use of paramilitary forces.

RSPO response to Greenpeace, 24 September 2016
CONCLUSION:
TIME FOR TRADER ACTION ON THIRD-PARTY SUPPLIERS

Despite numerous commitments to end deforestation and resolve conflicts, this report identifies continued serious environmental and social problems in the global palm oil supply traded to IOI by companies including GAR, Musim Mas and Wilmar. Responsibility for change lies with these traders and with IOI, who are failing to proactively monitor their supply base or to exclude noncompliant suppliers. This complacency means that the global palm oil market continues to fuel forest destruction and human rights abuses.

IOI’s responses to the issues with its suppliers detailed in this report indicate that it has deferred responsibility for addressing the problems to the intermediate traders, asking them to engage on its behalf. The only exception regards IOI’s relationship with TH Plantations, from which IOI directly sources. IOI’s stated that have approached TH Plantations for an on-site mill verification, but “[S] o far TH plantations have refused to collaborate.” This misses the point that TH Plantations’ violations of IOI’s sustainability policy are not at the mill IOI purchases from, but at a group level. IOI does state that it ‘will phase out TH Plantations from our supply chain’.

Greenpeace contacted the three major traders supplying IOI to discuss the third-party supply issues raised in this report. Their responses show different degrees of policy enforcement. None appears to have a proactive policy of monitoring suppliers at group level to assess compliance with NDPE policies. These traders seem most proactive when the problematic operations are directly in their supply base, while violations elsewhere within a supplier group lead to ‘engagement’ or seeming inaction; one trader responded to the problems with these suppliers simply by noting that those operations were ‘not linked’ to its supply base. Some traders have a system for stakeholders such as NGOs to register problems with suppliers, but these systems are largely inaccessible to communities and workers, and some traders seem to permit indeterminate engagement with no clear outcomes. And responsibility for action on some of these cases seems left with others, such as the RSPO.

It is important to note that the RSPO standards do not exclude deforestation or peatland development. Many companies in this report are members of the RSPO, despite the clear and public evidence that they are failing to adhere to even a basic interpretation of sustainability. Further, the RSPO process does not absolve companies from responsibility for monitoring and enforcement across all operations of their suppliers. As shown by the Indofood case, where egregious labour issues are documented on RSPO-certified plantations, buyers focused on purchasing only RSPO-certified palm oil or reacting only to RSPO suspension will miss the problem. A major overhaul of the standards and enforcement of the RSPO is urgently needed.

While the approach of implementation partners and consultants including The Forest Trust or Proforest can provide traders with valuable visibility and insight into their supply chains, the risk assessments that underpin their work must always be combined with proactive monitoring at group level, accelerating independent third-party auditing (to standards such as the Palm Oil Innovation Group (POIG)) and clear unequivocal demands for compliance that carry the consequence of exclusion.

Indonesia’s plantation sector must be made more transparent. This requires progressive producers and traders to drive change through their supply chains. A good deal of information is already out there, including satellite analysis of deforestation and land-use change, and best available concession maps such as those on Greenpeace’s ‘Kepo Hutan’ website. However, companies do not know as much about their suppliers’ operations as they should. It should be in the interests of progressive producers and traders to work with civil society to push land tenure and supply chain data into the public domain. Their failure to use the available data shows complacency at best. The decision of the RSPO to not keep New Planting Procedure (NPP) documents publicly available longer than 30 days further undermines efforts of civil society to monitor.

Ultimately, the solution for palm oil, as well as the environment and people impacted by the sector, lies with joint action by industry. Responsible companies must start working together, to the same standards, using the same tools, to identify and exclude rogue players. The Indonesian Palm Oil Pledge (IPOP), signed by several of the biggest palm oil traders and growers at the UN Climate Summit in New York in 2014, was one forum through which to do this. However, IPOP was disbanded earlier this year following sustained pressure from government ministers and those palm oil companies that stood to lose from the widespread adoption of strong environmental and social standards. Another collaborative solution will need to be found; in the meantime, producers and their customers should make up for lost time by cooperating with other stakeholders in their supply areas to protect and restore forest and peat landscapes including wildlife habitat that would otherwise be at risk of drainage, encroachment, fires or plantation development.
While not all fires are set to clear land for oil palm, oil palm – an important and growing sector of the economy – is a large driver of land conversion. Given government support for its continued expansion, coupled with the negative externalities of fire use in some oil palm production, a consideration of the relative costs of both is warranted.

IOI should urgently review its own sustainability commitments and:

1. **Suspend contracts** with all groups named in this report pending credible evidence of group-level compliance with NDPE policies.

2. Achieve an **immediate moratorium** on the destruction of forests and peatlands across its operations, including those of its third-party suppliers.

3. Publish an ambitious time-bound plan with a deadline for **third-party verification** of compliance and **termination** of non-compliant suppliers.

4. Adopt a meaningful **landscape approach** to mitigate the impact of its operations on forests and peatlands across its supply chain, starting with its four concessions in Ketapang.

5. Develop and implement a plan for extensive **restoration of the forests and peatlands** that it has destroyed.

6. **Resolve outstanding grievances**, including successfully concluding its six year dispute with the longhouse communities of Long Teran Kanan (LTK) in Sarawak by recognizing their rights to their customary lands, determined through community mapping, and re-negotiating the company’s access and use of these lands subject to the Free, Prior and Informed Consent of the LTK and neighboring communities.

7. **Uphold the rights of workers** and tackle exploitative employment and trafficking of migrant workers documented in its operations.

8. Ensure transparent reporting backed by independent auditing of progress and **publish concession maps, HCS and HCV assessments**, a complete list of suppliers, and reporting on supplier compliance with its policies.

To ensure their palm oil is not contributing to deforestation, forest fires, peatland degradation or human rights abuses, all traders, producers and processors must:

1. **Implement an immediate moratorium on all new plantation development and expansion**. Conduct HCV and HCS assessments (using the High Carbon Stock Approach methodology) to identify and protect all remaining forest and other socially or ecologically important areas. Require all third-party suppliers to do likewise and develop an ambitious time-bound plan for phasing out non-compliant suppliers.

2. **Map out all peatland landscapes affected by their own operations and third-party suppliers** using appropriate technology and make this data publicly available. Re-flood and implement other water management measures to ensure protection of peatland forest and to mitigate fire risks, based on mapping and advice from independent peat experts.

3. Commit to establish and/or participate in **multi-stakeholder partnerships** within priority forest and peatland landscapes impacted by the company’s supply chain.

4. **Publish all concession maps** for their own operations through Global Forest Watch’s online forest monitoring and alert system. Require all suppliers to publish concession maps covering their entire operations, prioritising high-risk areas, by end 2016. Commit to inserting transparency clauses in new contracts and to start phasing out producers who do not comply.

5. Use the best available data on forests, peatlands, community conflicts and labour risk, including concession maps, to **proactively monitor suppliers** on a group level. Identify priority groups and initiate grievance procedures to deliver time-bound action plans for these companies. Exclude any company found to be clearing forest, developing areas affecting peatlands or violating human rights.

6. **Engage auditors** to conduct an independent assessment of social and labour conditions in their palm oil concessions in Malaysia and Indonesia. **Resolve outstanding grievances** in a transparent manner to the satisfaction of the affected stakeholders and local communities.

7. **Suspend contracts** with all groups named in this report pending credible evidence of group-level compliance with NDPE policies.
A DEADLY TRADE-OFF: IOI’s Palm Oil Supply and its Human and Environmental Costs

25 October 2015, Central Kalimantan: Long-tail monkeys on a sacred island in the Kapuas river.
©Rante/Greenpeace
ACRONYMS

ACOP   Annual Communication of Progress (from companies to the RSPO)
ANJ   Austindo Nusantara Jaya
CPO   crude palm oil
FDA   Food and Drug Administration
FFB   fresh fruit bunches
FGV   Felda Global Ventures
FPI    free, prior and informed consent
GAR   Golden Agri-Resources
ha   hectare
HCS   high carbon stock
HCV   high conservation value
ICOF   Inter-Continental Oils and Fats
ILO   International Labour Organisation
ILRF   International Labor Relations Forum
ISCC   International Sustainability and Carbon Certification
km   kilometres
m   million
MoEF   Ministry of Environment and Forestry, Indonesia (Kementerian Lingkungan Hidup dan Kehutanan)
Mt   million metric tonnes
NDPE   No Deforestation, No Peat, No Exploitation
NGO   non-governmental organisation
NPP   New Planting Procedure (report to RSPO)
P&C   Principles and Criteria
PHO   partially hydrogenated oils
PKO   palm kernel oil
RAN   Rainforest Action Network
RBD   refined, bleached and deodorised
RSPO   Roundtable on Sustainable Palm Oil
UN   United Nations
US   United States

Note:
For the purpose of this report, Greenpeace stands for Greenpeace International except where otherwise stated.

Mapping analysis not otherwise referenced was done using Greenpeace’s online public ‘Kepo Hutan’ platform and either visual assessment or the analysis tool.
Main data sources include:
Landcover: MoEF (2015)
Peat areas: Ritung et al (2011). Note that use of this map does not imply endorsement of its accuracy, merely that it is the map currently available for use on public online platforms.
Oil palm concessions 2016: Compiled by Greenpeace based on agriculture plantation maps provided by the Planning Department of the Ministry of Forestry, Indonesia, downloaded on 29 July 2010 (appgis.dephut.go.id/appgis/kml.aspx), supplemented and updated by Greenpeace in several provinces with data gathered from provincial agencies (BPN/BAPPEDA) and corporate submissions to eg the RSPO.
GLAD alerts: This data set, created by the Global Land Analysis & Discovery (GLAD) lab at the University of Maryland and supported by Global Forest Watch, is the first Landsat-based alert system for tree cover loss. While most existing loss alert products use 250-metre-resolution MODIS imagery, these alerts have a 30-metre resolution and thus can detect loss at a much finer spatial scale. The alerts are currently operational for Peru, the Republic of Congo and Kalimantan in Indonesia, and will eventually be expanded to the rest of the humid tropics. Sources: GLAD/UMD, accessed through Global Forest Watch; Hansen et al (2016).
Fire hotspots: NASA (2016)
FORMA alerts: FORMA data indicate the number of areas with a greater than 50% probability of recent tree cover loss. at 500mx500m resolution. The alerts are not a measure of deforestation by area. Sensitivity of detection is affected by factors including persistent cloud cover and flooding. For full explanation of the nature of the data see: http://data.globalforestwatch.org/datasets/550bd7fc2c5d45418e5e515ce170da22_3
Mills: Greenpeace obtained IOI Loders Croklaan’s traceability data from the dashboard on its website (http://europe.ioiloders.com/taking-responsibility/list-of-mills/). The dashboard is available with a registered login, which was obtained with a Greenpeace email address and personal information. The information provided shows for each mill the parent company of the mill, RSPO certification status and supply chain model, and sourcing origin, containing both name of trader and a non-standardized category of collection points. The data covers Q2 2015 through Q1 2016 and represents, as of April 2016, 95% of its volume. Greenpeace makes no claim that this reflects current purchasing patterns, only sourcing linkages through April 2016. Any errors in the data are the responsibility of IOI Loders Croklaan.
REFERENCES


Carson Cumberbatch website http://www.carsoncumberbatch.com


ENDNOTES

1. Kopilitz et al (2016). The study focused on adult mortality ‘due to lack of knowledge on the effects of air pollution on child mortality’ but acknowledged that ‘impacts on children are likely significant.’

2. World Bank (2016) p2

3. 53% in West Kalimantan, 51% in Riau. Source: Greenpeace International mapping analysis.

4. Greenpeace International mapping analysis.


6. As detailed in Greenpeace International (2016) pp 6–7

7. Letter to Greenpeace Southeast Asia from IOI CEO Dato Lee, 26 August 2014


9. IOI Loders Croklaan (2014a)

10. IOI Group (2014) and IOI Group (2016b)

11. RSPO (2016c)

12. RSPO (2016d)

13. IOI Group (2016b)

14. IOI Group (2016a)

15. See eg Colchester, Jalong and Chuo (2013) and RSPO website ‘Case tracker | IOI – IOI Pelita Sdn Bhd’

16. IOI Group (2015b)

17. IOI Loders Croklaan (2015b) p5

18. IOI Loders Croklaan (2015b) p8

19. IOI Loders Croklaan (2014)

20. Eg IOI Group (2016b)

21. IOI Loders Croklaan website ‘List of mills’

22. IOI Loders Croklaan website ‘List of mills’


24. Unilever (2016a)

25. Procter & Gamble (2014) and Unilever (2016b) p1

26. Email to Greenpeace from IOI, 22 September 2016

27. Esslement (2016)

28. IOI Loders Croklaan (2015b) p8

29. IOI Group (2015b)

30. IOI Loders Croklaan (2015b) p5

31. IOI Group (2015a) p33

32. See eg RSPO website members page ‘IOI Corporation Berhad’

33. IOI Group (2015a) p33

34. Maybank IB Research (2013)

35. See IOI Group (2012). The facility undertook a major expansion in 2012.


37. IOI Group (2015a) p2

38. IOI Loders Croklaan website ‘Other oils’


40. IOI Loders Croklaan (2015a)

41. Analysis of US customs records performed by Greenpeace show imports from Acidchem Sdn Bhd to Davlyn Industries from 2013 through 2016.

42. IOI Oleo website ‘Company’.

43. IOI Group (2015a) p10

44. IOI Loders Croklaan website ‘List of mills’

45. Since 26 February 2007, see RSPO website members page ‘PT Austindo Nusantara Jaya Agri’

46. PT Austindo Nusantara Jaya Tbk (2016) p26

47. PT Austindo Nusantara Jaya Tbk (2016) p12

48. PT Austindo Nusantara Jaya Tbk (2015b) p8–9

49. PT Austindo Nusantara Jaya Tbk (2016) p47

50. PT Austindo Nusantara Jaya Tbk (2016) p22

51. PT Austindo Nusantara Jaya Tbk (2016) p107

52. Greenomics Indonesia (2014)

53. Butler (2014)

54. PT Austindo Nusantara Jaya Tbk (2015c) p4

55. PT Austindo Nusantara Jaya Tbk (2015c)

56. The concept of an Intact Forest Landscape (IFL), as mapped by the World Resources Institute (WRI), Greenpeace and Transparent World in 2000 and 2013, refers to ‘an unbroken expanse of natural ecosystems within the zone of current forest extent, showing no signs of significant human activity, and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained.’ See http://www.intactforests.org/index.html

57. Concession size from Ministry of Forestry Forest Estate Release data

58. HGU data included in PT Austindo Nusantara Jaya Tbk (2016) p49

59. Greenomics Indonesia (2014)

60. PT Austindo Nusantara Jaya Tbk (2016) p49


62. PT Austindo Nusantara Jaya Tbk (2015a) p95

63. PT Permata Putera Mandiri (2014)

64. PT Austindo Nusantara Jaya Tbk (2016) p49

65. PT Austindo Nusantara Jaya Tbk (2015a)

66. Landsat images from 11 April 2016, 16 July 2016 appear to indicate that no further land clearing has taken place since at least December 2015. This may need further confirmation as the July and August images were partially obscured by cloud.

67. PT Austindo Nusantara Jaya Tbk (2016) p70

68. Chain Reaction Research (2016)

69. PT Permata Putera Mandiri (2014)

70. Suara Pusaka (2015d)

71. Suara Pusaka (2015f)

72. See Mucholik (2016). The grounds for inadmissibility were not stated in any media coverage of the trial.

73. Suara Pusaka (2015b)

74. Suara Pusaka (2015a)

75. Suara Pusaka (2016b)

76. PT Austindo Nusantara Jaya Tbk (2016) p107

77. PT Austindo Nusantara Jaya Tbk (2016), eg p7: ‘While we feel it is prudent to slow development at this time, we continue to prepare the foundations for resuming growth in West Papua. This includes building a strong CSR program, actively establishing a new standard for Papua development with a range of external parties’ involvement, including an independent consultant’s assessment of our land use plan and integrating the development of our palm oil business with our nearby emerging sago business.’ and p107

78. Email to Greenpeace from IOI, 22 September 2016


80. Email to Greenpeace from AAA/Apical, 23 September 2016

81. Email to Greenpeace from Musim Mas, 20 September 2016

82. ANJ (2016) ANJ response to Greenpeace inquiries 230916’23 September 2016

83. ANJ (2016) ANJ response to Greenpeace inquiries 230916’23 September 2016

84. ANJ (2016) ANJ response to Greenpeace inquiries 230916’23 September 2016

85. Bloomberg website ‘Company overview of PT Rajawali Corporation’

86. Danubrata and Chow (2016)

87. IOI Loders Croklaan website ‘List of mills’

88. IOI Loders Croklaan website ‘List of mills’

89. RSPO website members page ‘PT Eagle High Plantations Tbk’

90. Under the name of PT Bumi Perdana Prima International, see PT Eagle High Plantations Tbk (2014) p43

91. PT Eagle High Plantations Tbk (2015a) p116

92. RSPO website members page ‘PT Eagle High Plantations Tbk’
Greenpeace 22 September 2016, supplied 23 September 2016
189 Email to Greenpeace from Goodhope, 23 September 2016
190 IndoAgri website ‘Consumer branded products’
191 OPPUK, Rainforest Action Network and International Labor Relations Forum (2016)
192 Aidenvironment (2015)
193 IOI Loders Croklaan website ‘List of mills’
194 IndoAgri website ‘Shareholders composition’
195 IndoAgri (2016) p111
196 IndoAgri (2016) p7
197 IndoAgri (2016) p19
198 IndoAgri (2016) p22
199 IndoAgri (2016) p23
200 IndoAgri (2016) p20
201 IndoAgri website ‘Sustainable palm oil policy’
202 IndoAgri website ‘Palm oil sourcing policy’
203 RSPO website members page ‘PT PP London Sumatra Indonesia Tbk’
204 RSPO website members page ‘PT Salim Ivomas Pratama Tbk’
205 IndoAgri (2016) p 13
206 PT Salim Ivomas Pratama Tbk (2015). Note that this report appears to cover the whole area of IndoAgri concessions (based on comparison of areas and output levels with the IndoAgri 2015 Annual Report)
207 PT Salim Ivomas Pratama Tbk (2015)
208 Email to Greenpeace from RSPO Certification Manager Senniah Appalasamy, 1 August 2016: ‘The requested NPP report for Isuy Makmur [sic] has been return back to the company due to incomplete documentation. LUCA and GHG reports were not submitted as required by NPP process. As per the NPP requirement the notification will not be uploaded to the RSPO website if submission is found to be incomplete.’
209 The current name of this concession is unclear. The concession is located to the west of Lake Jempang in East Kalimantan. IndoAgri was calling it Kedang Makmur in 2015 in discussions with Aidenvironment, while the name Isuy Makmur was used for the adjoining concession to the south. However, the RSPO NPP for Pahu Makmur and Kedang Makmur submitted on 22 December 2014 uses the name Kedang Makmur for a different concession some kilometres away, south of Lake Jempang, and includes a map combining both concessions west of Lake Jempang under the name Issuy Makmur. (Source: PT PP London Sumatra Indonesia (2014).) Regardless of the name of the concession, it clearly belongs to IndoAgri.
211 OPPUK, Rainforest Action Network and International Labor Relations Forum (2016)