

The need for cross-commodity no-deforestation policies by the world's palm oil buyers

August 2021





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'Corporate Transformation in Indonesia's Pulp & Paper Sector'

Front page image:

Forest clearing by Djarum industrial tree plantation subsidiary PT Silva Rimba Lestari

Coordinates: 0°17'12.84"N; 115°56'47.40"E.

Source: Planet satellite imagery as of December 2018

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Executive Summary

THE world's palm oil refiners have deforesting business partners. In Indonesia and Sarawak in Malaysia, ten company groups cleared 133,000 hectares (ha) of forests inside industrial tree plantation concessions between 2016 and March 2021. This includes 21,000 ha of deforestation since 2020. As well as industrial tree plantation concessions, these ten companies also operate oil palm plantations.

Operating in multiple commodities is common for companies in Indonesia and Malaysia. In Indonesia, no less than 64% of all industrial tree plantation permits are held by company groups that also grow oil palm. In Sarawak, the six largest companies in oil palm plantation development are estimated to hold 69% of Sarawak's industrial tree plantation concessions.

Via their palm oil operations, the ten companies deforesting for industrial tree plantation development are business partners of some of the world's main palm oil refiners (Table 1).

Opportunities for refiners to save more forests

The No Deforestation, No Peat, No Exploitation (NDPE) policies of the world's largest palm oil refiners have reduced deforestation for oil palm in Indonesia. This is attributed to refiners effectively using their economic leverage over oil palm growers to stop deforestation and insist on NDPE compliance.

The industrial tree plantation sector has similar sustainability issues as the palm oil sector, and there is significant overlap in the companies working in both sectors. Many of the largest plantation developers in the industrial timber sector also work in the palm oil sector, and some of the largest deforesters for industrial timber supply palm oil to buyers with NDPE policies.

Refiners currently apply NDPE policies only to oil palm plantation development, and so far, they have not used their economic leverage on business partners that cut down forests for industrial tree concessions.

This means that traders who claim to implement NDPE policies for palm oil are still exposed to deforestation, and forests in Indonesia and Malaysia continue to be cleared.

Forests at risk

The seven deforesting Indonesian company groups covered in this report still have 373,000 ha of intact forests inside their concession areas. These have not been subject to High Carbon Stock (HCS) assessments, and High Conservation Value (HCV) assessments, if any, are not publicly available.

Three industrial tree plantation (HTI) companies stand out as their large areas of remaining forest have been assessed as orangutan habitats. These three companies are: Alas Kusuma subsidiary, PT Mayawana Persada; Nusantara Fiber subsidiary, PT Industrial Forest Plantation; and Jhonlin/Taiyoung owned PT Taiyoung Engreen, with 77,000, 57,000 and 43,000 hectares of remaining forests, respectively.

Table 1

Deforestation for industrial trees plantations by ten company groups

	DEFORESTING COMPANY GROUP	DEFORESTATION FOR INDUSTRIAL TREES 2016 - MARCH 2021 (HA)	PALM OIL REFINERS THAT ARE KNOWN BUSINESS PARTNERS OF THE DEFORESTING COMPANY GROUPS (DIRECT BUYERS)
Indonesia	RGE connected: Nusantara Fiber	29,336	RGE (Apical), Musim Mas, Wilmar, HSA Group/Pacific Inter-Link
	Djarum	10,833	Wilmar, Wings
	RGE connected: Adindo Hutani Lestari	5,335	RGE (Apical), Musim Mas, Mewah, KLK, Wilmar, Sinar Mas (GAR), HSA Group/Pacific Inter-Link
	Alas Kusuma	5,862	Itochu Corporation**
	Jhonlin*	7,929	Sime Darby, Wings, Bina Karya Prima
	Hardaya	2,269	Musim Mas, Wilmar, Wings
	Sampoerna	1,382	Sinar Mas (GAR), Louis Dreyfus, Musim Mas, Wahana Citra Nabadi, RGE (Apical)
Sarawak (Malaysia)	Rimbunan Hijau	30,110	Wilmar, BLD Plantation, Sarawak Oil Palms
	Samling	25,643	BLD Plantation
	Shin Yang	14,341	Cargill, KLK, Sinar Mas
	TOTAL	133,040	

* Includes 4,927 ha of deforestation by PT Taiyoung Engreen, which is 30%-owned by Jhonlin. Sime Darby will stop sourcing from Jhonlin from July 2021 onwards.

** The Itochu Corporation buys plywood from Alas Kusuma.

Conclusions & Recommendations

THE world's largest palm oil refiners should adopt cross-commodity no-deforestation policies. By requiring NDPE compliance from their business partners for both palm oil and industrial tree operations, palm oil refiners can be key enablers in reducing deforestation and addressing global climate and biodiversity crises.

The ten examples in this report show the industrial tree plantation sector offers opportunities to save hundreds of thousands of hectares of forests. The industrial tree plantation sector in Indonesia and Sarawak, Malaysia needs a sustainability boost, as few company groups in the sector currently have sustainability commitments.

Given the overlap in ownership and location, the industrial tree plantation sector is the most important sector for cross-commodity NDPE application.

There are no practicalities standing in the way of refiners adding industrial tree plantations to their NDPE policies. Deforestation and responsible companies are easily detectable, and responsible traders should already be monitoring key landscapes in Indonesia and Malaysia.

The ultimate aim of palm oil buyers should be to have business partners that are deforestation-free on all their businesses.

‘There are no practicalities standing in the way of refiners adding industrial tree plantations to their NDPE policies.’



Alas Kusuma, PT Mayawana Persada

Indonesia, February 2021

© Aidenvironment

Case 2.7 in Cross Commodities Report

CHAPTER 1

THE NEED FOR CROSS-COMMODITY POLICIES



Drone Shot of Palm Oil Plantation
Indonesia, 2019
Tom Fisk, Pexels

1.1

Palm oil refiners' NDPE policies: Successful, but lacking scope

PALM oil refiners are a strategic bottleneck in palm oil's global supply chain. Since 2013, the world's largest palm oil refiners have adopted No Deforestation, No Peat, No Exploitation (NDPE) policies. Recognized as the strongest market instrument for cutting the direct link between deforestation and palm oil, NDPE policies have been successful due to the economic leverage refiners have over oil palm growers. When refiners commit to NDPE policies, conditions are applied to their own plantations and the plantations of their third-party suppliers. As of June 2020, NDPE policies covered 83% of the palm oil refining capacity in Indonesia and Malaysia, with 78% of companies implementing these policies.¹

In recent years, deforestation for oil palm has decreased due to a combination of factors: government policies and regulations, weak crude palm oil (CPO) prices due to oversupply, declining forest cover due to previous deforestation, and climatic conditions.² Although attribution is difficult to measure, the implementation of NDPE policies has contributed to the reduction of deforestation for oil palm plantations in Indonesia.

A limitation of refiners' NDPE policies is that they apply only to oil palm development. In

Indonesia, no less than 64% of all industrial tree plantation permits are held by company groups that also grow oil palm. Palm oil refiners use their leverage over company groups to demand NDPE compliance when deforestation occurs for oil palm. However, these controls are not applied to industrial tree plantations, leaving refiners exposed to deforestation.

If palm oil refiners were to adopt cross-commodity policies that apply to all deforestation conducted by their business partners, they could prevent further deforestation and have business partners that are truly deforestation-free.

Refiners expose themselves and their clients to increased reputational risk from deforestation in other commodities beyond palm oil. Public expectations regarding no-deforestation commitments make no distinction between commodities. Stakeholders may not be convinced by policies that prohibit deforestation by a business partner for palm oil, but allow deforestation by the same business partner if done for other commodities.

Cross-commodity application of policies is increasingly expected by buyers and stakeholders. The Accountability Framework Initiative, an internationally accepted

guideline for achieving ethical supply chains, advises: 'Company commitments apply broadly across the company to address the social and environmental risks that may arise as a result of the company's own operations, sourcing, and financing related to agricultural and forestry commodities.'³ Guidelines on scope further emphasize that 'commitments apply to all segments of the company for which these commodities may pose environmental or social risks; their scope is not limited to specific markets, product lines, ownerships, or geographies.' The framework reasons that broad scope is essential for commitments to lead to results.

At present, palm oil refiners and processors with NDPE policies have been seen to dismiss grievances about business partners deforesting if the deforestation is for industrial tree plantations. For example, the refiners and processors Wilmar, Cargill and AAK have published long lists of grievances that are considered 'ineligible', 'not within their scope' or 'unqualified'.⁴ Some of these cases refer to deforestation related to industrial tree plantations. Even more cases of deforestation for industrial tree plantations are overlooked and do not enter the grievance system of palm oil refiners and processors.

1.2

The industrial tree plantation sector needs a sustainability boost

THE industrial tree plantation sector is the second largest plantation sector in Indonesia after oil palm, and occupies the same position in the Malaysian state of Sarawak. Industrial trees are used for the production of paper and textile fibres, as well as for wood products and energy generation.

The Indonesian industrial tree plantation sector is dominated by the two large pulp and paper producers Asia Pulp & Paper (APP) and Asia Pacific Resources International Holdings (APRIL). APP and APRIL are parts of the Sinar Mas and Royal Golden Eagle (RGE) groups of companies, respectively. The Japanese company Marubeni Corporation also produces pulp in Indonesia, but to a lesser extent.

The industrial tree plantation sector is not performing well in terms of sustainability commitments. Of the 21 largest oil palm growers in Indonesia, 16 are committed to NDPE policies.⁵ Meanwhile, of Indonesia's 21 largest industrial tree growers, only Sinar Mas, RGE and Marubeni have sustainability commitments that are close to NDPE.

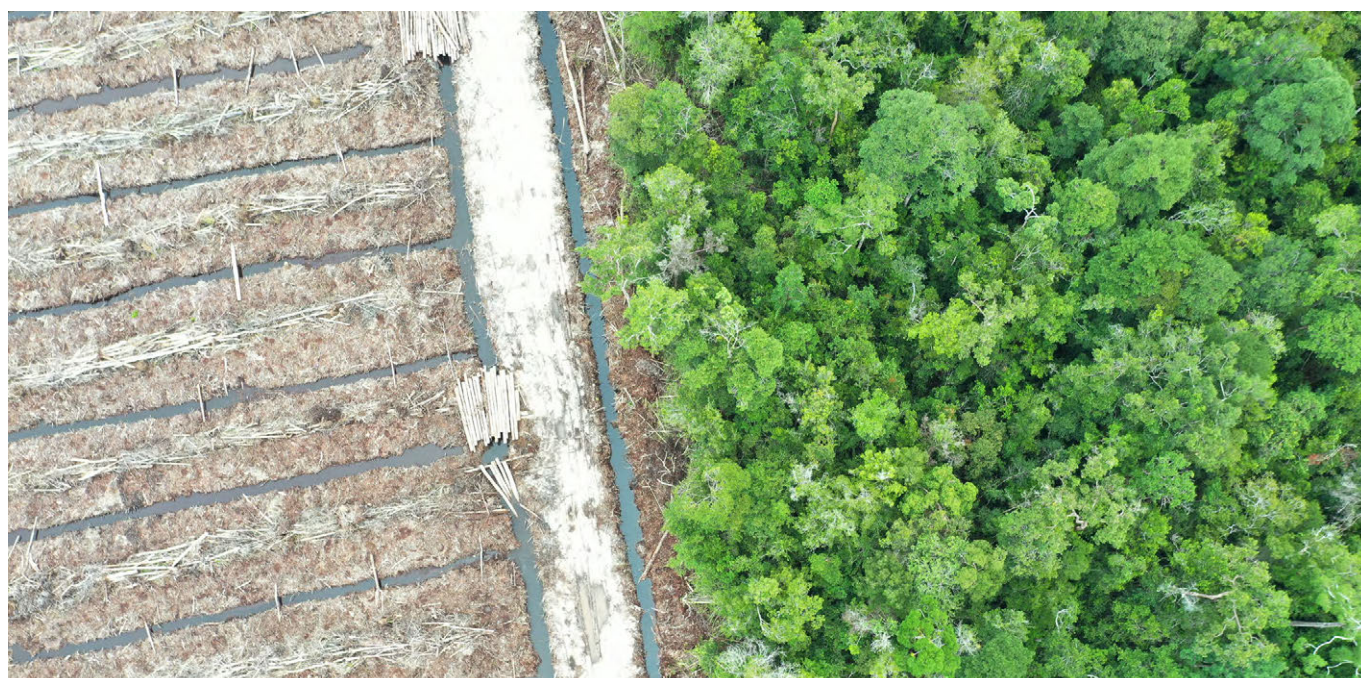
‘The industrial tree plantation sector is not performing well in terms of sustainability commitments.’

‘Of Indonesia’s 21 largest industrial tree growers, only Sinar Mas, RGE and Marubeni have sustainability commitments that are close to NDPE.’

These sustainability commitments largely mirror palm oil refiners’ NDPE policies, except that Sinar Mas and RGE still allow the planting of industrial trees on unforested peatlands.⁶

Despite this, as in the palm oil sector, the sustainability commitments of Sinar Mas, RGE and Marubeni have reduced deforestation in the industrial tree plantation sector. An extensive study released by Trase in February 2021 noted that between 2015 and 2019, deforestation had fallen by 85% compared to the 2010-2012 period inside the 91 concessions supplying wood fibre to Indonesian pulp mills belonging to Sinar Mas, Royal Golden Eagle and Marubeni.⁷

The industrial tree plantation sector can build on progress made and strengthen the adoption and implementation of NDPE policies. A key message from the progress report published in November 2020 on the New York Declaration on Forests was: ‘Assessing the quality and implementation of these [no-deforestation] commitments, companies in the palm oil, and pulp and paper sectors in Southeast Asia are consistently more advanced than their counterparts in cattle and soy supply chains in Latin America.’⁸ With sector-wide capacity developed, it is an opportune time for palm oil and pulp and paper companies to set higher standards for sustainability performance.



Nusantara Fiber, PT Industrial Forest Plantation

Indonesia, January 2021

© Aidenvironment

Case 2.5 in Cross Commodities Report

1.3

Palm oil refiners have leverage over deforesting business partners

THE four largest palm oil refiners in Indonesia are Wilmar International, Musim Mas, Sinar Mas (Golden Agri-Resources) and Royal Golden Eagle (Apical). Together they cover more than 60 percent of Indonesia's palm oil refining capacity.⁹ The four companies all have NDPE policies that apply to their entire palm oil supply chains.¹⁰ All four also have palm oil businesses with companies that are deforesting for industrial tree plantations. Next to the big four refiners, other refiners source directly from palm oil mills owned by companies deforesting for industrial trees. Table 2 below shows which palm oil refiners could be identified as direct buyers from the mills of deforesting companies.

Sarawak's main palm oil refiner is Wilmar. Rimbunan Hijau, Sarawak Oil Palms, BLD Plantation and Sime Darby also have palm oil refineries in Sarawak. Companies with refineries outside Sarawak may also source from the state, although this is likely in small amounts given the additional transport costs.

Together, ten company groups have cleared 129,000 ha of forests in Indonesia and Sarawak's industrial tree plantation sectors since 2016, with 21,000 ha cleared during the 2020 to March 2021 period. These deforesting companies are business partners of the world's main palm oil refiners, meaning these refiners have leverage over the deforesting company groups.

‘ Next to the big four refiners, other refiners source directly from palm oil mills owned by companies deforesting for industrial trees. ’

Table 2

Deforestation for industrial trees
plantations by ten company groups

		DEFORESTATION FOR INDUSTRIAL TREES		
	DEFORESTING COMPANY GROUP	2016 - MARCH 2021 (HA)	2020 - MARCH 2021 (HA)	PALM OIL REFINERS THAT ARE KNOWN BUSINESS PARTNERS OF THE DEFORESTING COMPANY GROUPS (DIRECT BUYERS)
Indonesia	RGE connected: Nusantara Fiber	29,336	7,147	RGE (Apical), Musim Mas, Wilmar, HSA Group/Pacific Inter-Link
	Djarum	10,833	715	Wilmar, Wings
	RGE connected: Adindo Hutani Lestari	5,335	1,274	RGE (Apical), Musim Mas, Mewah, KLK, Wilmar, Sinar Mas (GAR), HSA Group/Pacific Inter-Link
	Alas Kusuma	5,862	3,047	Itochu Corporation**
	Jhonlin*	7,929	549	Sime Darby, Wings, Bina Karya Prima
	Hardaya	2,269	228	Musim Mas, Wilmar, Wings
	Sampoerna	1,382	255	Sinar Mas (GAR), Louis Dreyfus, Musim Mas, Wahana Citra Nabadi, RGE (Apical)
Sarawak (Malaysia)	Rimbunan Hijau	30,110	5,101	Wilmar, BLD Plantation, Sarawak Oil Palms
	Samling	25,643	1,432	BLD Plantation
	Shin Yang	14,341	1,391	Cargill, KLK, Sinar Mas
	TOTAL	133,040	21,139	

* Includes 4,927 ha of deforestation by PT Taiyoung Engreen, which is 30%-owned by Jhonlin. Sime Darby will stop sourcing from Jhonlin from July 2021 onwards.

** The Itochu Corporation buys plywood from Alas Kusuma.

1.4

Opportunities for refiners to contribute to forest conservation

THIS report covers cases of deforestation for industrial tree plantations by ten company groups. Seven of the report's ten cases involve Indonesian company groups, while the remaining three involve company groups deforesting in Sarawak. Together, the seven Indonesian company groups have a total of 373,996 ha of intact forests remaining inside their industrial tree plantation concession areas. For some of these concessions, High Conservation Value (HCV) areas have been assessed and will likely be spared from clearing. However, there are no publicly available High Carbon Stock (HCS) assessments for any of the seven company groups' concessions, where HCS assessments have likely never been conducted. As such, intervention by palm oil refiners could prevent further deforestation.

Three industrial tree plantation (HTI) companies stand out as having large areas of intact forests inside their concessions, nearly all of which constitute orangutan habitats. These three companies are Alas Kusuma subsidiary, PT Mayawana Persada, Nusantara Fiber subsidiary PT Industrial Tree Plantation, and Jhonlin/Taiyoung owned PT Taiyoung Engreen, with 77,000, 57,000 and 43,000 hectares of remaining forests, respectively. These three concessions have not been subject to High Carbon Stock assessments, and High Conservation Value assessments, if any, are not publicly available.

Due to unclear permit data and a lack of forest cover administration, remaining forest cover could not be calculated for the three company groups with cases of deforestation in Sarawak.

'...large areas of intact forests inside their concessions, nearly all of which constitute orangutan habitats.'



Djarum, PT Wana Hijau Pesatuan

Indonesia, February 2021

© Aidenvironment

Case 2.1 in Cross Commodities Report

Table 3

Remaining intact forests inside Indonesian HTI company concessions with cases of deforestation

GROUP	HTI PERMIT AREA (HA)	REMAINING FORESTS AS OF 31 DECEMBER 2020 (HA)	REMAINING FORESTS INSIDE HTI PERMIT AREA (%)
Alas Kusuma Group	136,710	76,881	56
Djarum	229,494	68,348	30
Jhonlin	116,475	66,534	57
Nusantara Fiber group	241,682	61,544	25
Adindo Hutani Lestari	181,837	53,067	29
Sampoerna	183,288	31,035	17
Hardaya	42,050	16,587	39
TOTAL	1,131,536	373,996	36

1.5

Precedent set for cross-commodity application of policies

In some cases, palm oil refiners have taken action against palm oil business partners causing deforestation for industrial tree plantation development. A recent case involving the palm oil company United Malacca is the best example.

United Malacca has an oil palm landbank of approximately 45,000 ha scattered over Peninsular Malaysia, the Malaysian state of Sabah and the Indonesian province of Central Kalimantan. It runs two palm oil mills, located in the Malaysian states of Sabah and Pahang.¹¹ In August 2018, the company acquired a 60 percent stake in the plantation company PT Wana Rindang Lestari, which owns rights to develop an industrial tree plantation on 59,920 ha in Central Sulawesi province in Indonesia. The concession has 78% forest cover and includes areas of primary forest.¹² After serious concerns were raised by the NDPE market

and the Indonesian NGO Earthqualizer Foundation, United Malacca issued a stop work order and stated that environmental concerns would be addressed before any activity could resume. In January 2021, the company stated on its website that it is in the process of preparing for future HCV/HCS studies.¹³ Since 1 April 2021, United Malacca has had an NDPE policy for its palm oil operations.¹⁴

Another example is the Malaysian company Samling, which in January to May 2020 experienced trade suspensions from many palm oil refiners and consumer goods companies. These suspensions related to Samling's continuing deforestation for industrial tree plantations. Samling has since improved its sustainability commitments, particularly in regard to its oil palm operations, but has yet to explicitly prohibit deforestation for industrial tree plantation development.

Djarum, PT Wana Hijau Pesaguan

Indonesia, February 2021

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Case 2.1 in Cross Commodities Report



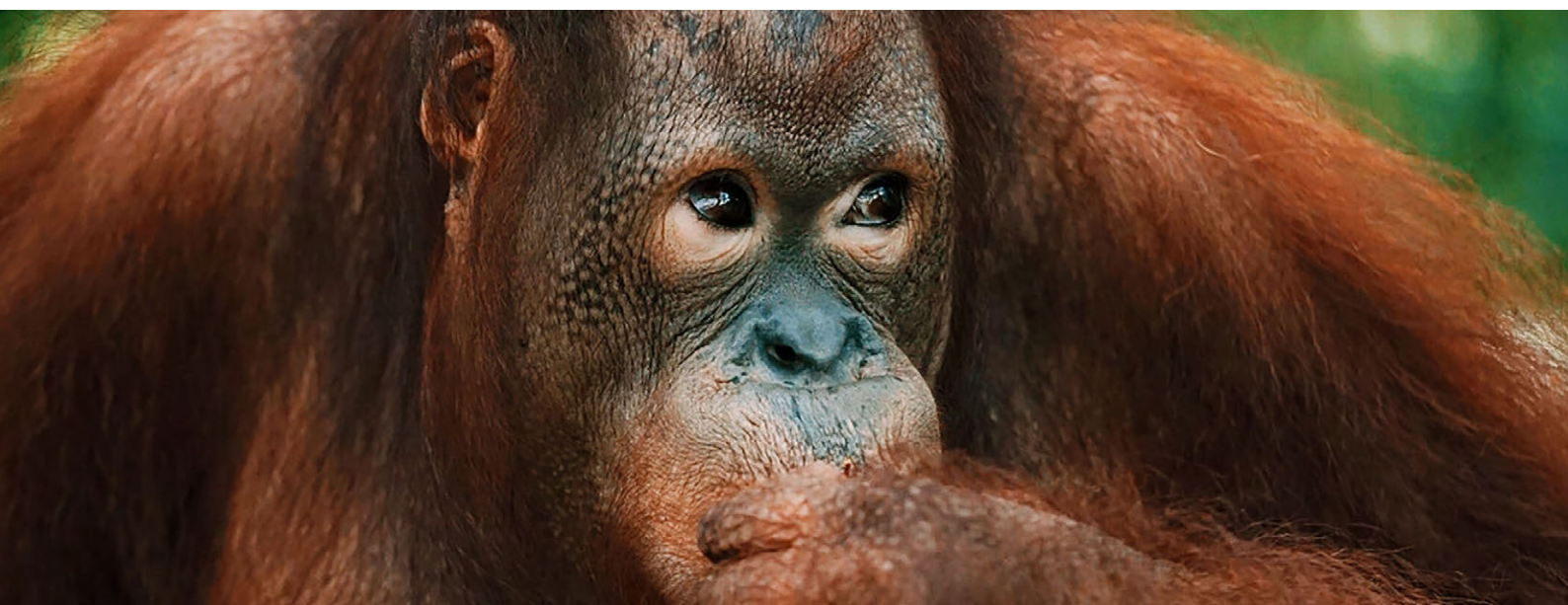
**‘... but has yet to explicitly prohibit
deforestation for industrial tree
plantation development.’**

1.6

Similarities in the industrial tree plantation and palm oil sectors

COMPANIES growing industrial trees are often the same companies growing oil palm. In Indonesia, no less than 64% of all industrial tree plantation permits are held by company groups that also grow oil palm. In Sarawak, the big six companies with logging, industrial tree plantation and oil palm operations are estimated to hold 69% of Sarawak's industrial tree concessions.

The environmental and social impacts of industrial tree plantations are similar to those seen in oil palm plantations, and include deforestation, peat clearance, loss of endangered species habitats, land conflicts, fire episodes and human rights issues. The industrial tree plantation sector is therefore the most obvious start for palm oil refiners to add to their NDPE policies. The sector has the same sustainability issues as the palm oil sector, has prominent company overlap with the palm oil sector, and industrial timber and oil palm plantation concessions are often operating in the same landscapes, which makes them easy to monitor.



Company group and business partner overlaps also exist in other sectors. Some examples include:

- Logging companies that produce plywood and sawn wood may also be active in the palm oil or industrial tree plantation sectors. An example in this report is the Japanese company Itochu Corporation buying plywood from Alas Kusuma, which is actively deforesting for industrial tree plantation development.
- Some company groups, such as Sinar Mas¹⁵, Harita Group¹⁶ and Astra Group¹⁷ are active in the mining sector as well as the palm oil sector. Astra Group's United Tractors Tbk has a majority shareholding in the mining company PT Agincourt Resources Tbk. This mining company has an active gold mining concession in North Sumatra with operations partly overlapping habitat of the critically endangered Tapanuli orangutan. Only 800 individuals are thought to be left in the wild, making it the rarest great ape species in the world.¹⁸ Most large palm oil refiners are business partners of Astra Group's Astra Agro Lestari, which is among the largest oil palm growers in Indonesia.
- In its response to a draft report sent for review, Musim Mas said: 'From 2022 onwards, we will extend our sustainability policy to our coconut operations. We recognize that coconut is at an early stage of setting industry-wide requirements for sustainable production. We are looking forward to contributing to progress in this commodity.'¹⁹

Orangutan eating fruit
Indonesia, July 2021
Dimitry B, Unsplash

‘... with operations partly overlapping habitat of the critically endangered Tapanuli orangutan.’

1.7

Some major refiners appear open to cross-commodity policy application

THE five largest palm oil refiners in Indonesia and Malaysia are Wilmar International, Musim Mas, Sinar Mas (Golden Agri-Resources), Royal Golden Eagle (Apical) and Mewah International. During the process of writing this report, these refiners were asked for their views on adopting cross-commodity policies. In their responses, Wilmar International²⁰ and Sinar Mas (Golden Agri-Resources)²¹ did not elaborate on their views, even after follow-up e-mails had been sent.²²

Royal Golden Eagle (Apical) seems to reject the prospect of adopting a cross-commodity policy, stating: 'While commodities do co-exist in the same landscape, different government regulations and industry standards and practices apply. Apical is first and foremost committed to ensuring that its palm supply chain is monitored closely to drive policy compliance by engaging its suppliers and delivering socio-economic benefits that support smallholder communities.'²³

Musim Mas responded positively, although it did express doubts over the effectiveness of cross-commodity policies: 'We recognize the aspirational value of a broad cross-commodity No-Deforestation policy.

The implementation of such a policy might not meet expectations. We will have the appropriate leverage or will be able to establish fruitful dialogues with some diversified companies. In many cases, when the palm is a small activity in a group or when group structures are complex or informal, our opportunity to impact will be limited.'²⁴

Mewah International responded positively, though it also stated it would not be the first company to adopt such policy: 'First of all, our company applauds the perspective that palm oil refiners should expand the scope of existing NDPE policy, to cover the industrial tree sectors. This will be a definite advantageous move to further reduce deforestation in tackling global climate change issues as well as the critical biodiversity crisis. If a 'cross-commodities' NDPE policy is agreeable & supported by the major brands/traders in the industry, Mewah shall reinforce the same requirement in our policy.'²⁵

Four more refiners – Sime Darby, HSA Group/Pacific Inter-Link, IOI Group and Kuala Lumpur Kepong (KLK) – all of which are among the 12 largest refiners in

Indonesia and Malaysia (see Appendix 2 of this report), were also asked to express their views on adopting cross-commodity policies. Of these companies, only Sime Darby responded to this specific question.

Sime Darby responded positively saying: 'To your question on cross-commodity no-deforestation commitments, we confirm that at this time our no-deforestation policy is only applicable to commodities that we source (as outlined in our Responsible Agriculture Charter) and thus, does not yet extend to other industries that our suppliers may be involved in. We recognize the importance of cross-commodity engagements to address deforestation in key landscapes. This is why our no-deforestation commitments cover all the commodities that we source. We would certainly participate in discussions on how this could be approached, if Aidenvironment is planning to convene a group of stakeholders to explore this issue further.'¹²⁶

Farmland
Indonesia, 2016
Tom Fisk, Pexels



1.8

Royal Golden Eagle (RGE) and industrial tree plantations

THIS report is about the need for cross-commodity no-deforestation policies to be adopted by palm oil refiners. However, it should also be noted that Royal Golden Eagle (RGE), the second largest company group active in Indonesia's pulp and paper sector is not living up to its sustainability commitments. In its policy, RGE states that it protects and prevents its suppliers from clearing High Carbon Stock (HCS) forests.²⁷ In practice, many cases show RGE disregarding HCS forests.

After Aidenvironment sent a draft report for review, RGE responded to these deforestation cases saying:

'APRIL Group reiterates our categorical rejection of claims included in the latest Aidenvironment draft report ('The world's palm oil refiners should adopt cross-commodity no-deforestation policies') that deforestation has occurred in our supplier network. All of our current and future fiber suppliers are required to comply with APRIL's Sustainable Forest Management Policy 2.0 (SFMP), which explicitly states the company's commitment to eliminate

deforestation from our supply chain and to protecting the forest and peatland landscapes in which we operate.'²⁸

APRIL also responded in detail to Aidenvironment's claims in regard to the deforestation cases. In its responses, it ignored the fact that protecting High Carbon Stock (HCS) areas is part of its policy and did not acknowledge that deforesting companies are subsidiaries of a group that supplies APRIL.

The case on PT Permata Borneo Abadi

Draft-report sent for review: In 2020, the plantation company PT Permata Borneo Abadi cleared 850 ha of forest for an industrial tree plantation.²⁹ The company is part of the RGE-connected Sumatera Dinamika Utama group, which is a recognized long-term partner supplying fibre to RGE.³⁰

APRIL's response:

'We can confirm that we do not take wood supply from PT. Permata Borneo Abadi.'³¹

Aidenvironment:

Aidenvironment had not made claims on volumes sourced. The report discloses that deforestation-linked PT Permata Borneo Abadi is part of a company group that supplies APRIL.

The case on Djarum

Draft-report sent for review: In recent years, RGE continued to source pulpwood from Djarum, despite the latter's deforestation practices. Sinar Mas (APP) has stopped sourcing from Djarum because of its deforestation. The case of Djarum clearing 10,800 ha of forest since 2016 is discussed in this report.

APRIL's response:

'PT. Fajar Surya Swadaya (FSS). We confirmed in 2018 that the company is an open market supplier of plantation wood. Supply commenced in June 2017 following completion of an internal due diligence process. As we confirmed previously, APRIL did not purchase and use natural forest wood from this supplier. Our due diligence noted that PT FSS had commissioned Tropenbos International to conduct a High Conservation Value assessment of their concessions in April 2015. This was the basis for plantation development carried out in non-HCV areas in 2016-2017. This is explained further in our detailed response³² to stakeholders.'³³

Aidenvironment:

Aidenvironment had made no claims of APRIL purchasing natural forest wood and had acknowledged the High Conservation Value assessment in the report. Aidenvironment's report emphasizes that APRIL made no mention of due diligence regarding HCS, despite their no-deforestation commitment that includes protecting HCS areas. APRIL did not respond to concerns relating to HCS.

The case on Alas Kusuma

Draft-report sent for review: In recent years, RGE has still accepted pulpwood deliveries by Alas Kusuma, despite the latter's obvious deforestation practices. The case of Alas Kusuma clearing 5,900 ha of forest since 2016 is also discussed in this report.

APRIL's response:

'PT. Mayangkara Tanaman Industri (MTI). APRIL began taking supply from MTI as an open market supplier in June 2016, which was subject to the same due diligence process as other suppliers. Again, we can confirm that APRIL did not receive natural forest wood from this or any other supplier.'³⁴

Aidenvironment:

Aidenvironment had made no claims of APRIL purchasing natural forest wood. Aidenvironment reported that APRIL had breached its no-deforestation commitment by buying pulpwood from PT Mayangkara Tanaman Industri in 2019 and 2020, while deforestation by Alas Kusuma was ongoing. Back then, the company was still 50%-owned by Alas Kusuma. In this instance, APRIL violated its own policy by overlooking the protection of HCS areas and by purchasing from a company that is part of a company group linked to deforestation. ignored the fact that HCS is part of its policy and also failed to acknowledge that the deforesting company is part of a company group that supplies APRIL.

The case on the Nusantara Fiber group

Draft-report sent for review: The Nusantara Fiber group, with various connections to RGE, has cleared 29,000 ha of forests since 2016. The case of Nusantara Fiber is also discussed in this report.

APRIL's response:

'We reiterate that neither RGE nor APRIL Group's supply chain have any connection to the six Nusantara Fiber Group companies mentioned in your draft report. Specifically, we disagree that the past employment at RGE by two of the three directors who set up the Nusantara Fibre Group constitutes a connection to RGE. We operate in a free and open employment market in which employees can choose to join or leave employers as they wish.'³⁵

Aidenvironment:

Aidenvironment's report had not asserted any connection between RGE or APRIL's supply chain and the six Nusantara Fiber plantation companies. It had stressed that the industrial trees planted by Nusantara Fiber were still too small to harvest. Aidenvironment agrees with RGE that there is a free and open employment market in which employees can choose to join or leave employers as they wish. It is worth noting that one of the three directors was employed by RGE to prepare a management buyout of several palm oil companies. Additionally, companies owned by former RGE employees, such as the Sumatera Dinamika Utama group for industrial trees and Anugrah Superventure and DTK Opportunity for palm oil, show that RGE has closely interlinked supply chain relations with companies owned by former employees. Finally, Nusantara Fiber and PT Adindo Hutani Lestari (see below) have undisclosed owners, while many indicators suggest involvement with RGE.

The case on PT Adindo Hutani Lestari

Draft-report sent for review: PT Adindo Hutani Lestari is an RGE 'open market supplier'.³⁶ Historical ownership also provides evidence of connections between Adindo and RGE. Moreover, Adindo is 40%-owned by the RGE-connected Sumatera Dinamika Utama group. The case of PT Adindo Hutani Lestari clearing 5,300 ha of forest since 2016 is also discussed in this report.

APRIL's response:

'We can again confirm, based on evidence from spatial analysis and ground verification, that no deforestation occurred in the areas highlighted by Auriga and that there was no breach of our SFMP 2.0 commitments. This is detailed in our comprehensive response to Auriga's claims. In addition, we can again confirm that no shareholding in PT AHL has ever been held by the shareholders of APRIL or RGE.'³⁷

Aidenvironment:

Aidenvironment did not use Auriga data, but made its own deforestation calculations by overlaying satellite imagery on a forest cover map from Indonesia's Ministry of Environment and Forestry. As mentioned in the draft report, APRIL's disregard for HCS protection proved in contrast to its own commitments. On shareholding, the issue raised by RGE had been countered by Aidenvironment in the draft report sent for review, which is retained in this published report.

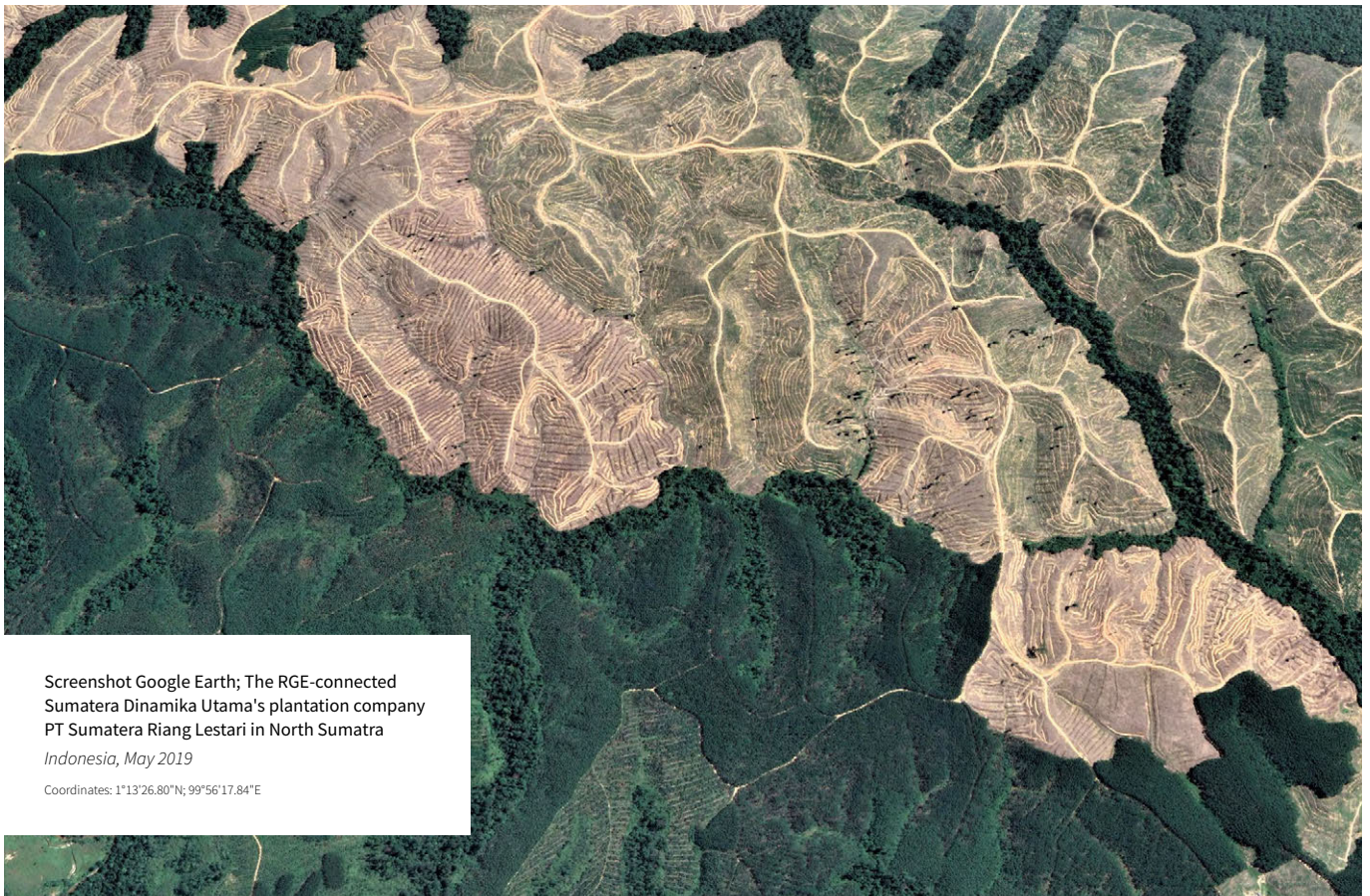
APRIL's assurance

APRIL's response:

'External assurance is undertaken every year by an independent third party to assess compliance with SFMP 2.0 by APRIL and its suppliers. This is conducted by KPMG PRI and is commissioned by APRIL's Stakeholder Advisory Committee. It details the compliance of all APRIL's fiber supply sources, including PT. RAPP, the operating arm of APRIL, supply partners, open market suppliers and community fiber plantations and is shared with stakeholders and reported publicly.'³⁸

Aidenvironment:

In its latest report, published in November 2020, KPMG says: 'Very little HCS information is currently available for supplier concessions.'³⁹ No spatial analysis was conducted for the KPMG report to address this shortcoming. Aidenvironment used various tools to indicate the clearing of HCS areas, as described in the methodology section of this report. The KPMG report also lacks any classification of plantation companies by company group, and therefore does not trace deforestation by plantation companies belonging to groups that supply to RGE.



Screenshot Google Earth; The RGE-connected Sumatera Dinamika Utama's plantation company PT Sumatera Rieng Lestari in North Sumatra
Indonesia, May 2019

Coordinates: 1°13'26.80"N; 99°56'17.84"E

CHAPTER 2

DEFORESTATION CASES INVOLVING TEN COMPANY GROUPS

The following ten case studies are about ten company groups that, together, cleared 133,000 hectares of forests inside industrial tree plantation concessions since 2016. Via their palm oil operations, the ten company groups are business partners of some of the world's main palm oil refiners.

2.1

Djarum

Company profile

The Indonesian cigarette manufacturer Djarum is owned and controlled by brothers Robert Budi Hartono and Michael Bambang Hartono. According to Forbes, the brothers are Indonesia's richest people with assets worth USD 38.8 billion.⁴⁰ In addition to cigarettes, the conglomerate's activities include banking (Bank Central Asia), agriculture (HPI Agro) and industrial tree plantations.

Industrial tree plantation operations

Djarum has three industrial tree plantation companies with a combined concession area of 229,494 ha in East and West Kalimantan provinces. Djarum subsidiary PT Agra Bareksa Indonesia has a wood chip mill for processing acacia trees in North Penajam Paser district in East Kalimantan.⁴¹

Djarum's deforestation for industrial tree plantations led the Indonesian NGO Auriga Nusantara to file a complaint against the group with the Forest Stewardship Council (FSC) in December 2019.⁴² In December 2020, Djarum's FSC-certified subsidiary withdrew its FSC certificate, thereby removing the basis of the complaint.⁴³

Djarum plantation companies cleared 10,833 ha of forests from 2016 to March 2021. PT Silva Rimba Lestari (PT SRL) was the group's biggest deforester accounting for 5,064 ha of deforestation during that timeframe. PT SRL operates an 88,000-hectare concession in Kutai Kartanegara district, East Kalimantan. As of March 2021, PT SRL was still actively clearing forests inside its concession area.

Table 4
Deforestation by Djarum subsidiary industrial tree plantation operations (ha)

PLANTATION COMPANY	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Silva Rimba Lestari	645	285	2,337	1,588	151	5,006	57	5,063
PT Wana Hijau Pesaguan	818	1,160	542	716	497	3,733	2	3,735
PT Fajar Surya Swadaya	1,778	220	20	9	7	2,034	1	2,035
Total	3,241	1,665	2,899	2,313	655	10,773	60	10,833

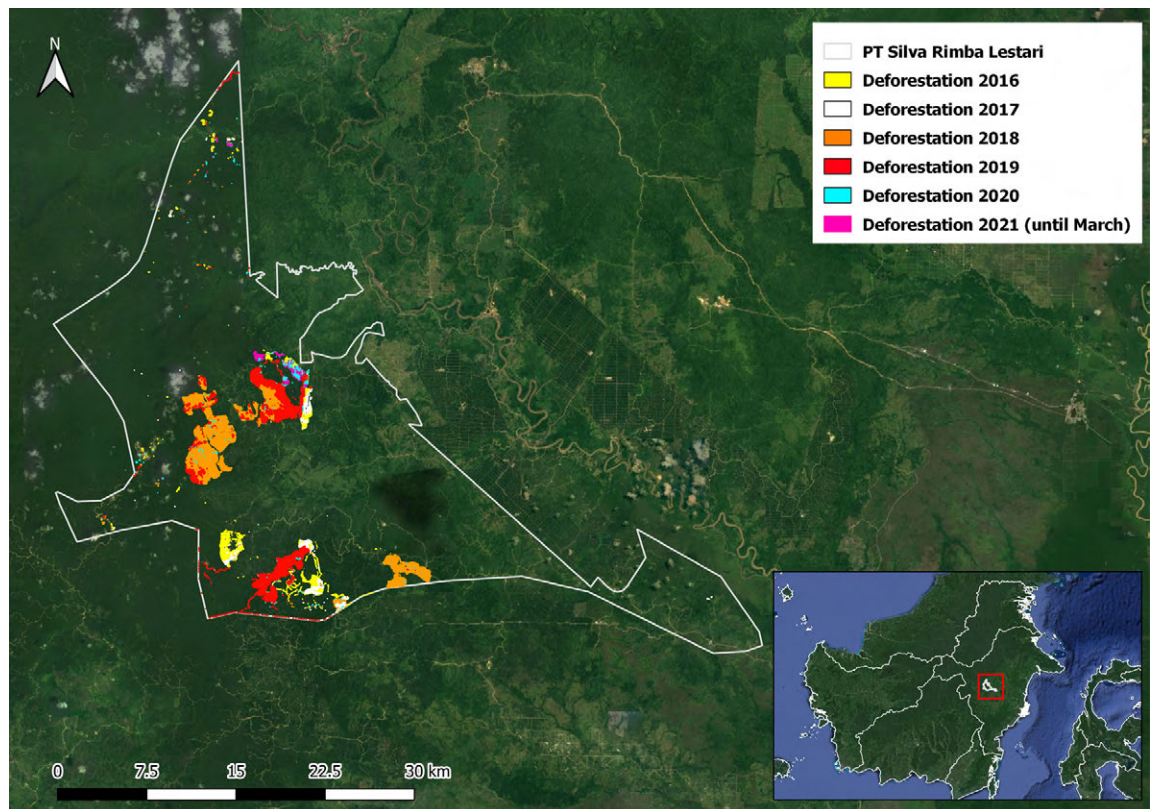


Figure 1 (top)

Deforestation by Djarum subsidiary PT Silva Rimba Lestari since 2016

Figure 2 (bottom)

December 2018 satellite image showing deforestation by PT Silva Rimba Lestari

APRIL and APP confronted over buying Djarum pulpwood

In August 2018, Djarum's industrial tree plantation operations were targeted by a coalition of NGOs for clearing 20,000 and 12,800 ha of natural forests in East Kalimantan since 2013 through PT Fajar Surya Swadaya (PT FSS) and PT Silva Rimba Lestari (PT SRL), respectively. APP and APRIL had sourced plantation wood from the two companies in violation of their no-deforestation commitments.⁴⁴

Responding to the NGO report, APRIL confirmed that PT FSS had begun supplying plantation wood to APRIL in June 2017. It mentioned that an assessment of High Conservation Value (HCV) areas had been conducted for PT FSS. However, it made no mention of High Carbon Stock (HCS) assessments, disregarding that protecting HCS areas is part of APRIL's no-deforestation commitment.⁴⁵ In October 2019, the NGO coalition released a follow-up report revealing that according to Indonesian Ministry of Environment and Forestry data, APRIL's PT Riau Andalan Pulp & Paper had

bought 305,617 m³ of wood from PT FSS in 2018.⁴⁶ As of October 2020, PT FSS was still supplying pulpwood to APRIL, yet it no longer appeared on APRIL's list of suppliers on 31 March 2021.⁴⁷

APP took a different stance. In a verification report published in October 2018, it acknowledged that PT FSS had been clearing HCS areas. APP claimed it had ordered and received a pilot shipment before concluding its HCV/HCS assessments and suspending trade with PT FSS.⁴⁸ Indonesian Ministry of Environment and Forestry data showed APP subsidiary PT Indah Kiat Pulp & Paper buying 18,538 m³ of wood from PT FSS in 2018. The chip mill belonging to PT Sarana Bina Semesta Alam, part of a company group that is a long-term pulpwood supplier to APP, had bought 25,099 m³ of wood in the same period.⁴⁹ PT FSS does not appear on recent lists of APP suppliers.⁵⁰ Unfortunately, no public information is available on suppliers to PT Sarana Bina Semesta Alam.



Djarum, PT Wana Hijau Pesatuan
Indonesia, February 2021
© Aidenvironment

Case 2.1 in Cross Commodities Report

Palm oil operations

The Hartono brothers began planting oil palm in 2010 through PT Hartono Plantations Indonesia (HPI Agro). HPI Agro's oil palm land bank currently amounts to more than 100,000 ha. The company's plantations are all located in Landak and Sanggau districts in West Kalimantan.⁵¹ HPI Agro owns five palm oil mills and has a palm oil bulking station in West Kalimantan under the name of PT Nusaraya Permai.

Recently, HPI Agro built a sugar cane mill in East Sumba district, East Nusa Tenggara province, with a sugar cane crushing capacity of 12,000 tonnes a day.⁵²

HPI Agro was one of the companies highlighted in Greenpeace's 2018 Final Countdown report. Between May 2015 and March 2018, its subsidiary PT Gemilang Sawit Kencana had cleared 1,100 ha of peatland forests.⁵³ In October 2019, the Indonesian NGO Link-AR Borneo released a report on HPI Agro, covering environmental and social issues concerning four HPI Agro plantation companies.⁵⁴ Both reports led to grievance investigations by Sinar Mas (Golden Agri-Resources, GAR). HPI Agro reaffirmed its commitment to a land clearing moratorium in May 2018, stating it would add its NDPE commitments to its sustainability policy.⁵⁵ However, as of August 2021, its NDPE commitments have yet to be published. Sinar Mas (GAR) still monitors grievances against HPI Agro and appears to no longer be sourcing from the company.⁵⁶

Wilmar initiated engagement with HPI Agro in December 2017 when Greenpeace raised allegations of non-compliance with Wilmar's NDPE Policy. HPI Agro responded stating that it will commit to Wilmar's NDPE policy requirements.⁵⁷

In its response to a draft report sent for review, HPI Agro did not elaborate on Djarum's industrial tree plantation operations. Regarding its palm oil operations, HPI Agro stated: 'The HPI's Cases mentioned in the report had been closed as we had clarified the cases to our supplier [NB: likely meant buyer] that there was no violation of NDPE policy, as the area was declared as a no peat area by the government and we had received the certificate of HGU over the land. Moreover, on the other cases we had clarified that the opening of land was conducted by the local farmer. We would like to reiterate that HPI-Agro takes the issues of sustainability very seriously and committed to NDPE Policy across all our operation and ensuring that all operation actions taken by the company in accordance with applicable laws and regulation.'⁵⁸

‘However, as of August 2021, its [HPI Agro’s] NDPE commitments have yet to be published.’

Palm oil supply chain

NDPE buyers of Djarum palm oil as of April 2021 are displayed in Table 5 below. Wilmar and Wings were the only processors/traders for which direct purchases could be found in available lists of supplying mills. In 2020, Wilmar sourced from palm oil mills belonging to PT Global Kalimantan Makmur and PT Peniti Sungai Purun, and from the PT Nusraya Permai palm oil bulking station. Wilmar discloses PT Nusraya Permai supplier mills in its list of indirect supplying mills.⁵⁹ In its response to a draft report sent for review, Wilmar said it is not the only processor or trader purchasing from these mills or this bulking station.⁶⁰ However, no other direct buyers could be found in available lists of supplying mills. Wings sources from Djarum subsidiary PT Saban Sawit Subur's Sempidan mill.⁶¹

In its response to a draft report sent for review, Sime Darby said: 'We would like to clarify that Djarum is no longer in our supply chain.'⁶² Sime Darby was deleted from the list of other buyers accordingly.

Direct purchases by refiners from Djarum palm oil operations could only be found for three of the five operational mills. This was the result of analysing lists of supplying mill published by refiners. Other purchases could be from so-called 'leakage' refiners in Indonesia, such as the Salim group, BEST group, Tunas Baru Lampung, Darmex Agro or Wings group. These are considered 'leakage' refiners because they either have no NDPE policies or fall short on NDPE implementation by lacking supply chain transparency and operational grievance systems.⁶³

The table below, and those included in subsequent case studies, shows the traders that source palm oil from Djarum. Via these traders Djarum appears in the supply chain of some of the world's largest and best-known brands. These brands also have NDPE policies that commit them to deforestation-free supply chains.

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	Wilmar, Wings	Avon, Colgate-Palmolive, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oréal, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele
Other buyers (likely indirect)	AAK, ADM, BASF, Bunge, Cargill, Fuji Oil, HSA Group/Pacific Inter-Link, Itochu Corporation, Neste Oil (via Wilmar and Wings), Oleon NV, Pertamina	

Table 5
Known buyers of palm oil from
Djarum subsidiary HPI Agro



Djarum, PT Wana Hijau Pesaguan
Indonesia, February 2021

© Aidenvironment

Case 2.1 in Cross Commodities Report

2.2

RGE-connected Nusantara Fiber

Company profile

The Nusantara Fiber group is a large industrial tree grower in Indonesia. It is ultimately owned by a company registered in the Polynesian island country of Samoa, a recognized secrecy jurisdiction. Two companies are known to be involved in the activities of the Nusantara Fiber group. These are the Hong Kong-based Argyle Street Management Limited (as investment manager) and the Malaysian company Acapalm Plantation Services Sdn Bhd (for plantation management).⁶⁴

Nusantara Fiber's Samoan holding company has a 100% daughter company that is also majority owner of Nusantara Fiber's plantation companies. This is the Hong Kong-based entity Green Meadows Fiber Products Limited. Its three first directors were:⁶⁵

- Mr. Chew Chong Pan. Mr. Chew Chong Pan used to work for RGE from 2007 until 2014, involved with the management buyout of plantation companies. He is presently one of the key employees and 50%-owner of Acapalm.⁶⁶
- Mr. Sia Siew Kiang. Mr. (Willie) Sia Siew Kiang has been a high-ranking employee of the Royal Golden Eagle (RGE) group of companies since 2002, with expertise in accounting, taxation and corporate finance.⁶⁷ In its response to draft report sent for review, Argyle stated that Mr. Sia Siew Kiang is an ex-employee of Acapalm who joined briefly and left in 2016.⁶⁸
- Mr. Pit Tat Peh (Peter Peh). Mr. Peter Peh serves as a managing director of the Hong Kong-based asset manager Argyle Street Management Limited.⁶⁹

In newspaper articles and social media accounts, the 'Green Meadows' group is mainly referred to as the Nusantara Fiber group.⁷⁰

The Nusantara Fiber group is connected in various ways to Royal Golden Eagle (RGE), the large paper and palm oil conglomerate. Two of the three first directors of 'Green Meadows' were high ranking RGE employees. Another couple of the first directors are or were involved in various palm oil businesses totalling 27 palm oil mills and/or kernel crushers, and RGE is a customer of all 27 companies. Historical ownership records of Nusantara Fiber group's companies reveal past control by entities that are part of or connected to RGE, before the companies were moved to secrecy jurisdictions. RGE has however stated that it does 'not have relations with the six companies mentioned in the report as part of Nusantara Fiber group'.⁷¹

Industrial tree plantation operations

Nusantara Fiber has industrial tree plantations totalling 242,000 ha, spread over the provinces of Central, East and West Kalimantan. While Nusantara Fiber obtained most of its permits in the period 2009-2011, deforestation for the planting of industrial trees (acacia and eucalyptus) started in 2016. The company has yet to sell the wood from its industrial trees, as the trees are still too small.

In total, the Nusantara Fiber group cleared 29,300 ha of forests between 2016 and March 2021. The plantation companies responsible for most deforestation were PT Santan Borneo Abadi (14,100 ha) and PT Industrial Forest Plantation (11,200 ha). PT Santan Borneo Abadi has a concession area of 37,825 ha. PT Industrial Forest

Plantation (PT IFP) is the group's largest plantation company with a total concession area of 102,000 ha. More than half (5,900 ha) of PT IFP's deforestation took place in 2020. Most of this deforestation occurred within the habitat of the critically endangered orangutan.⁷²

In 2021, the Nusantara Fiber group has acquired the plantation company PT Permata Borneo Abadi, which cleared 850 ha of forest for an industrial tree plantation in 2020.⁷³ The company was part of the RGE-connected Sumatera Dinamika Utama company group, which is a 'long term partner' supplying fibre to RGE.⁷⁴ PT Permata Borneo Abadi has a permit area of 32,962 ha located in Malinau district in North Kalimantan province.⁷⁵

HTI COMPANY	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Santan Borneo Abadi	1,188	4,257	4,867	2,992	813	14,117	216	14,333
PT Industrial Forest Plantation	352	476	819	3,632	5,851	11,130	37	11,167
PT Mahakam Persada Sakti	1,216	649	61	46	34	2,006	1	2,007
PT Permata Hijau Khatulistiwa	232	112	544	117	3	1,008	0	1,008
PT Bakayan Jaya Abadi	20	0	12	573	187	792	0	792
PT Nusantara Kalimantan Lestari	11	7	3	3	5	29	0	29
Total	3,019	5,501	6,306	7,363	6,893	29,082	254	29,336

Table 6

Deforestation by Nusantara Fiber subsidiary industrial tree plantation operations (ha)

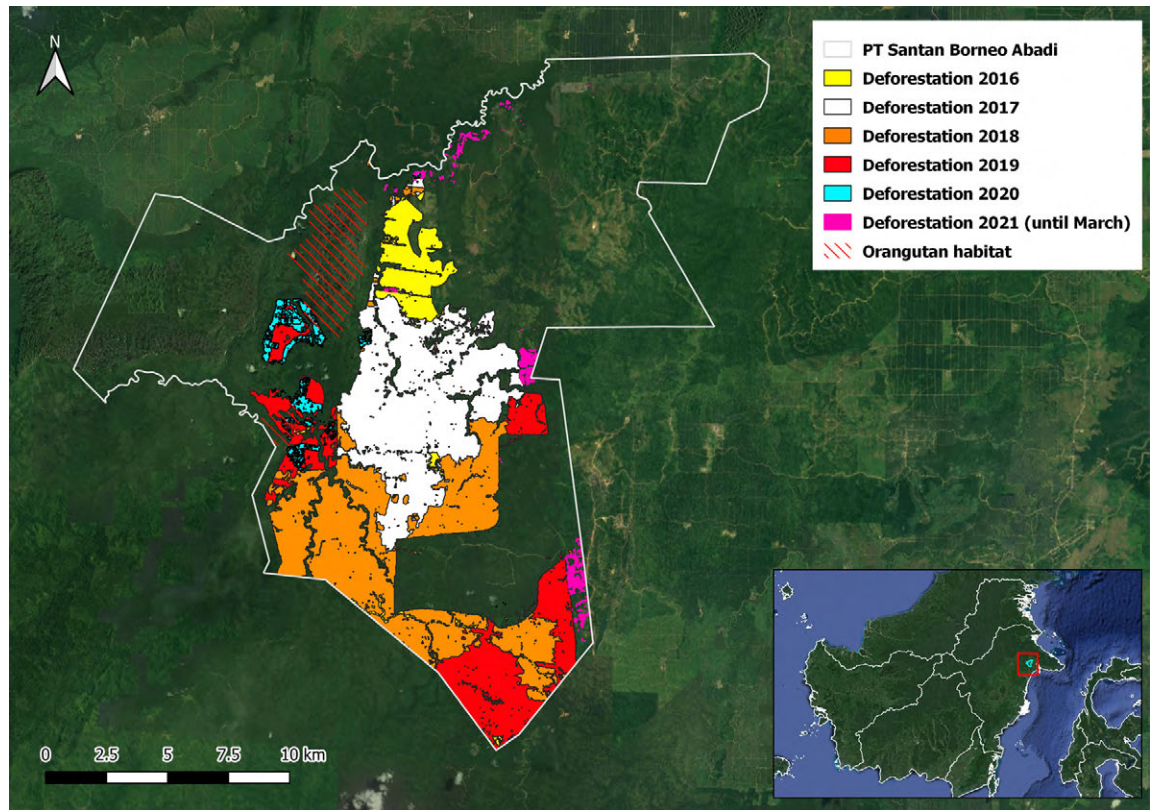


Figure 3 (top)

Deforestation by Nusantara Fiber subsidiary PT Santan Borneo Abadi since 2016

Figure 4 (bottom)

June 2018 satellite image showing deforestation by PT Santan Borneo Abadi

Palm oil operations of Nusantara Fiber directors and connections to Royal Golden Eagle

Nusantara Fiber does not have an oil palm landbank of its own but is connected to several palm oil operations through two of the first directors of Green Meadows Fiber Products Limited. The directors, Mr. Chew Chong Pan and Mr. Pit Tat Peh (Peter Peh), are currently or formerly involved in at least 35 companies running oil palm operations as subsidiaries of DTK Opportunity, Sunny

Vision Holdings, Sabeni Limited, Asagro Sdn Bhd and other companies known for their opaque structures.⁷⁶ Of these 35 companies, 27 own palm oil mills and/or kernel crushers. Royal Golden Eagle (RGE), through its Apical group, is a customer of all 27. Other refiners buying directly have trade relations with fewer of these mills and kernel crushers.⁷⁷

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	RGE (Apical), Musim Mas, Wilmar, HSA Group/Pacific Inter-Link	Avon, Colgate-Palmolive, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oréal, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele
Other buyers (likely indirect)	AAK, ADM, Bunge, Cargill, COFCO International, Fuji Oil, Itochu Corporation, KLK, Lípidos Santiga, Louis Dreyfus, Neste Oil, Nisshin Oillio, Olam, Oleon NV, Pertamina, Sime Darby	

Table 7

Known buyers of palm oil from Nusantara Fiber directors



Nusantara Fiber,
PT Industrial
Forest Plantation
Indonesia, January 2021
© Aidenvironment

Case 2.5 in Cross Commodities Report

2.3

RGE-connected PT Adindo Hutani Lestari

Company profile

The industrial tree plantation company PT Adindo Hutani Lestari (Adindo) is owned by the Indonesian companies PT Kreasi Lestari Pratama (60%) and PT Anugrah Hijau Lestari (40%).

PT Kreasi Lestari Pratama has undisclosed owners. It is owned by two companies, East Globe Logistic Corp (81.6%) and Pacific Fiber Limited (18.4%), both of which are registered in the recognized secrecy jurisdiction of the British Virgin Islands. Historical ownership records of PT Kreasi Lestari Pratama, before it moved to secrecy jurisdictions, connect it to Royal Golden Eagle (RGE).⁷⁸

PT Anugrah Hijau Lestari is part of the Sumatera Dinamika Utama group,⁷⁹ which is also connected to RGE. It is one of APRIL's 'long-term partner' fibre suppliers.⁸⁰ Together, these so-called 'long-term partners' have a combined concession area of 570,000 ha,⁸¹ of which around 400,000 ha (70 percent) belong to the Sumatera Dinamika Utama group.⁸² This group is owned by several former employees of RGE, and its plantation companies have overlapping directors and commissioners. The former RGE employees who own the Sumatera Dinamika Utama group also own palm oil operations under the name Anugrah Supraventure.

In a September 2020 response to an inquiry by a coalition of Indonesian NGOs known collectively as the Koalisi Anti Mafia Hutan, Adindo stated that its two shareholding companies are not affiliated with RGE. However, Adindo did not reply in detail regarding several connections between PT AHL and RGE identified by the NGO coalition. The NGOs, for example, pointed out that commissioners, directors and shareholders in PT Adindo's current ownership structure (Mr. Protasius Daritan, Mr. Hartanto Wisastra, Mr. Dedy Sutanto and Mr. Ferdinand Flores) have links with RGE, APRIL and/or RGE-related companies. Adindo simply replied saying the four individuals had never served as commissioners, directors or shareholders in Adindo, with no mention of their roles in the companies owning Adindo.⁸³

Industrial tree plantation operations

PT Adindo Hutani Lestari (Adindo) has a concession area of 182,000 ha in North Kalimantan. It is an 'open market supplier' to APRIL.⁸⁴

In October 2020, an NGO coalition published a report about deforestation conducted by Adindo. The coalition had detected 7,291 ha of deforestation during the period from June 2015 to August 2020. APRIL's response was included in the NGO report. According to APRIL, there had been no breach of its sustainability commitments.

It did respond to NGO allegations of clearing of High Conservation Value areas and protected peat, but not to the deforestation figures presented in the report. APRIL's sustainability policy clearly states that it (and its suppliers) will only develop areas that are not forested, as identified through independent peer-reviewed High Carbon Stock (HCS) assessments. The NGOs reported that to the best of their knowledge, no HCS assessment had been conducted for the Adindo concession.⁸⁵

Table 8
Deforestation by PT Adindo Hutani Lestari (ha)

PLANTATION COMPANY	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Adindo Hutani Lestari	452	1,562	1,485	562	1,246	5,307	28	5,335

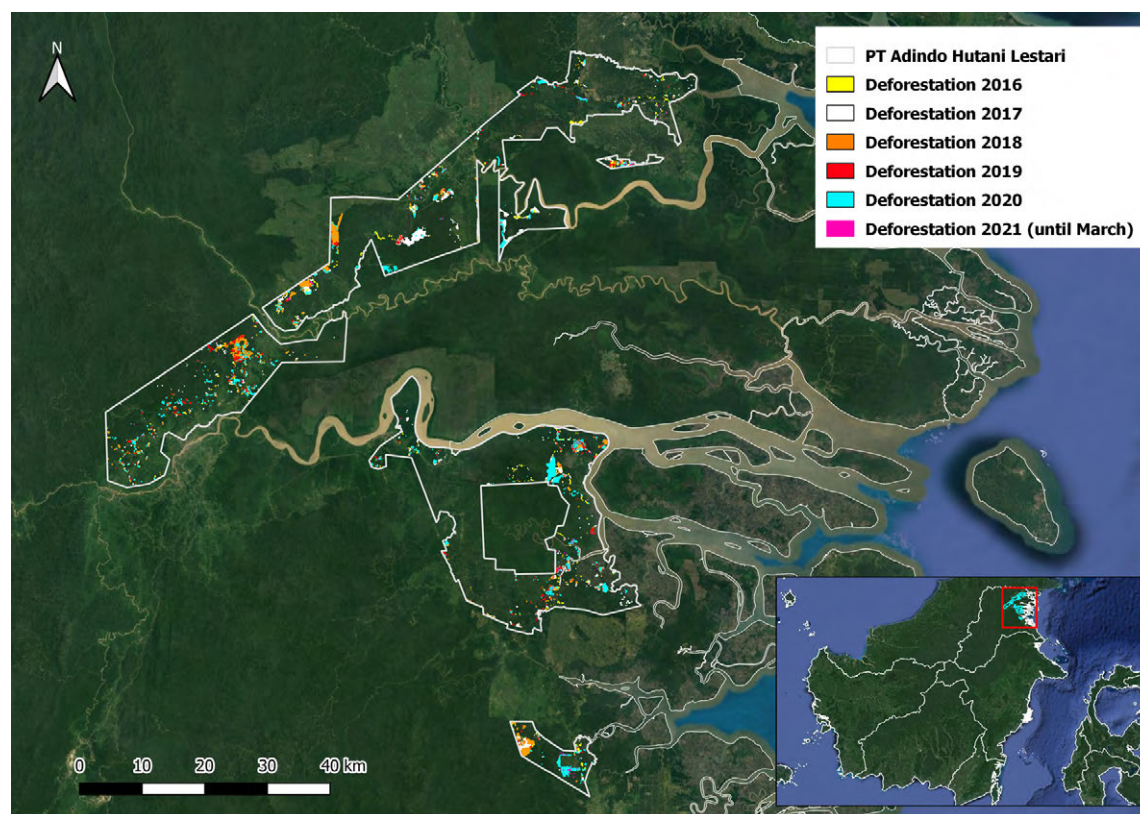


Figure 5
Deforestation by PT Adindo Hutani Lestari since 2016

Royal Golden Eagle's palm oil operations

Royal Golden Eagle (RGE) runs its palm oil operations through the companies Asian Agri and Apical.⁸⁶ Asian Agri is its oil palm grower, which manages a planted landbank of 158,000 ha and operates 22 palm oil mills. Apical is its trader/refiner, which has five refineries (in Sumatra, Jakarta, China and East Kalimantan), one kernel crushing plant, two oleochemical plants and three biodiesel plants.⁸⁷ Both Asian Agri and Apical have NDPE policies⁸⁸ and are members of the Roundtable on Sustainable Palm Oil (RSPO).⁸⁹

Nusantara Fiber, PT
Industrial Forest Plantation
Indonesia, January 2021
© Aidenvironment

Case 2.5 in Cross Commodities Report



Anugrah Superventure's palm oil operations

Anugrah Superventure is a palm oil company with 30 mills and/or kernel crushers.⁹⁰ It is in the world's top-ten company groups with the largest numbers of palm oil mills.⁹¹ Most palm oil refiners, on their lists of supplying mills, still do not recognize Anugrah Superventure as a company group. Most of its mills are located in Sumatra with some in Kalimantan.

One section of Anugrah Superventure has largely the same company structure as the Sumatera Dinamika Utama group. Its plantation companies also have overlapping directors and commissioners. In fact, the same former RGE employees who own the Sumatera Dinamika Utama group also own palm oil operations under the name Anugrah Superventure. Another section of Anugrah Superventure has a central role for the Malaysian company Asagro Sdn Bhd.

Asagro Sdn Bhd is 50%-owned by Brighton Investment Group Ltd.⁹² According to the International Consortium of Investigative Journalists (ICIJ) Offshore Leaks Database, Mr. Sukanto Tanoto, RGE's founder and chairman, is a shareholder of Brighton Investment Group Ltd.⁹³ As information in the ICIJ database is current through 2010, the ownership of Brighton Investment Group Ltd may have changed.⁹⁴

Anugrah Superventure is a palm oil mill company rather than an oil palm grower. It establishes mills and kernel crushers in strategic locations. It is unclear whether Anugrah Superventure complies with provisions in Indonesian law requiring agreements with growers to operate a mill.⁹⁵ The company has some issues with mill effluent affecting communities surrounding its mills and involvement in land conflicts.⁹⁶

Palm oil supply chain

RGE (Apical) is the main buyer of produce from Asian Agri and Anugrah Superventure's palm oil operations. Other refiners also buy directly from Asian Agri and Anugrah Superventure, but in smaller volumes. The palm oil supplied to main refiners by RGE (Asian Agri) and its connected company Anugrah Superventure are a source of leverage that main refiners have over RGE. The palm oil refiners should engage with RGE over the deforestation by PT Adindo Hutani, to which RGE is connected and from which RGE (APRIL) sources produce.

RGE (Apical) buys from 29 of Anugrah Superventure's 30 mills and/or kernel crushers.⁹⁷ In its response to a draft report sent for review, KLK Oleo said that Apical had responded to them saying four mills: Adinusa Agro Lestari, Borneo Sawit Persada, Mandiri Sawit Sejahtera and Subur Agro Sejahtera were not in Apical's supply chain.⁹⁸ Indeed, the list of mills sent with the draft report was incorrect as Adinusa Agro Lestari, Mandiri Sawit Sejahtera and Subur Agro Sejahtera do not have mills. Anugrah Superventure does have 30 mills and/or

kernel crushers, but in some cases two mills and/or kernel crushers fall under the same company name. Additional information validates that Apical does not source from the Borneo Sawit Persada mill.

Table 9

Known buyers of palm oil from Asian Agri

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	RGE (Apical), Musim Mas, Mewah, KLK	Avon, Colgate-Palmolive, Danone, Ferrero, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oréal, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele
Other buyers (likely indirect)	AAK, ADM, BASF, Bunge, Cargill, COFCO, Fuji Oil, HSA Group/Pacific Inter-Link, Itochu Corporation, Lipidos Santiga, Louis Dreyfus, Neste Oil, Nisshin OilliO, Olam	

Table 10

Known buyers of palm oil from Anugrah Superventure

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	RGE (Apical), Musim Mas, Wilmar, Sinar Mas (GAR), HSA Group/Pacific Inter-Link, KLK	Avon, Colgate-Palmolive, Danone, Ferrero, Friesland Campina, General Mills, Johnson&Johnson, Grupo Bimbo, KAO, Kellogg's, L'Oréal, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele
Other buyers (likely indirect)	AAK, ADM, BASF, Bunge, Cargill, COFCO, Fuji Oil, Itochu Corporation, Lipidos Santiga, Louis Dreyfus, Neste Oil, Nisshin OilliO, Olam, Sime Darby	

2.4

Rimbunan Hijau

Company profile

Rimbunan Hijau, translated by the company into 'forever green', is a conglomerate of companies active in several countries and business sectors including forestry, oil palm, media, oil and gas, mining, fisheries, information technology, property and hotel/tourism/leisure. Tan Sri Datuk Tiong Hiew King, now 86 years old, founded Rimbunan Hijau in 1975. He and his family members own RH and many family members hold management positions in Rimbunan Hijau companies.⁹⁹ Public information on Rimbunan Hijau operations is scarce, apart from three companies listed on the Malaysian stock exchange.

Industrial tree plantation operations

Rimbunan Hijau has licenses for planted forests covering an estimated 355,000 ha in the Malaysian state of Sarawak. Deforestation for industrial tree plantation development has amounted to 30,109 ha since 2016. The Malaysian stock exchange listed Rimbunan Hijau subsidiary Jaya Tiasa Holdings Berhad¹⁰⁰ accounted for almost half of this deforestation. During the 2016-2020 period, despite land clearing, Jaya Tiasa's planted area only

increased from 31,561 to 34,993 ha. The company refers to its plantation forest operations as 'reforestation', yet in practice it equates to deforestation.¹⁰¹

A draft report was sent for review to Jaya Tiasa's Investor Relations and to another retrieved contact. No other contact information could be found online. There has been no response to the outreach.

LICENCE FOR PLANTED FOREST (LPF)	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
LPF/0024 Bahau Linau (Jaya Tiasa)	2,368	2,782	1,650	2,673	1,605	11,078		11,078
LPF/0026	2,193	530	1,291	2,155	1,290	7,459	542	8,001
LPF/0036	1,820	709	762	370	767	4,428	284	4,712
LPF/0023 Merirai Balui (Jaya Tiasa)		302	830	1,509	613	3,254		3,254
LPF/0037 Baram Tinjar		752	1,162			1,914		1,914
LPF/0025	126	643				769		769
LPF/0030 Garu Skyline				382		382		382
Total	6,507	5,718	5,695	7,089	4,275	29,284	826	30,110

Table 11

Deforestation by Rimbunan Hijau industrial tree plantation operations (ha)

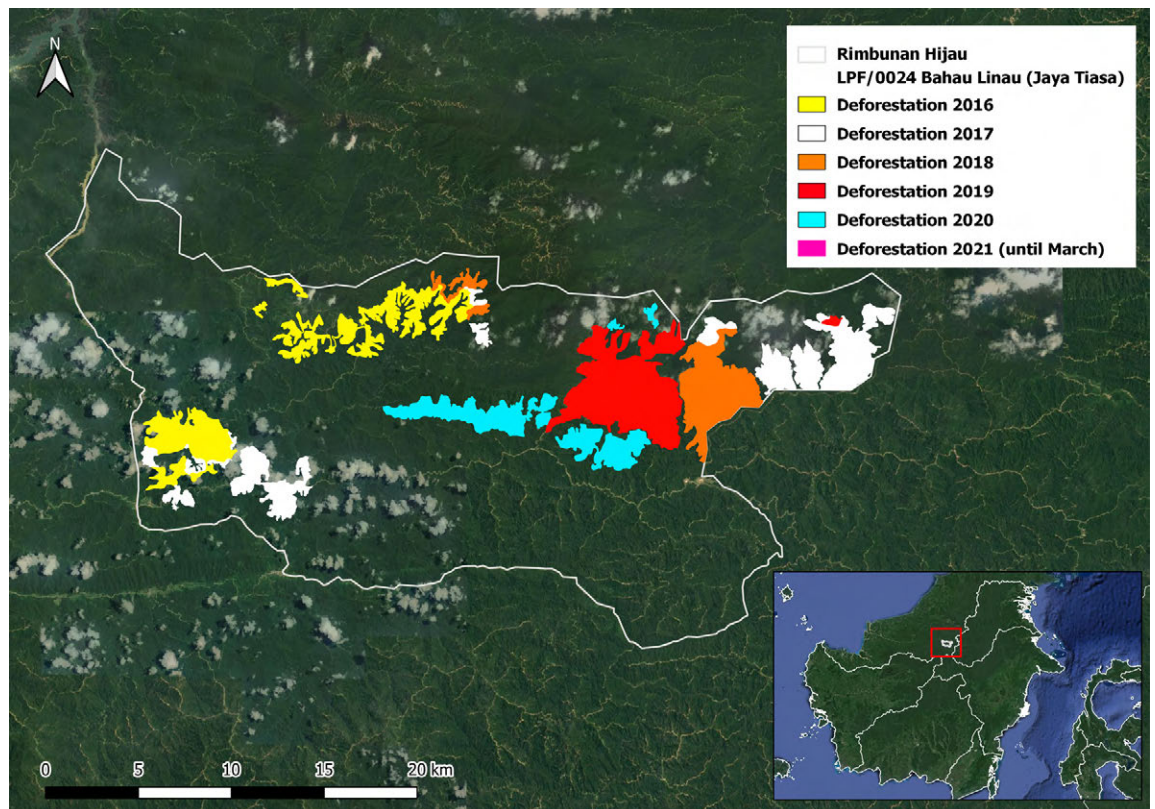


Figure 6 (top)

Deforestation by Rimbunan Hijau subsidiary LPF/0024 Bahau Linau (Jaya Tiasa) since 2016

Figure 7 (bottom)

June 2019 satellite image showing deforestation by Rimbunan Hijau subsidiary LPF/0024 Bahau Linau (Jaya Tiasa)

Logging operations

Rimbunan Hijau (RH) has extensive logging operations in Papua New Guinea¹⁰², Sarawak, New Zealand and Gabon.¹⁰³ The company is likely involved in logging operations in more countries; however no other information on its current operations are available to the public. In August and September 2018, respectively, the NGOs Global Witness and Oakland Institute published reports on tax evasion/illegal logging in Papua New Guinea, involving RH.¹⁰⁴ Rimbunan Hijau's logging activities in PNG appear to be decreasing.¹⁰⁵

The timber processing company PT Wapoga Mutiara Industries operating in Biak Numfor district, West Papua province, is connected to Rimbunan Hijau. The company produces sawn wood, plywood and veneer and holds an FSC certificate.¹⁰⁶ The company Kinley Trading Limited, registered in the British Virgin Islands secrecy jurisdiction, is the ultimate majority owner of PT Wapoga Mutiara Industries through its 100% owned Hong Kong-based daughter company Baines Limited. Members of the Tiong family appear as directors or commissioners in company registry files for both Baines Limited and PT Wapoga Mutiara Industries.¹⁰⁷

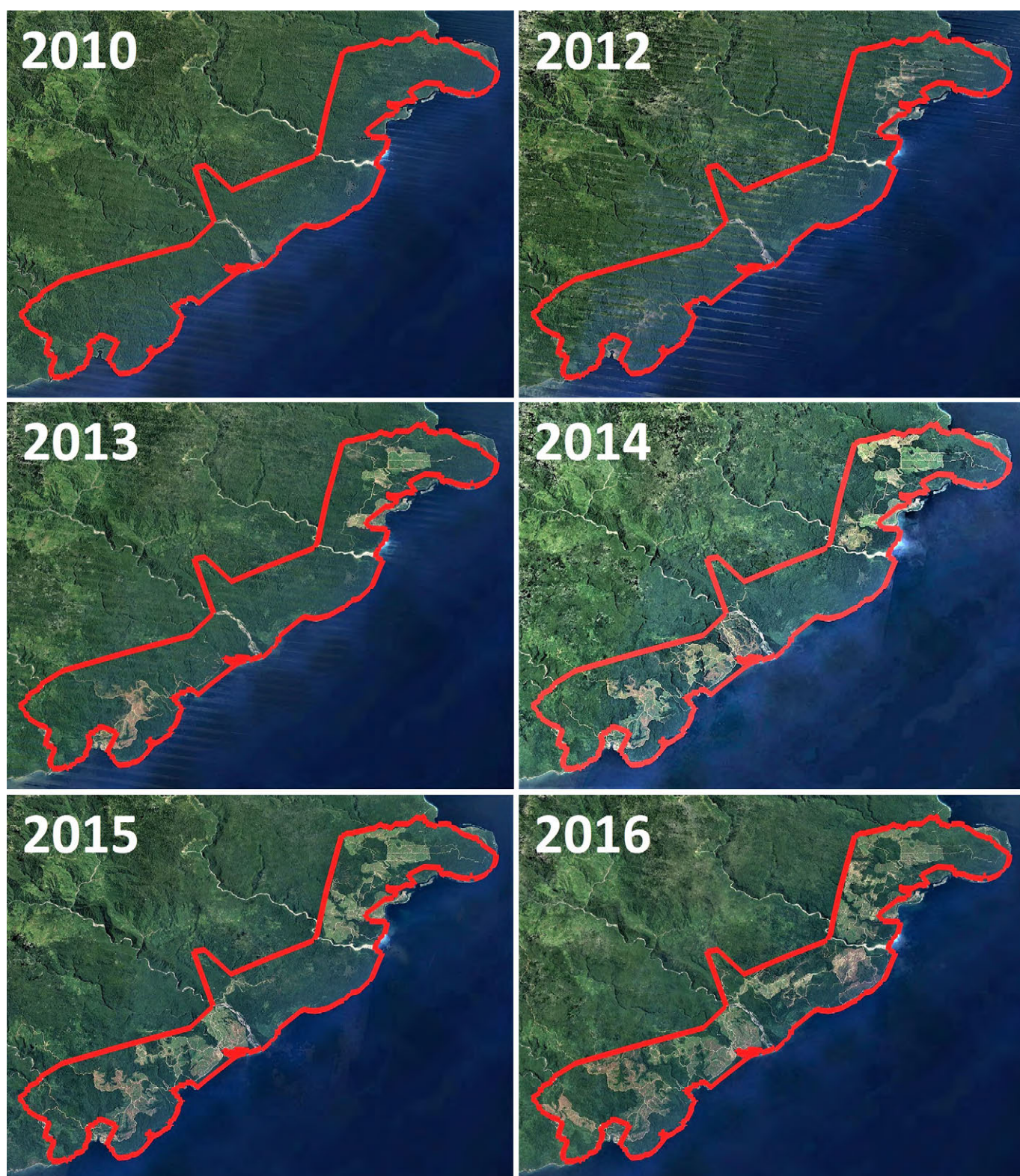
Palm oil operations

Rimbunan Hijau is by far the largest private palm oil company in Sarawak. Three of its subsidiaries, Jaya Tiasa Holdings Berhad, Rimbunan Sawit Berhad and Subur Tiasa Holdings Berhad, have oil palm operations and are listed on the Malaysian stock exchange. Rimbunan Hijau owns other oil palm plantations and palm oil mills in addition to these operations.¹⁰⁸

In total, Rimbunan Hijau has 11 palm oil mills in Sarawak and one in Papua New Guinea. Its total oil palm landbank is estimated at 308,000 ha, 207,000 ha of which are planted with oil palm. This puts Rimbunan Hijau in the world's top 20 largest oil palm growers. Since 2017, Rimbunan Hijau has been operating a palm oil refinery in Bintulu, Sarawak. The refinery is among the so-called 'leakage' refineries as it has no NDPE policy or disclosed list of supplying mills.

Rimbunan Hijau company Gilford Limited has a 42,400-hectare oil palm concession area on New Britain Island in Papua New Guinea, which according to the NGO Global Witness, cleared approximately 21,900 ha of mostly intact rainforest from 2011 to February 2017.¹⁰⁹ In June 2018, communities affected by oil palm development published an economic evaluation of the damages suffered as a result of wrongful appropriation of customary land. Losses suffered from 2011 to 2017 were estimated at PGK 1.1 billion (equivalent to USD 250 million).¹¹⁰ Wilmar engaged with Gilford in September 2018, and Gilford committed to a moratorium on land clearing.¹¹¹

In Sarawak, Subur Tiasa's 60%-owned company Victory Pelita Kabah Sdn Bhd cleared 1,800 ha of forests between March 2016 and July 2018.



Rimbunan Hijau's oil palm concession in East New Britain province of Papua New Guinea. More than 20,000 hectares of mostly intact rainforest were cleared, for oil palm.

[Planet.com satellite imagery](#)

Palm oil supply chain

Rimbunan Hijau has three known direct buyers: Wilmar,¹¹² BLD Plantation¹¹³ and Sarawak Oil Palms.¹¹⁴ Mewah was also listed as a direct buyer in a draft report.¹¹⁵ However, in its response to the draft report sent for review, Mewah said: 'RH or Gilford Ltd is not a direct supplier to Mewah. We were linked through indirect CPKO purchase from a Sarawak's supplier who ship CPKO from East Malaysia to Peninsular Malaysia.'¹¹⁶ As Gilford operates in Papua New Guinea, the shipping from East Malaysia was unclear. Nonetheless, Mewah was deleted from the direct buyers list, and moved to the list of other buyers.

Table 12
Known buyers of palm oil from Rimbunan Hijau operations

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	Wilmar, BLD Plantation, Sarawak Oil Palms	Avon, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oréal, Mars, Mondelez, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele
Other buyers (likely indirect)	AAK, ADM, BASF, Bunge, Cargill, COFCO, Fuji Oil, IOI, KLK, Louis Dreyfus, International, Mewah, Nisshin OilliO, Olam, HSA Group/ Pacific Inter-Link, Sime Darby	

‘Rimbunan Hijau is by far the largest private palm oil company in Sarawak. Three of its subsidiaries have oil palm operations and are listed on the Malaysian stock exchange.’

2.5

Samling

Company profile

Samling is a Malaysian conglomerate owned by the Yaw family, including father and son Yaw Teck Seng and Yaw Chee Ming.¹¹⁷ Its main businesses are timber, palm oil, infrastructure/construction and property development.¹¹⁸ Samling's forestry concessions (logging and industrial tree plantations) total 1.4 million ha in Malaysia.¹¹⁹ Samling's palm oil company is Glenealy Plantations.¹²⁰

Industrial tree plantation operations

Samling holds several licenses for planted forests (LPFs) in Sarawak for concession areas that have experienced 25,600 ha of deforestation since 2016 (see Table 13). In its response to a draft report sent for review, Samling contested the figures presented in the table stating that only part of the deforestation was due to industrial tree plantation development. It stated: 'Based on our

records, the total area prepared for ITP in aggregate in the mentioned areas from January 2016 to March 2021 was 9,838 ha. There are areas in the mentioned LPFs that are used by local communities, either in the course of developing their areas of shifting agriculture or in continuing to practice the cycle of shifting cultivation.'¹²¹

LICENCE FOR PLANTED FOREST (LPF)	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
LPF/0007 Jelalong	1,036	2,671	1,891	1,349	284	7,232	135	7,367
LPF/0021 Paong	4,951	263				5,214		5,214
LPF/0005 Kanaya	2,135	657	674	624	54	4,144	29	4,173
LPF/0006 Lana	875	1,224	669	649	205	3,622	77	3,699
LPF/0008 Batu Belah	465	1,126	965	184	241	2,980		2,980
LPF/0020 Layun		825		978	407	2,210		2,210
Total	9,462	6,766	4,199	3,784	1,191	25,402	241	25,643

Table 13

Deforestation by Samling industrial tree plantation operations (ha)

Since late 2018, the US-based NGO Mighty Earth has highlighted several deforestation cases linked to Samling in its Rapid Response reports.¹²² However, Samling has denied deforesting for oil palm development inside the Jelalong and Lana estates. While doubts remained over whether the deforestation was for oil palm or industrial trees or due to community farming practices, by May 2020, many processors/traders and consumer goods companies had suspended trade with Samling.¹²³ The suspensions led Samling to adopt an NDPE policy for Glenealy Plantations oil palm operations.¹²⁴ In its response to the draft report sent for

review, Samling stated that the areas inside the Lana LPF concession were designated for industrial tree plantation development, as approved by Forest Department Sarawak. According to Samling's records, the total area prepared for this development between January 2016 and March 2021 was 3,250 ha. According to Samling, no areas were prepared for industrial tree plantation development inside the Jelalong LPF.¹²⁵ The company did not elaborate on the causes of the 7,400 ha of deforestation inside the Jelalong LPF, apart from remarking generally that local communities use parts of all its LPFs.

Samling Group issued a Responsible Forest Management Policy in February 2021, which applies to 'all forests managed by the Group and its subsidiaries.' The policy does not meet NDPE market standards for industrial tree plantations as it fails to include aspects such as protection of peatlands and High Carbon Stock (HCS) areas and zero-burning. Through the policy, Samling has only committed to protecting forests when they constitute parts of 'undisturbed natural ecosystems.'¹²⁶

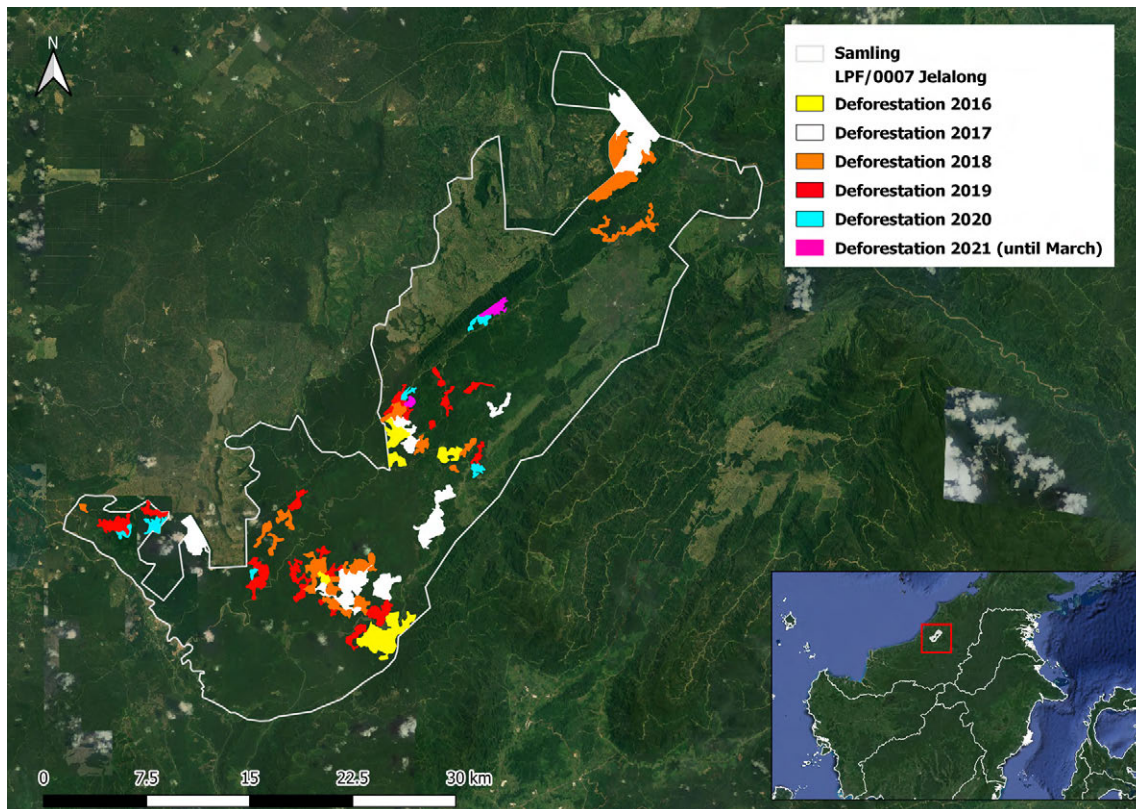
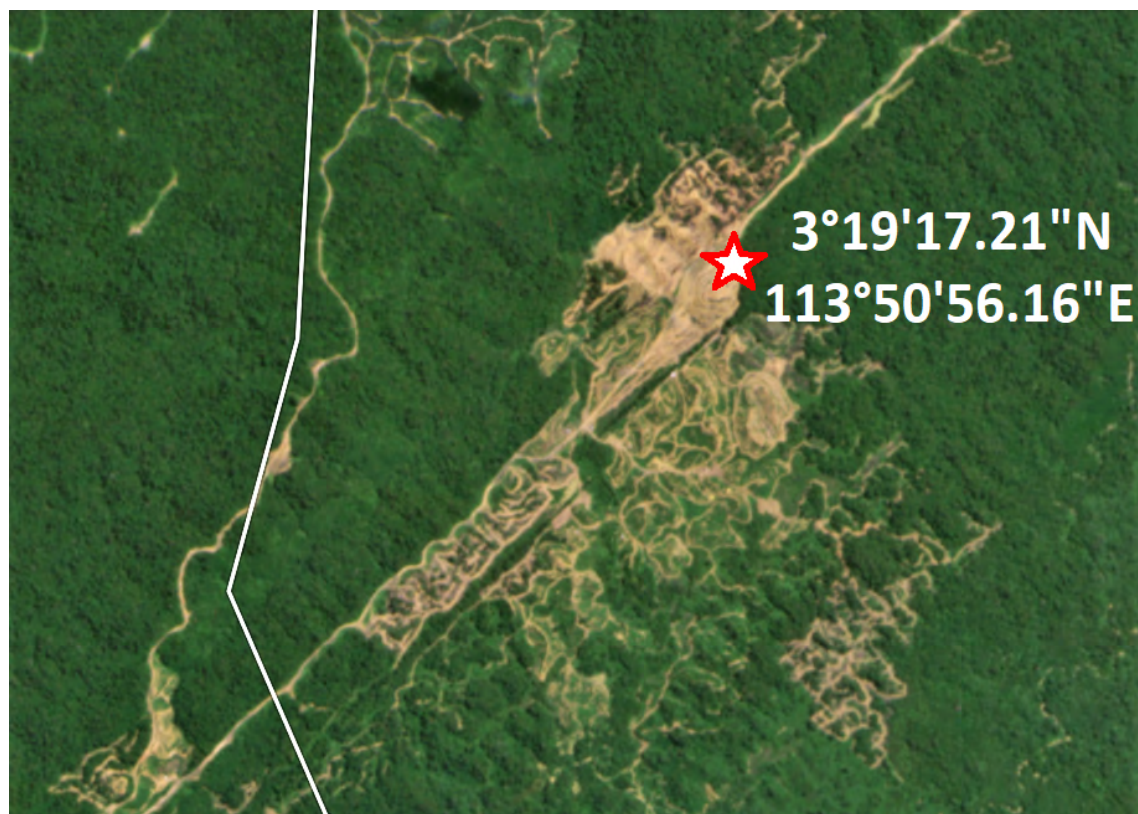


Figure 8
Deforestation in Samling's LPF/0007 Jelalong since 2016

Figure 9

December 2019 satellite image showing deforestation in Samling's LPF/0007 Jelalong



Logging operations

In its response to the draft report sent for review, Samling elaborated extensively on statements made in the draft regarding

its logging operations.¹²⁷ For readability, Samling's response has been placed in Appendix 3 of this report.

Palm oil operations

Glenealy has palm oil operations in Malaysia (Sarawak and Sabah) and Indonesia (mainly North Kalimantan). The company claims to have an oil palm planted area of 40,000 ha.¹²⁸ It has three mills in Sarawak: Belaga, Lana and Jelalong, and another mill, Timora, in Sabah. Glenealy Plantations adopted an NDPE policy in April 2020.¹²⁹

In September 2018, Greenpeace highlighted Samling for clearing 4,492 ha of forests in North Kalimantan and Papua New Guinea

between 2015 and 2018.¹³⁰ Samling's project in Papua New Guinea was abandoned/divested in 2017 and announced officially in early 2018.¹³¹

According to a report by a coalition of NGOs, Glenealy Plantations cleared at least 2,400 ha, including villagers' orchards, for an oil palm project in Myanmar during the 2011-2016 period.¹³² In its response to a draft report sent for review, Glenealy Plantations categorically denied clearing 2,400 ha,

including villagers' orchards. Glenealy Plantations said it had completed an HCV assessment for the project, which included a planted area of approximately 1,470 ha, in early 2018 before the project divestment.¹³³

Glenealy Plantations adopted an NDPE policy in April 2020.¹³⁴ In its response to the draft report sent for review, it stated: 'In addition, in response to the various allegations of deforestation for its oil palm development, Glenealy Plantations has

conducted an independent Land Use Change Analysis (LUCA) assessment in Glenealy Plantations' oil palm concessions. With the assessment completed, Glenealy has made a self-declaration of HCS Loss and prepared a NDPE Implementation Plan. The interim management action plan for a Recovery Plan is now being prepared with the assistance of a consultant and will be finalized very soon. Glenealy Plantations will upload the self-declaration of HCS Loss document, the NDPE Implementation Plan and the interim management action plan

for a Recovery Plan in Glenealy's website once the Recovery Plan is completed soon. In all new development areas Glenealy Plantations commits to undertake the integrated High Conservation Value (HCV) - High Carbon Stock (HCS) Assessment to identify areas having globally recognized HCV and HCS attributes. The identification procedure will be guided by the HCVRN Common Guidance and HCSA Toolkit. As such, there will be no future development in any HCV and HCS area identified. The HCV and HCS areas identified will be protected

and managed, contributing to global conservation efforts.¹³⁵

Glenealy Plantations also said it had 'achieved full MSPO certifications for Malaysian estates and mills' and 'took part for the first time in SPOTT assessment as part of our commitment to ESG issues. The marked improvement can be seen from the previous year. We hope to improve on the scoring annually.'¹³⁶

Palm oil supply chain

Based on the latest available supply chain information, companies listed in Table 14 below source palm oil/palm kernel oil from Samling. In early 2020, several refiners, including Wilmar¹³⁷ and Sime Darby,¹³⁸ suspended trade with Samling. Only one company group – BLD Plantation – could be identified as buying directly from Samling (Glenealy Plantations).¹³⁹

Though KLK said it had also suspended trade with Samling,¹⁴⁰ supplies could still be found in its mill list for the October 2020 - March 2021 period.¹⁴¹ However, in its response to a draft report sent for review, KLK said Samling had been named erroneously on the KLK Premier Oils supplier list for October 2020 to March 2021, and

that sourcing from Samling had already stopped in April 2020.¹⁴² KLK was deleted from the list of direct buyers accordingly.

In its response to a draft report sent for review, Itochu Corporation said: 'We confirmed that our direct suppliers do not source from Samling. Therefore, Itochu's involvement as 'likely indirect' is not true, so kindly exclude our name.'¹⁴³ Itochu Corporation was subsequently deleted from the list of other buyers.

As Rimbunan Hijau owns the only large refinery in Sarawak that does not disclose its suppliers, it could also be among Samling's direct buyers. However, this remains uncertain.

Table 14
Known buyers of palm oil from Samling operations

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	BLD Plantation	
Other buyers (likely indirect)	AAK, ADM, BASF, COFCO International, HSA Group/Pacific Inter-Link, IOI, Louis Dreyfus, Mewah, Nisshin OilliO, Olam, Oleon NV	Avon, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oréal, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Upfield, Vandemoortele



Nusantara Fiber, PT Industrial
Forest Plantation

Indonesia, January 2021

© Aidenvironment

Case 2.5 in Cross Commodities Report

2.6

Shin Yang

Company profile

The Shin Yang group of companies, fully owned by Mr. Ling Chiong Ho and family, is one of the largest forestry companies in Sarawak. Shin Yang's main businesses are timber, palm oil, shipping, shipbuilding, property development and civil engineering.¹⁴⁴ Mr. Ling Chiong Ho is chairman of both Shin Yang and the Shin Yang-related oil palm company Sarawak Oil Palms (SOP).

Industrial tree plantation operations

Shin Yang mentions several industrial tree plantation operations on its website.¹⁴⁵ The operations by Zedtee Sdn Bhd and Shin Yang Forestry listed in Table 15 below do not appear on its website. Shin Yang has cleared 14,340 ha of forests for industrial tree plantation development since 2016. The company provides no information on the extent of its industrial tree planted area.

Sarawak Oil Palms (SOP) responded in detail to a draft report sent for review. Shin Yang did not receive a draft report, and SOP did not respond to allegations of deforestation

by Shin Yang for industrial tree plantation development.

However, in its response to a draft report sent for review, KLK Oleo said it had received an update from SOP on Zedtee Sdn Bhd, which had clarified clearance after 2018 was for industrial tree plantation development, as approved by Forest Department Sarawak. It also provided a breakdown of LPF/0039 functions. LPF/0039 accounts for 23,000 ha, of which the Zedtee area comprises 19,000 ha. LPF/0039's 23,000 ha comprises: allocation for industrial tree plantation

(9,400 ha); community use areas (8,000 ha); Permanent Forest Estate for Anap Protected Forest (2,200 ha); conservation areas (1,700 ha); and a natural forest buffer along the boundary with Shin Yang's Anap-Muput FMU (1,700 ha). The area allocated for industrial trees was said to comprise 'seriously degraded forests.' Zedtee Sdn Bhd finally stated that it has maintained the highest standards of social and environmental management, which were subject to intensive evaluation by national and international stakeholders and emulated extensively by peers in Sarawak.¹⁴⁶

LICENCE FOR PLANTED FOREST (LPF)	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
LPF/0017 Long Lama	2,236	480	1,389	828		4,933		4,933
LPF/0039 Zedtee Sdn Bhd	307	1,456	700	1,692	486	4,641	138	4,779
LPF/0039 Shin Yang Forestry	814	83	920	1,006	370	3,193		3,193
LPF/0019 Masama	304		133			437		437
LPF/0018 Penyuan				602	210	812	187	999
Total	3,661	2,019	3,142	4,128	1,066	14,016	325	14,341

Table 15
Deforestation by Shin Yang industrial tree plantation operations (ha)

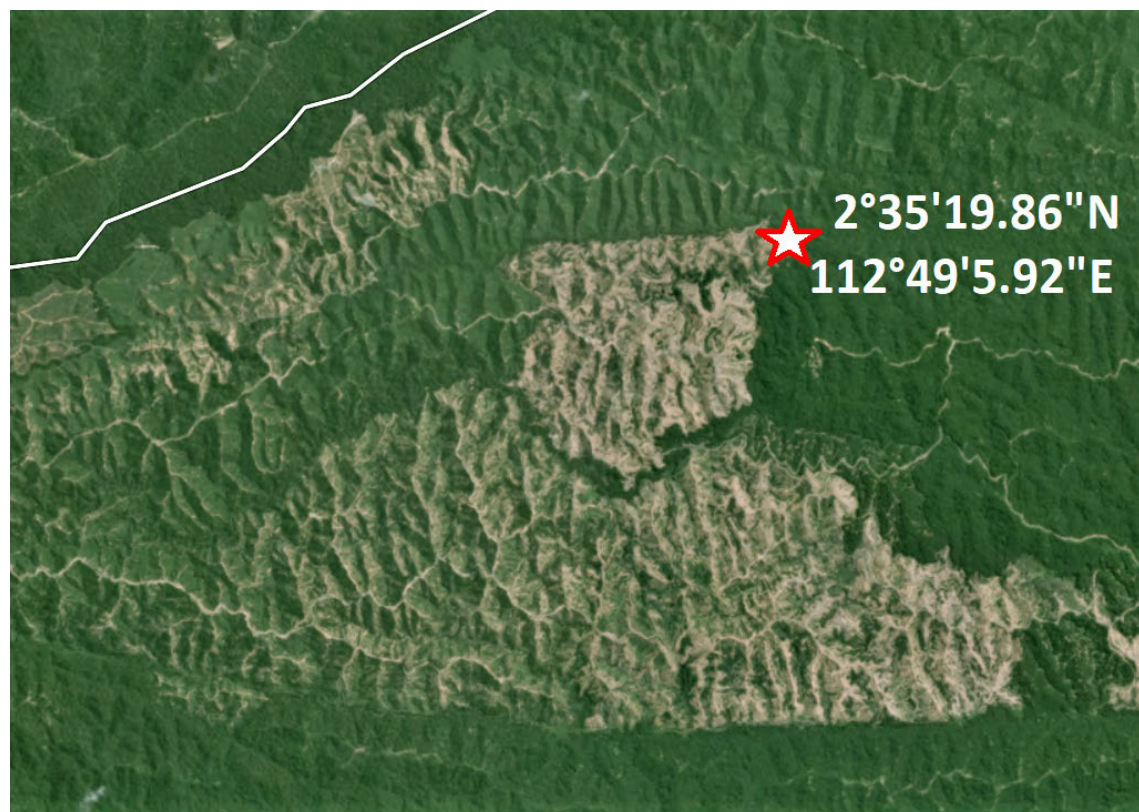
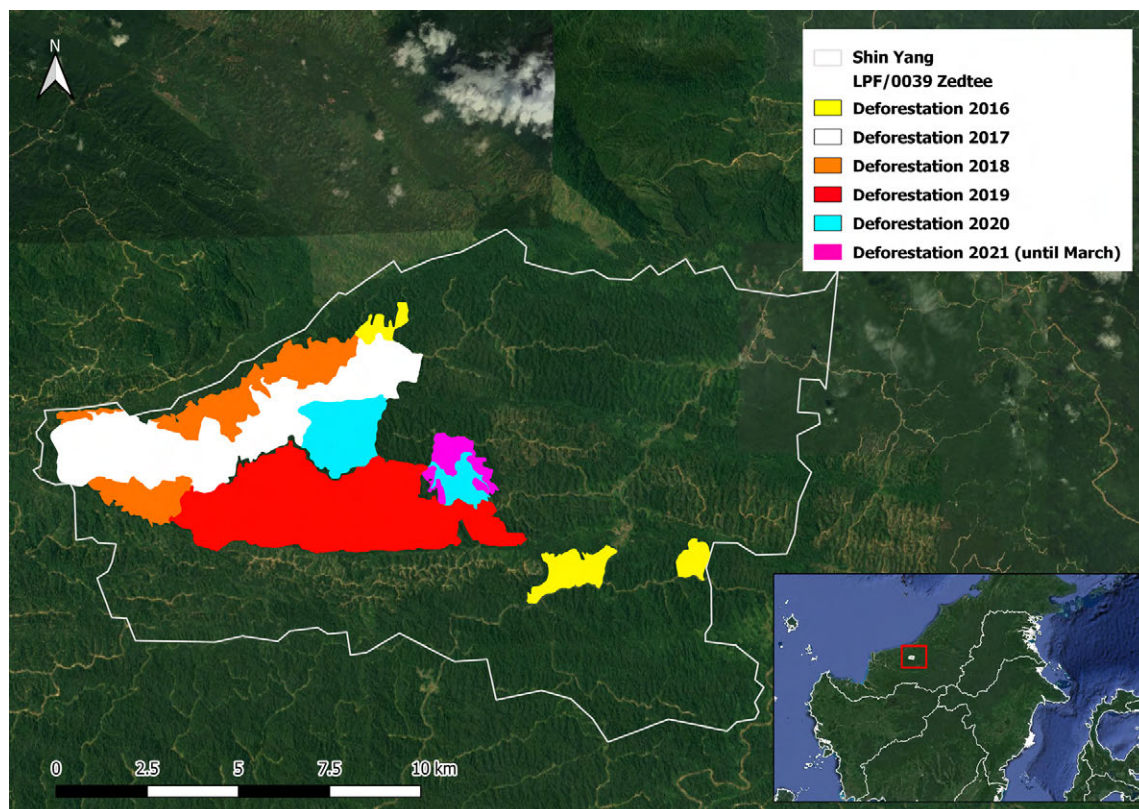


Figure 10 (top)
Deforestation by Shin Yang subsidiary LPF/0039 Zedtee since 2016

Figure 11 (bottom)
June 2020 satellite image showing deforestation by Shin Yang subsidiary LPF/0039 Zedtee

‘The Shin Yang-related company Sarawak Oil Palms (SOP) is the second largest private palm oil company in Sarawak after Rimbunan Hijau.’

Logging operations

Shin Yang currently holds several logging concessions in Sarawak. On its website, it mentions the Danum Forest Management Unit (200,000 ha) and Linau FMU (73,000 ha).¹⁴⁷ In addition, it holds the Anap-Muput FMU (84,000 ha).¹⁴⁸

In October 2017, the leader of an indigenous Penan community in Long Jaik, Sarawak delivered an urgent plea to Japanese Prime Minister Shinzo Abe to halt

Japan's use of plywood from Shin Yang to construct a new national stadium for the 2020 Olympic Games in Tokyo. Shin Yang had been logging for almost two decades in the Long Jaik region, and had previously been implicated in illegal logging, rainforest destruction, and human rights abuses.¹⁴⁹

Palm oil operations

Shin Yang has interests in an oil palm landbank of at least 91,000 ha, of which 33,000 ha are 100%-owned.¹⁵⁰ Shin Yang has no NDPE policy, and from 2016 to June 2019, its plantation companies Dataran Linau Sdn Bhd and Linau Sinar Sdn Bhd together cleared at least 4,000 ha of forests for oil palm.¹⁵¹

The Shin Yang-related company Sarawak Oil Palms (SOP) is the second largest private palm oil company in Sarawak after Rimbunan Hijau. At the end of 2020, SOP had a 122,000-ha oil palm area under lease, some 88,000 ha of which was planted with oil palm. SOP has seven palm oil mills and owns a refinery, kernel crushing plant and palm oil diesel plant. The refinery has an annual crude palm oil (CPO) processing capacity of 450,000 tonnes.¹⁵² SOP is listed on the Malaysian stock exchange. As of 20 April 2021, Shin Yang had a 28.5% shareholding in SOP, with Mr. Ling Chiong Ho holding individual ownership of 7.0%.¹⁵³ Though SOP has no NDPE policy, it is transparent about its sourcing and has an operational grievance system.¹⁵⁴

In its response to a draft report sent for review, SOP emphasized that Shin Yang has no control or influence over any SOP operations. According to SOP, no single investor or chairperson is in a position to dictate decisions by SOP's board. Furthermore, it stated that SOP, independently from Shin Yang, recently made two major decisions: to join RSPO and to be fully RSPO-certified, and to establish an NDPE policy in 2019. SOP stated that the nature of these decisions is clearly unfavourable to Shin Yang's oil palm business, and if Shin Yang had any control over SOP, then these decisions would not have been allowed to proceed.¹⁵⁵ As of June 2021, SOP is not registered as an RSPO member on the RSPO website.¹⁵⁶ This could be because RSPO has yet to make a decision on whether Shin Yang's oil palm operations should be included in the company group.

In its response to a draft report sent for review, SOP acknowledged that Shin Yang is one of its suppliers. It also noted that Shin Yang had signed a declaration to comply with SOP's NDPE policy and had pledged to a moratorium by 31 December 2020.¹⁵⁷

Palm oil supply chain

SOP has recently bought RM 66 million worth of fresh fruit bunches (FFBs) from Shin Yang plantation companies. These transactions represent the actual value from the date of SOP's last AGM to 15 April 2021. SOP also bought RM 24 million worth of FFBs from the company Puncak Niaga, which has also been involved in recent deforestation for oil palm.¹⁵⁸

Three direct buyers of palm oil from Sarawak Oil Palms (SOP) could be identified: Cargill,¹⁵⁹ KLK¹⁶⁰ and Sinar Mas.¹⁶¹

Palm oil import data from India show Sinar Mas' Indian refinery Gemini Edibles Fats India Pvt Ltd importing 8,400 tonnes of CPO from Bintulu port in November 2019.¹⁶² The exporter was Sarawak Oil Palms' trade arm Asia Oils Pte Ltd. Palm oil sourcing by Gemini Edibles Fats India Pvt Ltd. is not included in Golden Agri-Resources' publicly available supply chain map.

In its response to the list of direct buyers from SOP in a draft report sent for review, Wilmar stated: 'The list of companies noted here is far from complete. There are many more companies that are directly buying from Sarawak Oil Palms.'¹⁶³

‘There are many more companies that are directly buying from Sarawak Oil Palms.’

Table 16
Known buyers of palm oil from Sarawak Oil Palms

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	Cargill, KLK, Sinar Mas	
Other buyers (likely indirect)	AAK, ADM, BASF, Bunge, Fuji Oil, KLK, Lipidos Santiga, Louis Dreyfus, Olam, Oleon NV, HSA Group/Pacific Inter-Link, Sime Darby	Avon, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, Kellogg's, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele



Young Orangutans hugging in the
orangutan reintroduction area
Nyaru Menteng near Palangka Raya
Central Kalimantan, April 2017
© Markus Mauthe / Greenpeace

2.7

Alas Kusuma

Company profile

Alas Kusuma is an Indonesian company group that has been involved in logging since the 1970s. Currently, it also holds industrial tree plantations and oil palm concessions. Alas Kusuma has no website and it does not have an NDPE policy. In the latest SPOTT transparency assessment, Alas Kusuma was ranked in the very low category with a total score on only 10.6%.¹⁶⁴

Industrial tree plantation operations

Alas Kusuma’s PT Mayawana Persada operates an industrial tree plantation concession covering 137,000 ha in Ketapang and North Kayong districts in West Kalimantan. In 2016, an expert group of scientists found that most of the area is orangutan habitat.¹⁶⁵ Between 2016 and March 2021, 5,900 ha of forests were cleared inside the concession, a small part of which was caused by third-party bauxite mining.

In May 2021, as an email response to questions posed by the media outlet Mongabay, Alas Kusuma denied its involvement in clearing orangutan habitat, stating: 'There’s no deforestation activity in orangutan’s habitat by PT Mayawana Persada. This can be seen from the company’s working map and the company’s

activities on the ground, which have taken into account the results of studies on orangutan and high conservation values areas.' Mayawana Persada said the studies were conducted by a consultancy called Ecology and Conservation Center for Tropical Studies (Ecositrop) stating: 'The studies were to minimize the impact of the industrial forest plantation on the orangutan population in PT Mayawana Persada’s concession.'¹⁶⁶ The studies have not been made public.

PT Mayawana Persada was the second largest deforester in Indonesia’s pulp and paper sector in 2020,¹⁶⁷ and its clear-cutting activities are still ongoing in 2021. The latest (September 2020) Indonesian government-instigated audit document on PT Mayawana

Persada timber legality verification offers very little information on any conservation efforts.¹⁶⁸ In 2014, the NGO Greenomics had already detailed PT Mayawana Persada failures to preserve High Conservation Value areas.¹⁶⁹

Since 2009, Alas Kusuma has been involved in a joint venture with the Japanese group Sumitomo Forestry concerning 145,000 ha of industrial tree plantations in West Kalimantan held by the companies PT Mayangkara Tanaman Industri and PT Wana Subur Lestari.¹⁷⁰ Alas Kusuma sold most of its shareholdings to Sumitomo Forestry in late 2020, and now has less than 10% stakes in the companies.

	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Mayawana Persada	632	592	407	1,184	2,759	5,574	288	5,862

Table 17
Deforestation by PT Mayawana Persada (ha)

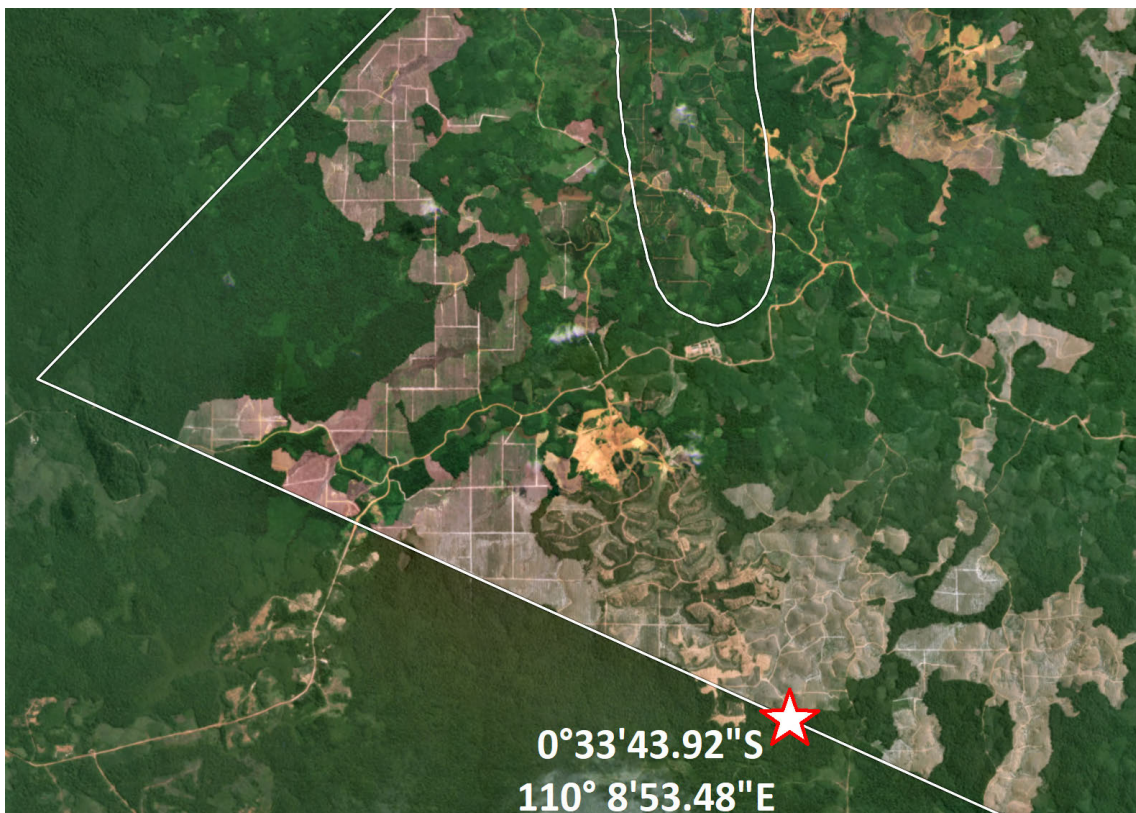
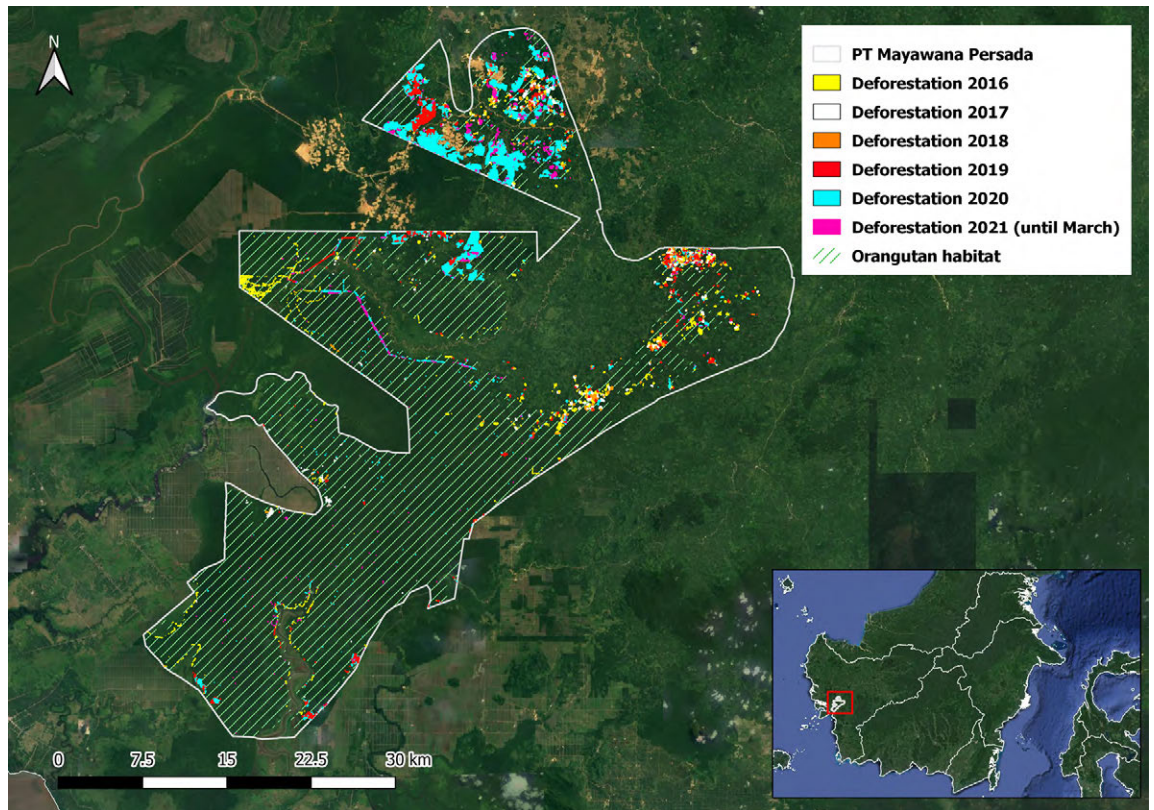


Figure 12 (top)

Deforestation by Alas Kusuma subsidiary PT Mayawana Persada since 2016

Figure 13 (bottom)

June 2020 satellite image showing deforestation by PT Mayawana Persada

Plywood operations

Alas Kusuma, which has 455,000 ha of logging concessions in West and Central Kalimantan, is best known for its plywood operations. Both of its logging companies, PT Sari Bumi Kusuma and PT Suka Jaya Makmur, hold Forest Stewardship Council (FSC) certificates.¹⁷¹ Indonesian trade data for the first nine months of 2020 show Alas Kusuma exporting most of its plywood to the Japanese companies Sumitomo Forestry (10,500 tonnes)

and Itochu Corporation (9,200 tonnes). In its response to a draft report sent for review, Itochu Corporation said it had sourced 3,150 tonnes of plywood from Alas Kusuma during the first nine months of 2020.¹⁷² This figure probably references supplies to Itochu Kenzai Corporation. The higher figure reported by Aidenvironment includes supplies to Daiken Corporation, of which Itochu Corporation is the main shareholder.



Figure 14
Alas Kusuma Group's oil palm planted area and surrounding palm oil mills

Palm oil operations

Alas Kusuma has an estimated oil palm planted area of 12,400 ha. Its produce is sold to third-party mills. Its two oil palm plantation companies, PT Sawit Jaya Makmur and PT Kusuma Alam Sari, are located adjacent to each other in Kubu Raya district in West Kalimantan. Alas Kusuma's fresh fruit bunch harvests are likely sold to mills located in the vicinity, as shown in Figure 14 below. In 2015, Greenpeace highlighted deforestation and fires

inside the PT Kusuma Alam Sari concession. PT Kusuma Alam Sari had cleared a total of 5,300 ha of deep peat area classified as orangutan habitat by September 2015.¹⁷³ Aidenvironment and Mighty Earth detected 129 ha of forest loss from May-August 2018.¹⁷⁴ Mighty Earth continued to detect smaller patches of deforestation in this concession in 2020.¹⁷⁵

Alas Kusuma's customers

Various companies with no-deforestation commitments have trade relations with Alas Kusuma, yet so far there has been no engagement to halt deforestation by PT Mayawana Persada:

- While deforestation by PT Mayawana Persada was ongoing, APRIL (Royal Golden Eagle group) breached its no-deforestation commitment¹⁷⁶ by buying pulpwood in 2019 and 2020 from PT Mayangkara Tanaman Industri. At the time, Alas Kusuma had a 50% stake in the company.
- The Japanese company Itochu Corporation has various policies and initiatives on sustainable procurement.¹⁷⁷ It is a major palm oil refiner/trader and a buyer of Alas Kusuma plywood. Itochu has yet to engage Alas Kusuma over deforestation by PT Mayawana Persada.
- Harvests from Alas Kusuma's oil palm plantations may very well enter the supply chains of Indonesia's main palm oil refiners. It is currently unknown which of the surrounding palm oil mills buy harvest produce from Alas Kusuma. Of all the large refiners with NDPE policies, Wilmar stands out as being a customer of the surrounding mills. According to its latest mill lists, Wilmar sourced from PT Cipta Tumbuh Berbuah and PT Graha Agro Nusantara in 2019-2020.¹⁷⁸ Alas Kusuma might have indirectly supplied Wilmar through these mills. Although Wilmar was asked for clarification on this matter when a draft report was sent for review, it did not respond to this specific question.

'... breached its no-deforestation commitment by buying pulpwood in 2019 and 2020...'

Alas Kusuma, PT Mayawana Persada

Indonesia, February 2021

© Aidenvironment

Case 2.7 in Cross Commodities Report



2.8

Jhonlin

Company profile

Jhonlin Group was founded by the South Kalimantan businessman, Haji Andi Syamsudin Arsyad (commonly known as Haji Isam). The company started off in coal mining, but in recent years has been expanding aggressively into oil palm and industrial tree plantation development. Multiple issues have been reported concerning Jhonlin operations over the past years, including land grabbing, unstable work conditions, alleged bribery and tax evasion, confrontations with communities, arrests of journalists, environmental non-compliance, etc.¹⁷⁹

Industrial tree plantation operations

The wider Isam family holds industrial tree plantation concessions totalling 57,752 ha in South Kalimantan. Jhonlin cleared 2,988 ha for timber plantation development between 2016 and 2020. Most deforestation was caused by PT Jhonlin Agro Mandiri, which has a permit area of 17,730 ha in Tanah Bumbu district, South Kalimantan.

Jhonlin did not receive a draft report for review, as its contact details remain unknown.

PLANTATION COMPANY	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Jhonlin Agro Mandiri	321	360	1,191	429	23	2,324	11	2,335
PT Inni Joa	139	64	50	82	17	352	0	352
PT Kodeco Timber	28	15	5	137	126	311	4	315
Total	488	439	1,246	648	166	2,987	15	3,002

Table 18

Deforestation by Jhonlin industrial tree plantation operations (ha)

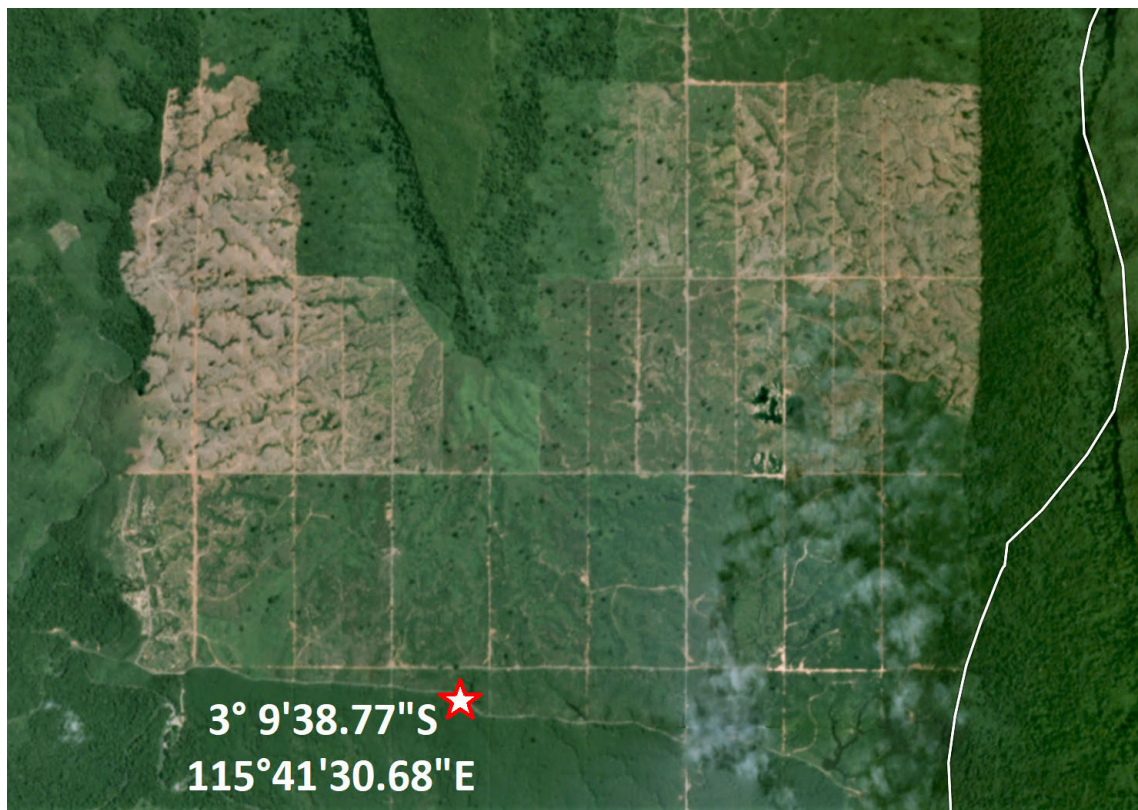
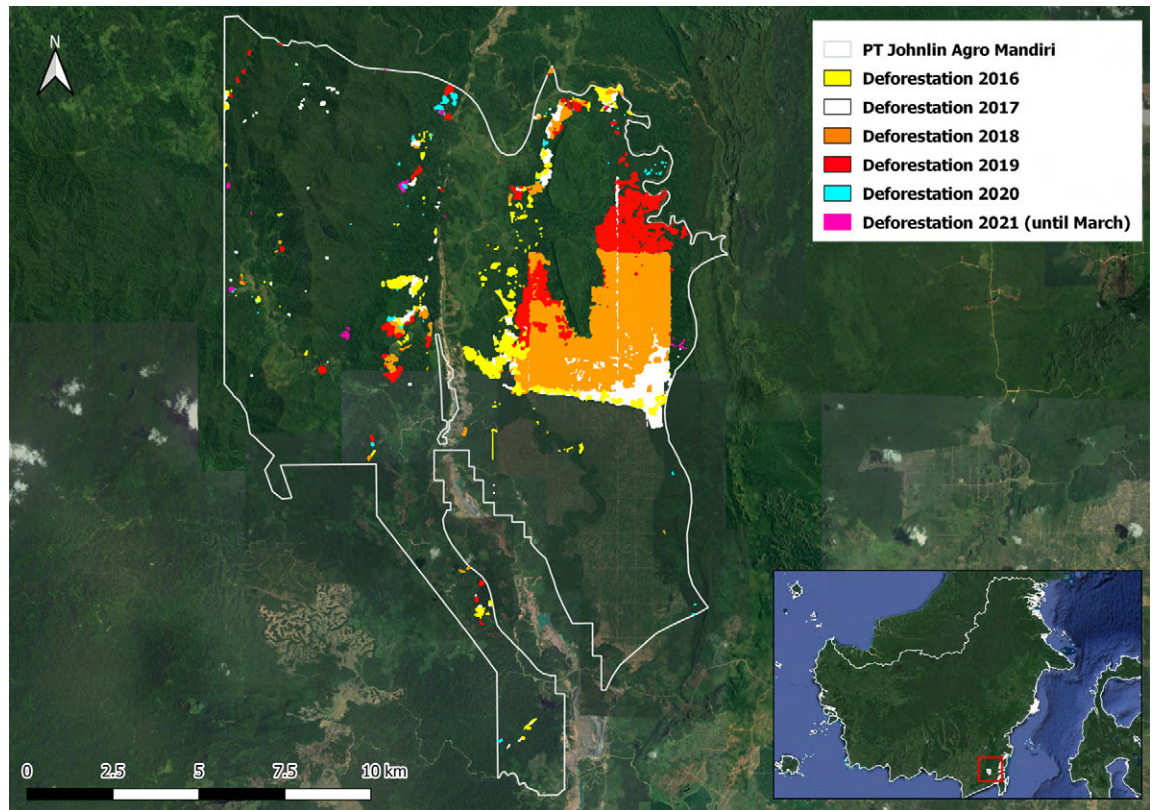


Figure 15 (top)

Deforestation by Jhonlin Agro Mandiri since 2016

Figure 16 (bottom)

December 2018 satellite image showing deforestation by PT Jhonlin Agro Mandiri

Taiyoung and Jhonlin

Jhonlin also owns a 30% stake in PT Taiyoung Engreen, a plantation company with a permit area of 59,810 ha operating in Gunung Mas district, Central Kalimantan. The South-Korean company Taiyoung Global is the main shareholder with a 40% stake. Three individuals: Mr. Badrodin Haiti (Chief of the Indonesian National Police from January 2015 until July 2016),¹⁸⁰ Mr. Mohamed Rafil Perdana and Mr. Didi Basuki each have 10% shareholdings.

PT Taiyoung Engreen cleared 4,862 ha of forests for an industrial tree plantation between 2016 and 2020. In 2016, an expert group of scientists found that most of the

area constitutes orangutan habitat.¹⁸¹ As of December 2020, 43,049 ha or 72% of the concession remained forested and at risk of being developed as neither Jhonlin nor Taiyoung have committed to carrying out environmental impact assessments and conserving HCV/S forests. In 2021, PT Taiyoung Engreen had cleared 65 ha until March.

	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Taiyoung Engreen	650	901	1,444	1,565	303	4,862	65	4,927

Table 19
Deforestation by PT Taiyoung Engreen (ha)

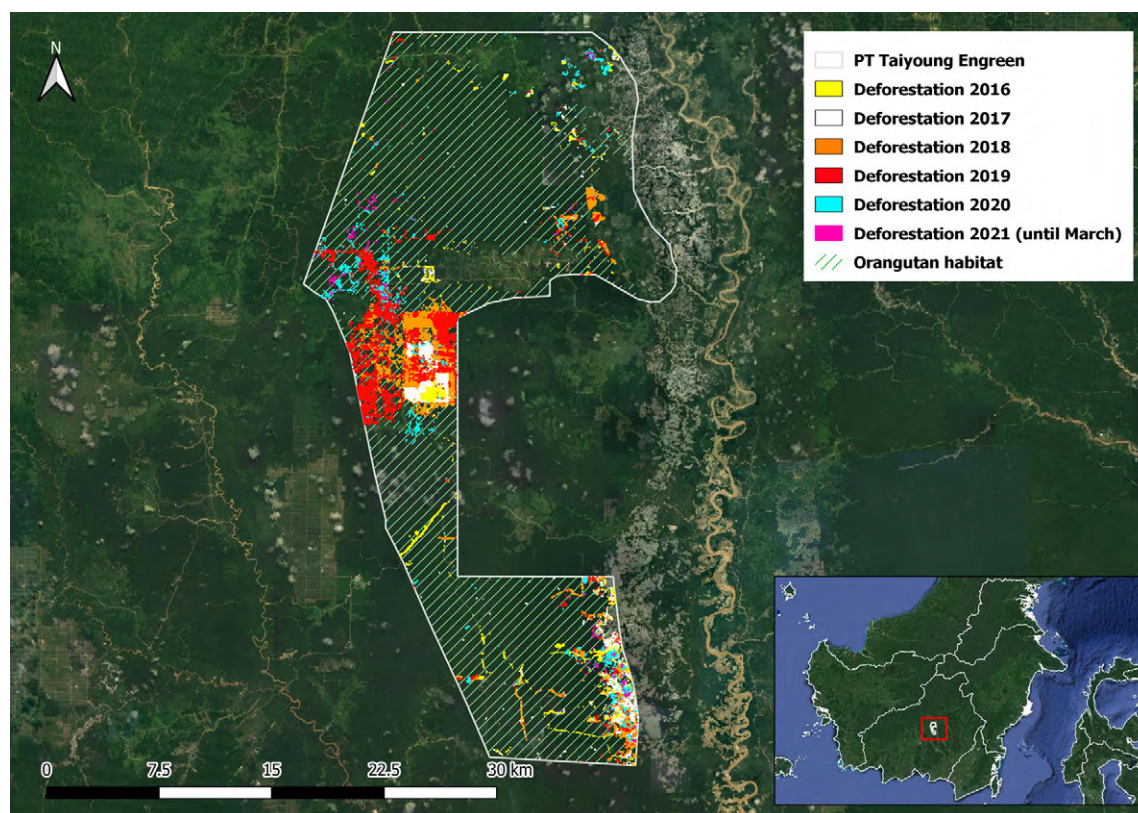


Figure 17
Deforestation by PT Taiyoung Engreen since 2016

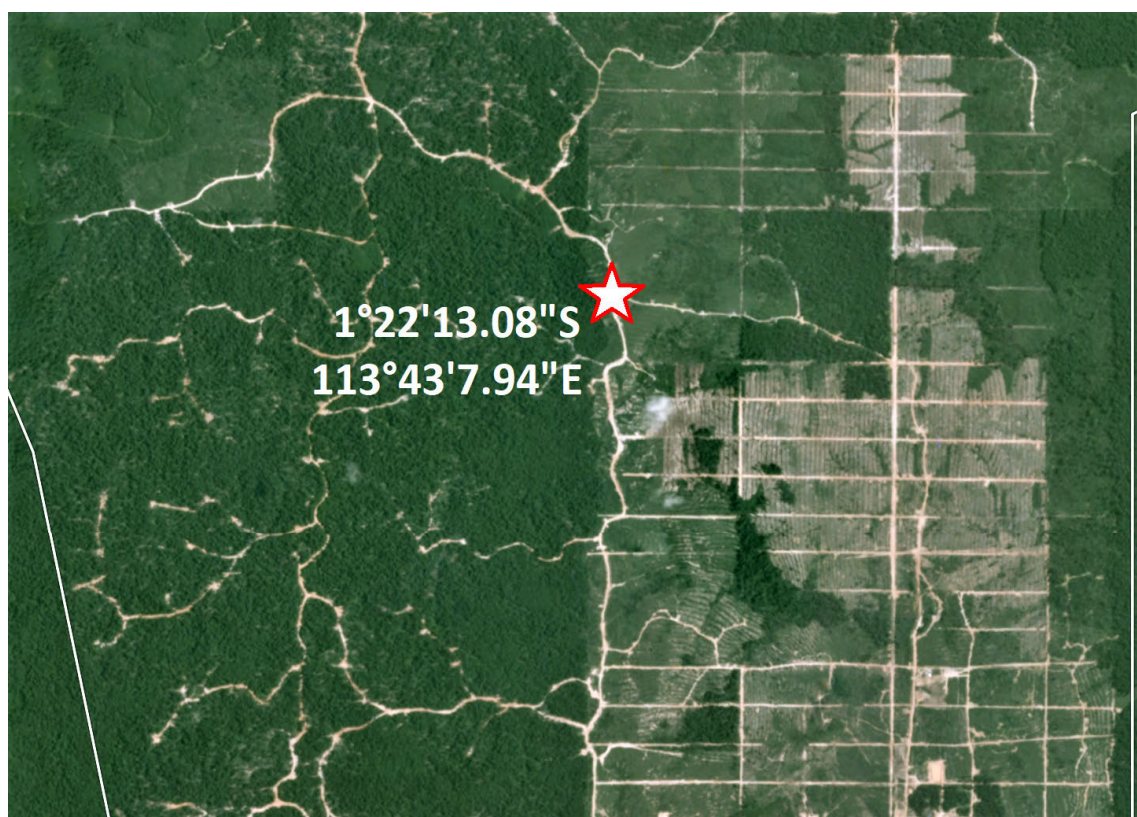


Figure 18

December 2019 satellite image showing deforestation by PT Taiyoung Engreen

Palm oil operations

The wider Isam family owns the PT Adisurya Cipta Lestari and PT Batulicin Agro Sentosa palm oil mills in Tanah Bumbu district, South Kalimantan and PT Pradiksi Gunatama mill in Paser district, East Kalimantan. PT Pradiksi Gunatama was listed on the Indonesia Stock Exchange in July 2020 (code: PGUN). As of 31 March 2021, public shares accounted for 18% of the total shareholding.¹⁸²

Jhonlin appeared in Chain Reaction Research's top ten lists of largest deforesters for oil palm in 2018, 2019 and 2020 with 5,000, 5,900 and 1,000 hectares of forests cleared, respectively. Its oil palm landbank comprises approximately 160,000 ha in Central, East and South Kalimantan.¹⁸³ Following engagement by Sime Darby, Jhonlin agreed to stop work orders for its oil palm concessions by June 2020.¹⁸⁴

One deforestation case, involving Jhonlin subsidiary PT Kodeco Timber, has proven difficult for NDPE companies to handle. The company has a logging concession as well as an industrial tree plantation concession. Jhonlin cleared 5,300 ha of forest inside the logging concession area in 2019. Satellite imagery and media reports indicated PT Kodeco Timber planting oil palm, but with insufficient clarity over exactly what it was growing. PT Kodeco Timber's IUPHHK-HA logging permit is not the type needed for oil palm plantation development.¹⁸⁵ As the palm oil sector's NDPE policies are restricted to oil palm, the Kodeco Timber case questions the relevance of any policy that applies only to a sole commodity when many agribusiness companies operate in multiple crops.

Palm oil supply chain

Three direct buyers from Jhonlin: Sime Darby, Wings and Bina Karya Prima could be identified.¹⁸⁶ In its response to a draft report sent for review, Sime Darby said: 'While it is a very recent development, Jhonlin will no longer be in our supply chain from July 2021.'¹⁸⁷

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	Sime Darby, Wings, Bina Karya Prima	
Other buyers (likely indirect)	AAK, ADM, Bunge, Cargill, COFCO International, Fuji Oil, HSA Group/ Pacific Inter-Link, KLK, Oleon NV	Danone, Friesland Campina, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oréal, Mondelēz, Nestlé, PepsiCo, PZ Cussons, Reckitt Benckiser, Unilever, Upfield

Table 20
Known buyers of palm oil from Jhonlin operations

‘... the Kodeco Timber case questions the relevance of any policy that applies only to a sole commodity when many agribusiness companies operate in multiple crops.’

2.9

Hardaya

Company profile

PT Central Cipta Murdaya (CCM) is an Indonesian business group involved in property, manufacturing, retail, IT, construction and natural resources both domestically and overseas. The group was founded by two individuals, Mrs. Siti Hartati Murdaya and her husband Mr. Murdaya Widyawimarta Poo.¹⁸⁸ The name of its subsidiary, Hardaya Plantations Group (Hardaya), is a composite of the names Hartati and Murdaya.

In February 2013, Mrs. Siti Hartati Murdaya was sentenced to 32 months in prison after being found guilty of bribery. She had been accused of paying IDR 3 billion (more than USD 300,000) in bribes in 2012 to a former regent of Buol district in Central Sulawesi to secure permits for oil palm expansion. She was released from prison in September 2014, after serving two thirds of her sentence.¹⁸⁹

Industrial tree plantation operations

Hardaya's industrial tree plantation company, PT Intraca Hutani Lestari (PT IHL), is located in North Kalimantan and has a concession area of 42,050 ha. The company cleared 2,269 ha of forests between 2016 and March 2021.

Hardaya did not receive a draft report for review.



Nusantara Fiber, PT Industrial Forest Plantation
Indonesia, January 2021

© Aidenvironment

Case 2.5 in Cross Commodities Report

	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Intraca Hutani Lestari	276	195	1,040	529	215	2,256	13	2,269

Table 21

Deforestation by Hardaya industrial tree plantation operations (ha)

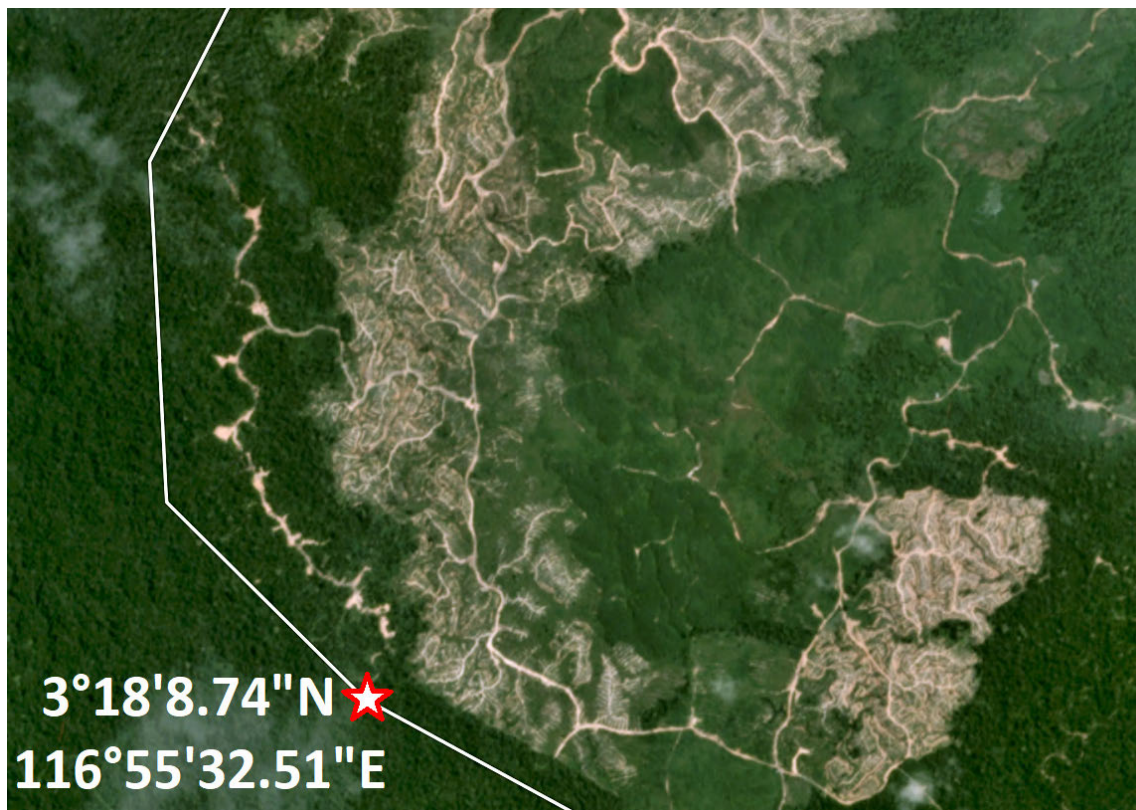
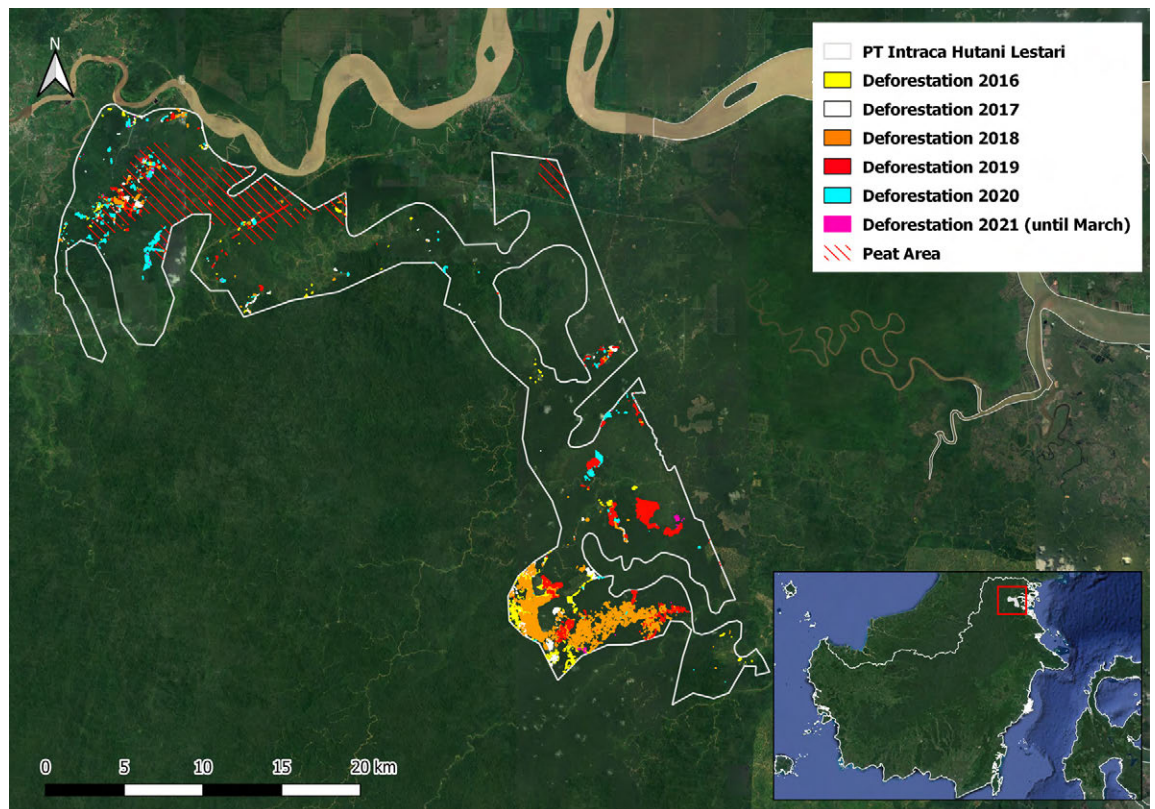


Figure 19 (top)

Deforestation by Hardaya subsidiary PT Intraca Hutani Lestari since 2016

Figure 20 (bottom)

December 2018 satellite image showing deforestation by PT Intraca Hutani Lestari

Logging operations

Hardaya has logging concessions of 211,156 ha and 95,270 ha in North Kalimantan and Central Sulawesi, respectively.¹⁹⁰ Its operations in North Kalimantan fall are run by FSC certificate-holding subsidiary PT Intracawood Manufacturing.¹⁹¹

Indonesian trade data over the first nine months of 2020 show Hardaya exporting 21,100 tonnes of plywood. Around 5,300 tonnes were sold to Hardaya's marketing arm for the US market, Taraca Pacific Inc.¹⁹² Japan was another major export destination, with importing companies SMB Kenzai (a Sumitomo, Mitsui and Marubeni joint venture) importing 3,600 tonnes, JK Holdings importing 3,400 tonnes, Yuasa Trading importing 2,700 tonnes and Nippon Paper Group importing 2,200 tonnes.

Palm oil operations

Hardaya's oil palm plantings cover an estimated 28,500 ha in Central Sulawesi and North Kalimantan provinces. Hardaya also has a palm oil mill for both regions. In 2018, Greenpeace reported how the company had cleared 434 ha of forest between December 2014 and 2018.¹⁹³ In addition, the company cleared at least 666 ha of forests in Nunukan district, North Kalimantan in 2017. NDPE buyers Wilmar and Musim Mas began engaging Hardaya in December 2017.¹⁹⁴ Hardaya agreed to a moratorium on land clearing but has yet to announce any sustainability commitments.¹⁹⁵

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	Musim Mas, ¹⁹⁶ Wilmar, ¹⁹⁷ Wings ¹⁹⁸	Avon, Colgate-Palmolive, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, Kellogg's, L'Oréal, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever
Other buyers (likely indirect)	AAK, ADM, Bunge, Fuji Oil, Itochu Corporation, KLK, Louis Dreyfus, Neste Oil (via Wings), Nisshin OilliO, Olam, Oleon NV, Pertamina	

Table 22
Known buyers of palm oil from Hardaya operations

2.10

Sampoerna

Company profile

After withdrawing from cigarette production in 2005, Sampoerna expanded operations in finance, telecommunications, property and plantations (industrial trees, rubber and oil palm).¹⁹⁹ Sampoerna Strategic's plantation operations are led by two subsidiaries: Sampoerna Kayoe specializes in engineered wood products,²⁰⁰ while Sampoerna Agro's main segment is oil palm.

Industrial tree plantation operations

Sampoerna Kayoe has industrial tree plantations covering a total of 85,397 ha in North Maluku and Bangka Belitung provinces.²⁰¹ The company claims to be Indonesia's market leader in engineered wood products and has a total annual production capacity of 900,000 cubic metres. It has processing plants in North Maluku, Sumatra, Java and South Sulawesi.²⁰²

Sampoerna Kayoe's holding company is the Singapore Stock Exchange listed Samko Timber Limited.²⁰³ In contrast to its palm oil homologue, Sampoerna Kayoe's operations are not covered by NDPE commitments.

Sampoerna's industrial tree plantation companies cleared a total of 1,268 ha of forest between 2016 and 2020. PT Agrindo

Persada Lestari was responsible for most forest loss with a total of 1,112 ha. An additional 111 ha were cleared between January and March 2021. The company is located in Bangka Belitung province off the east coast of Sumatra.

Sampoerna did not receive a draft report for review.

SAMPOERNA KAYOE SUBSIDIARIES	2016	2017	2018	2019	2020	2016 – 2020	2021	TOTAL
PT Agrindo Persada Lestari	425	170	200	198	119	1,112	111	1,223
PT Hutan Ketapang Industri	27	17	16	5	10	75	2	77
PT Kalpika Wanatama	23	10	5	2	1	40	0	40
PT Kirana Cakrawala	5	0	3	6	8	22	0	22
PT Mangole Timber Producers	2	4	6	4	4	20	0	20
Total	482	201	230	215	142	1,269	113	1,382

Table 23

Deforestation by Sampoerna Kayoe industrial tree plantation operations (ha)

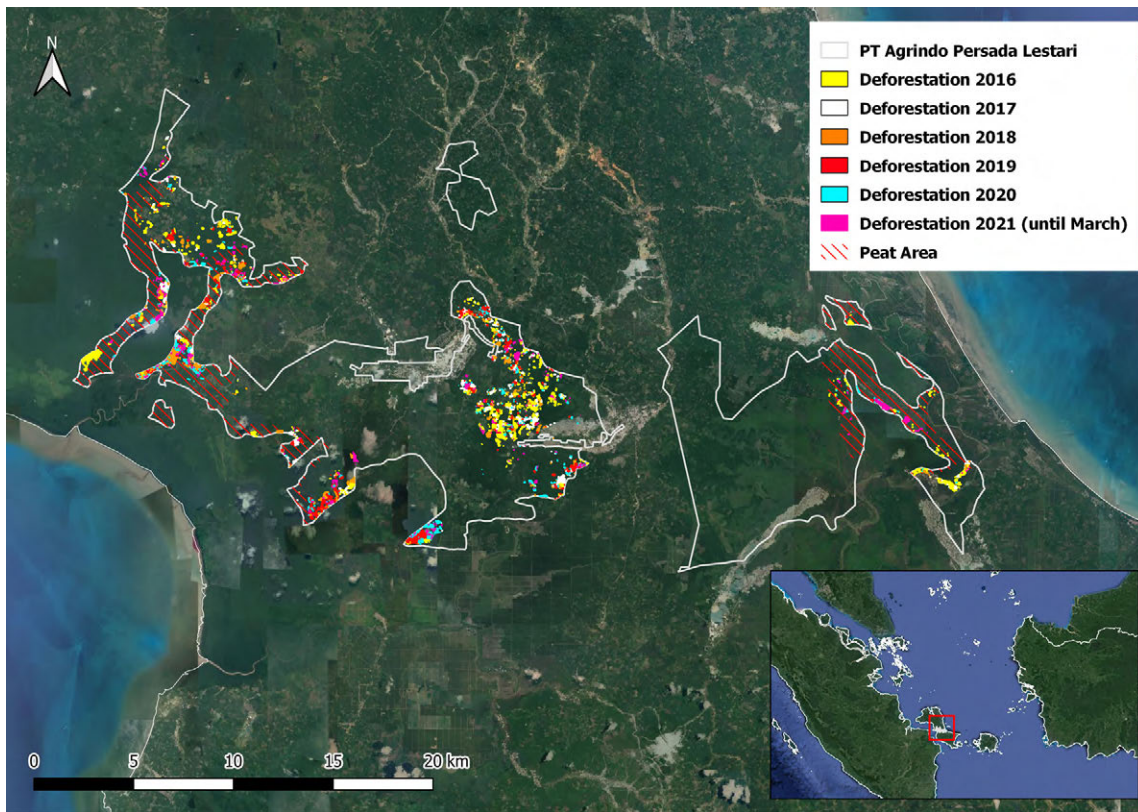


Figure 21
Deforestation by Sampoerna subsidiary PT Agrindo Persada Lestari since 2016

‘The company claims to be Indonesia's market leader in engineered wood products ...’

Palm oil operations

Sampoerna Agro, listed on the Indonesia Stock Exchange with code SGRO, owns eight palm oil mills; five in Sumatra and three in Kalimantan. Its oil palm concessions cover 180,000 ha. In addition, it has a 98,000-ha industrial tree plantation under PT Hutan Ketapang Industri, which has planted 21,000 ha of rubber trees. Sampoerna Agro also cultivates sago.²⁰⁴ Sampoerna Agro has an NDPE policy and is a member of RSPO.²⁰⁵

In August 2016, South Jakarta District Court ordered Sampoerna Agro plantation company PT National Sago Prima (NSP) to pay IDR 1.07 trillion (equivalent to USD 80 million) in compensation and ecosystem restoration payments, following forest fires on 3,000 ha of company managed land in Riau province in 2014.²⁰⁶ In December 2018, the Indonesian Supreme Court again ruled in favour of the Ministry of Environment and Forestry concerning the case. Consequently, Sampoerna submitted an application for a judicial review to the Supreme Court on 5 December 2019. In its 2020 Annual Report,

Sampoerna Agro provided the following update: 'Based on information from the official Supreme Court Case Information website, the Judicial Review application submitted by NSP was decided by the Supreme Court on 19 November 2020, with the verdict that the Judicial Review application submitted by NSP was denied. Until now, the Company has not received an official copy of the Judicial Review verdict from the Supreme Court, and thus the legal considerations from the Panel of Judges on its verdict have not been made known.'²⁰⁷

According to its 2020 Annual Report, Sampoerna Agro's main buyers in 2020 were Sinar Mas (GAR) accounting for 33% of Sampoerna Agro's revenue, Louis Dreyfus (27%), and Wahana Citra Nabadi (11%). Buyers accounting for the remaining 29% remained undisclosed. In 2019, HSA Group/Pacific Inter-Link was listed as a large customer (12%), but in 2020 no supplies to this company could be traced.²⁰⁸

	PROCESSORS/TRADERS	CONSUMER GOODS COMPANIES
Known direct buyers	Sinar Mas (GAR), Louis Dreyfus, Musim Mas, Wahana Citra Nabadi, RGE (Apical)	Avon, Colgate-Palmolive, Danone, Friesland Campina, General Mills, Grupo Bimbo, Johnson&Johnson, KAO, Kellogg's, L'Oreal, Mars, Mondelēz, Nestlé, P&G, PepsiCo, PZ Cussons, Reckitt Benckiser, Hershey, Unilever, Upfield, Vandemoortele
Other buyers (likely indirect)	AAK, ADM, BASF, Bunge, Cargill, COFCO International, Fuji Oil, HSA Group/Pacific Inter-Link, KLK, Neste Oil (via Wahana Citra Nabadi), Nisshin OilliO, Olean NV, Pertamina	

Table 24
Known buyers of palm oil from Hardaya operations

2.11

Methodology

Figures on deforestation for industrial tree plantations

For Indonesia, the deforestation figures were determined using the following tools:

- The Indonesian Ministry of Environment and Forestry's 2016 forest cover map was used for determining deforestation during the 2016-2020 period. The 2020 forest cover map was used for deforestation until March 2021.
- Visual interpretations of satellite imagery (mainly from planet.com).
- Data on tree cover loss (more than 75% canopy density) available from the Global Forest Watch (GFW) website.²⁰⁹ The original sources of these data are Hansen/UMD/Google/USGS/NASA. The data show tree cover loss during the 2000–2020 period, defined as stand-replacement disturbance, or a change from forest to non-forest.
- GLAD alerts on the GFW website for deforestation figures to March 2021.
- Mining concession and oil palm concession maps, as some industrial tree plantation concessions have experienced encroachment for oil palm or mining inside their boundaries.

Forest cover maps are not publicly available for the Malaysian state of Sarawak, so deforestation figures were determined by using GFW data on tree cover loss and gain; visual interpretations of forest in satellite imagery; and identifying large, cleared areas typical of companies operating in the industrial tree planting sector.

The clearing of non-forested peatland areas for industrial tree plantations was not investigated for this report. The seven company groups in Indonesia were not the seven company groups with the most deforestation for industrial tree plantation development in the country, as another criterion for their selection was their known palm oil trading with refiners.

Concession boundaries

For Indonesia, industrial tree plantation (HTI) concession boundaries were drawn from the interactive map available on the Ministry of Environment and Forestry's WebGIS website.²¹⁰ Concession area and the permit validity were checked using data in the Ministry's Buku Geospasial.²¹¹ Overlaps with active oil palm and mining concessions were taken into consideration.

For Sarawak, the boundaries of licenses for planted forests (so-called LPFs) were found on company websites or via a map published by Sarawak Forest Department in 2011.²¹²

Orangutan habitat

In May 2016, the IUCN/SSC Conservation Breeding Specialist Group (a group of orangutan habitat experts) came together and drafted a map of potential orangutan species and subspecies habitats in Indonesia. This map was used for determining whether deforestation had occurred in orangutan habitat.²¹³



Mum and baby orangutan
May 2017
Brett Jordan, Pexels

Extent of palm oil operations

Figures on the extent of palm oil operations (numbers of palm oil mills, downstream facilities, oil palm planted area landbanks, etc.) were drawn from company information where available. In cases where company groups do not publish such information, Aidenvironment resorted to its oil palm

concession map and global palm oil mill list gathered from various sources and a massive database of retrieved company registry files. The global palm oil mill list contains a few more mills than Global Forest Watch's Universal Mill List²¹⁴ and categorizes mills by company group.

In some cases, the term oil palm landbank is mentioned. This term represents a broader range of concession rights for oil palm development. In other instances, reference is made to oil palm planted area owned by companies.

Company group categorization

Categorizing by company group was done by retrieving plantation company registry files and the registry files of companies further up the pyramid until a network of corporate entities was reached. A company group is defined as an entity that has management control over businesses. This entity can be a body corporate and/or persons (an individual, a family or a group of individuals). The management control entity may have majority ownership of the company group, but entities owning less than 50% of shares may have management control through contractual or operational arrangements.

Company structures can also exist where the top of the pyramid is not the end of the structure, but part of a wider network. Examples in the pulp and paper sector are companies connected to Sinar Mas and RGE via former employees.

Some companies have undisclosed majority owners, concealed through offshore secrecy jurisdictions. Registry files from companies lower down in the pyramid may reveal which entity is likely to have management control, and sometimes other sources may provide such information.

The methodology used for company group categorization has many similarities with indicators for determining corporate groups described in the Accountability Framework established by conservation NGOs.²¹⁵

Buyers of palm oil from the deforesting company groups

Large processors/traders and consumer goods companies with NDPE policies publish lists of palm oil mills they source from. Information in their most recent lists was used to determine buyers of palm oil from deforesting company groups. Sometimes additional information was available, through retrieved trade data, or in the case of Sampoerna, through information submitted to the Indonesia Stock Exchange.

For processors/traders, a distinction was made between known direct buyers and other buyers. This was done because refiners purchasing directly from mills play a more important role than other processors/traders and consumer goods companies. The responsibility to engage with deforesting oil palm growers mainly rests on their shoulders.

The four largest palm oil refiners in Indonesia are Wilmar International, Musim Mas, Sinar Mas (Golden Agri-Resources) and Royal Golden Eagle (Apical). They were assumed to always source directly from palm oil mills. Besides the big four, other refiners such as HSA Group/Pacific Inter-Link, Sime Darby, Louis Dreyfus and Wings also buy directly from palm oil mills. The processors/traders and consumer goods companies not buying directly from deforesting company groups can play a role in encouraging direct buyers to engage with deforesting growers. Some refiners (Cargill, Louis Dreyfus, Bunge, HSA Group/Pacific Inter-Link, Neste Oil for example) mentioned whether they bought directly from specific mills or mentioned the refiner(s) they source from including their supplying mills.

APPENDIX

A. 1

Company groups with oil palm and industrial trees

Indonesia

Of all permits for industrial tree plantation concessions in Indonesia, no less than 64% are held by company groups that also grow oil palm. This overlap covers 7.2 million ha of Indonesia's total 11.3 million ha of concession permits for industrial tree plantation (HTI) development.²¹⁶ The industrial tree sector is Indonesia's second largest plantation sector after palm oil with its 16 million ha of oil palm planted area.

Thirty-three company groups have operations in both palm oil and industrial tree plantation sectors. Table 25 below shows their HTI permit areas and, as an indication for palm oil activity, their numbers of operational palm oil mills in Indonesia.

Table 25

Company groups active in both palm oil and industrial tree plantation sectors in Indonesia

COMPANY GROUP	HTI PERMIT AREA (HA)	PALM OIL MILLS IN INDONESIA
Sinar Mas and Sinar Mas connected	2,896,817	Golden Agri-Resources: 47
Royal Golden Eagle (RGE) & RGE connected	1,665,002	Asian Agri: 22; Anugrah Superventure: 29
Medco	237,700	PT Ciptatani Kumai Sejahtera: 1
Djarum	229,494	HPI Agro: 5
Salim Group	215,977	IndoGunta: 4; IndoAgri: 28
Sampoerna	183,288	USTP (50%-owned): 2; Sampoerna Agro: 8
Sungai Budi	163,107	Tunas Baru Lampung: 7
KPN Corp - Katingan Timber Group (KTG)	153,152	KPN Plantation: 18
Alas Kusuma Group	136,710	0, but oil palm planted area of 12,000 ha
Panca Eka	135,375	2
Fangiono family	116,365	CAA: 2; FAP Agro: 5; First Resources: 15
Korindo	116,225	4

Continued on page 77 ...

Continued from page 76 ...

COMPANY GROUP	HTI PERMIT AREA (HA)	PALM OIL MILLS IN INDONESIA
Dharma Satya Nusantara	113,196	9
Erik & Akie Setiawan	91,445	PT Daya Semesta Agro Persada: 1
Prajogo Pangestu/Michelin	88,645	0, rubber activities only
Buana Sriwijaya Sejahtera (BSS) Group	64,263	PT Sri Andal Lestari: 1
United Malacca	59,920	PT Lifere Agro Kapuas: 1
Taiyoung + Jhonlin	59,810	Taiyoung: 0; Jhonlin 3
Jhonlin	56,665	3
Prajogo Pangestu (Barito Pacific)	53,628	0, but 6 plantation companies not yet in operation yet has
Sentosa Bahagia Bersama	52,160	PT Sentosa Bahagia Bersama: 1
Kayan Patria Pratama (KPP) Group	46,862	PT Kayan Plantation: 1
ADR Group	45,565	PT Bayung Agro Sawita: 1
Hardaya	42,050	Hardaya Plantations Group: 2
Kayu Lapis Indonesia	32,884	PT Inti Kebun Sejahtera: 1
GPS Group (Gagah Putera Satria)	31,945	PT Buana Karya Bakti, Batulaki mill: 1
Harum Agro	24,485	PT Citra Sawit Harum: 1
Gunawan family	22,461	Incasi Raya: 16
Torganda + Siambaton family	20,000	Torganda: 19
Harita Group	17,925	Bumitama Agri: 14
Kurnia Luwuk Sejati	13,400	PT Kurnia Luwuk Sejati: 1
Sime Darby	10,025	25
Makin Group	7,500	16
Total	7,204,046	313
Total for Indonesia	11,306,190	1,163
Percentage of overlap	64	27

A brief explanation regarding Sinar Mas and Royal Golden Eagle HTI permit areas

The Indonesian industrial tree sector is dominated by the two large pulp and paper producers: APP (Asia Pulp & Paper) and APRIL (Asia Pacific Resources International Limited). APP and APRIL are part of the Sinar Mas and Royal Golden Eagle (RGE) groups of companies, respectively. Both company groups are also known for their opaque and complex company structures, which were to some extent unravelled by NGO and media reports on APP in 2017/2018,²¹⁷ PT Adindo Hutani Lestari in 2020²¹⁸ and the Nusantara Fiber group in 2021.²¹⁹

For both Sinar Mas and RGE, former employees have started their own businesses in the industrial tree plantation sector. These companies often remain in long-term relationships with Sinar Mas and RGE, as suppliers to their pulp mills. In the case of RGE, this relates to the company group Sumatera Dinamika Utama. For Sinar Mas, in this report these companies are referred to using the initials of their main owners: MS, MG, SN and LTN.

The company groups Nusantara Fiber and PT Adindo Hutani Lestari (Adindo) are also labelled as being connected to RGE. Both companies have undisclosed majority owners, concealed through offshore secrecy jurisdictions. Historical ownership records and documents on the incorporation of Nusantara Fiber connect the group to RGE. The group's directors are also linked to 27 palm oil businesses, all of which supply to RGE.²²⁰ For Adindo, historical ownership also provides evidence of a connection between the group and RGE. Moreover, Adindo is 40%-owned by Sumatera Dinamika Utama group, and is a supplier of pulpwood to RGE.²²¹

	COMPANY GROUP	HTI PERMIT AREA (HA)
Royal Golden Eagle (RGE) and RGE connected	RGE - APRIL	338,536
	Same entities as RGE - Toba Pulp Lestari	184,486
	Same entities as RGE - ITCI Hutani Manunggal	161,127
	RGE connected: Sumatera Dinamika Utama group	557,334
	RGE connected: Nusantara Fiber group	241,682
	RGE connected: Adindo Hutani Lestari	181,837
	Total Royal Golden Eagle (RGE) and RGE connected	1,665,002
Sinar Mas and Sinar Mas connected	Sinar Mas - APP	1,059,977
	Sinar Mas - PT Dian Swastatika Sentosa Tbk	265,095
	Sinar Mas connected: MS	488,555
	Sinar Mas connected: MG	368,375
	Sinar Mas connected: SN	359,437
	Sinar Mas connected: LTN	355,379
	Total Sinar Mas and Sinar Mas connected	2,896,817

Table 26

Sinar Mas, RGE and connected companies' HTI permit areas

Malaysia: Sarawak's big six

Malaysia's state of Sarawak has six companies with vast interests in logging, industrial trees and palm oil. These six companies are: Rimbunan Hijau, Samling, WTK, Shin Yang, BLD Plantation/KTS and Ta Ann. Collectively, they are commonly referred to as the big six.²²²

These six companies operate 44% of palm oil mills in Sarawak.²²³ Sarawak's main palm oil refiner is Wilmar International, but Rimbunan Hijau, Sarawak Oil Palms, BLD Plantation and Sime Darby also have palm oil refineries in Sarawak.

The Sarawak government has supported industrial tree plantations since 1998 by issuing licences for planted forests (LPFs) covering over 2 million ha. In January 2019, Sarawak's Chief Minister, Mr. Abang Johari Openg stated that so far 420,000 ha had been planted with industrial trees. However, the Forest Department Sarawak website mentions a planted area figure of 520,000 ha. The website also specifies species of trees planted, with Acacia (55%), Batai (21%) and Eucalyptus (12%) being the most prevalent.²²⁴ In its response to a draft report sent for review, Samling elaborated on the government's targets regarding industrial tree plantations, saying: 'It has for some time been almost an article of faith with the government that one million hectares of industrial tree plantations (ITP) must be established by Sarawak's private sector. (...) Establishing ITP was, and remains, a big undertaking, one requiring billions of ringgits to be invested but with the return on the investment starting only 8 to 10 or more years later.'²²⁵

Sarawak's main industrial tree concession is owned by the company Sarawak Planted Forest Sdn Bhd, which in turn is owned by Sarawak's State Financial Secretariat (66%) and state-owned Sarawak Timber Industry Development Corporation (STIDC) (34%). The concession covers a total area of 432,000 ha, 218,000 ha of which has been planted.

BLD/KTS's 70%-owned company GP Pusaka Sdn Bhd has been contracted as the management company and main contractor for the Sarawak Planted Forest Sdn Bhd concession area.²²⁶ No information could be found on the size of the concession allocated to BLD/LTS. Next to this concession, BLD/KTS has areas licensed for planted forests totalling 148,000 ha in Sarawak, and an industrial tree plantation concession covering 57,000 ha in Sabah.²²⁷

Based on a map published by the Sarawak Forest Department in January 2011, most licences for planted forests (LPFs) in Sarawak have been issued to the big six.²²⁸ The figures presented in Table 27 below are extracted from this map. However, some corrections have been made where public information was available due to changes over the years.²²⁹ In its response to a draft report sent for review, Samling said: 'The concession area allocated for Samling for the establishment of ITP is 277,798 hectares.'²³⁰ This figure was used for the table, instead of the 520,000-ha LPF area figure based on the January 2011 Sarawak Forest Department map.

The areas listed in the table are indicative of the large role of the big six company groups, which are estimated to hold 69% of Sarawak's industrial tree plantation concessions.

COMPANY GROUP	AREA OF LICENSE FOR PLANTED FORESTS IN SARAWAK (HA)	PALM OIL MILLS IN SARAWAK
Rimbunan Hijau	355,000	11
Shin Yang (Sarawak Oil Palms)	212,000	7
WTK Group	157,000	6
Ta Ann/Sarawak Plantation	301,000	6
BLD Plantation/KTS	148,000	4
Samling	278,000	3
Subtotal	1,451,000	37
Sarawak Planted Forest Sdn Bhd	432,000	
Other	207,000	
Total for Sarawak	2,090,000	85
Big six as percentage of total	69	44

Table 27

Plantations and palm oil mills operated by Sarawak's big six

A. 2

Indonesia's and Malaysia's main palm oil refiners

PALM OIL REFINER	PALM OIL REFINING CAPACITY IN INDONESIA/MALAYSIA (MILLION TONNES/YEAR)	NDPE POLICY?	NDPE IMPLEMENTATION?	
			SUPPLY CHAIN TRANSPARENCY	OPERATIONAL GRIEVANCE SYSTEM
Wilmar International	18.9	Yes	Yes	Yes
Musim Mas	7.5	Yes	Yes	Yes
Sinar Mas (Golden Agri-Resources)	6.1	Yes	Yes	Yes
Royal Golden Eagle (Apical)	4.2	Yes	Yes	Yes
Mewah International	3.2	Yes	Yes	Yes
FGV Holdings (Felda)	2.5	Yes	Yes	Yes
Sime Darby	2.5	Yes	Yes	Yes
HSA Group/Pacific Inter-Link	2.4	Yes	Yes	Yes
IOI Group	2.4	Yes	Yes	Yes
Permata Hijau Group	2.2	Yes	Yes	Yes
Salim Group	1.7	Yes	No	No
Kuala Lumpur Kepong (KLK)	1.4	Yes	Yes	Yes
BEST Group	1.3	No	No	No
Tunas Baru Lampung	1.3	No	No	No
Louis Dreyfus Company	1.2	Yes	Yes	Yes
Darmex Agro	1.2	No	No	No

Table 28

The main palm oil refining company groups in Indonesia and Malaysia

Continued on page 82 ...

Continued from page 81 ...

PALM OIL REFINER	PALM OIL REFINING CAPACITY IN INDONESIA/MALAYSIA (MILLION TONNES/YEAR)	NDPE POLICY?	NDPE IMPLEMENTATION?	
			SUPPLY CHAIN TRANSPARENCY	OPERATIONAL GRIEVANCE SYSTEM
Nisshin OilliO	1.0	Yes	Yes	Yes
Wings Group	0.9	Yes	No	No
Gunawan family (Incasi Raya)	0.9	No	No	No
IFFCO	0.9	Yes	Yes	Yes
First Resources	0.9	Yes	Yes	Yes
BLD Plantation	0.8	Yes	Yes	Yes
Kwanta Corporation	0.7	Yes	No	No
PT Perkebunan Nusantara (PTPN)	0.7	No	No	No
Other refiners	10.8	8.1 No / 2.7 Yes	8.7 No / 2.1 Yes	
Total palm oil refining capacity	78.7	Yes	78.7	78.7

Source:

Chain Reaction Research, NDPE Policies Cover 83% of Palm Oil Refineries; Implementation at 78%, 2 June 2020, <http://bit.ly/38XvjGM>

A. 3

Samling's response regarding its logging operations

In its response to a draft report sent for review, Samling elaborated extensively on statements made in the draft regarding its logging operations.²³¹ For readability Samling's response was placed in this appendix.

Concord Pacific Limited

Samling has a long history of illegal and unsustainable logging operations. In 2011, Samling group company Concord Pacific Limited was found guilty of large-scale illegal logging, environmental destruction and severe human rights abuses in Papua New Guinea. The group was sentenced to pay four indigenous groups nearly USD 100 million in compensation, but managed to avoid the penalty by deregistering the company just before the sentence was passed. As of 2020, the communities had yet to receive any payment.²³² In its response to a draft report sent for review, Samling stated: 'Samling has never had any investment or management involvement in Concord Pacific.'²³³ Samling founder, Datuk Yaw Teck, was the controlling shareholder of Concord Pacific, so technically Concord Pacific was a related party of Samling's.²³⁴

Samling's Suling-Sela'an forest management unit

In March 2021, the Bruno Manser Fund reported that Samling has been encroaching into the Upper Baram Forest Area (UBFA), in Northern Sarawak. The area was earmarked to become a conservation zone; a proposal supported by the Sarawak Government, the International Tropical Timber Organization (ITTO) and several communities living in the vicinity. Local communities in Long Ajeng and neighbouring villages have repeatedly voiced their objections to Samling's operations in its Suling-Sela'an forest management unit.²³⁵

In its response to a draft report sent for review, Samling stated: 'Samling understands from Forest Department (FDS) that ITTO's project remains a proposal at this stage pending fulfilment of certain conditions necessary for its implementation. The contents of the project proposal have yet to be agreed by the primary stakeholders of which Samling is one. The greater part of the UBFA includes parts of four of Samling's valid timber licences. There is absolutely no question of encroachment: all Samling's harvesting activities have the necessary permits issued by the FDS. It should be noted that the UBFA proposal entails not only conservation but also socio-economic development of the communities. At the same time the proposal indicates that the timber licensees are expected to continue practising sustainable forest management in an economically viable manner and in this regard, the proposal gives details as to the way in which the forest management units (FMUs) might assist in supporting the proposed project. In respect of the Penans of Pa Ajeng and its neighbouring villages' objections to Samling's operations, as stated by Aidenvironment, the people of Pa Ajeng and neighbouring villages live in a river system which is well away from the area where Samling is presently operating - with valid harvesting permits issued by the FDS. Samling's operating presence in this area has been agreed to in writing by the nearby relevant communities.'²³⁶

Complaints over MTCC-certification for the Gerenai and Ravenscourt forest management units

In May 2021, 36 Dayak communities filed official complaints with the Malaysian Timber Certification Council (MTCC) regarding its certification of two logging concessions. The communities assert that certification was granted without securing their free, prior and informed consent (FPIC) and without the communities having access to key documents about logging operations on their lands. The two logging concessions implicated are Samling's Gerenai and Ravenscourt forest management units.²³⁷

In its response to a draft report sent for review, Samling stated: 'Regarding the 36 Dayak communities' official complaints to MTCC regarding the Gerenai and Ravenscourt Forest Management Units (FMU), Samling followed the two-stage process of the Malaysian Timber Certification Scheme (MTCS) in achieving the forest management certification (FMC) of Gerenai FMU and Ravenscourt FMU.

In responding to claims that the certification of the Gerenai FMU had failed to meet the requirement of MTCS, the governing body, the Malaysian Timber Certification Council (MTCC), issued a clarification statement on 13th August 2020. The said statement mentioned, amongst other things, the following:

'To ensure that all communities had been consulted during the Stage 2 certification process, the FMU held a follow-up meeting with the relevant district authorities and Gerenai Community Representative Committee (CRC) on 4 September 2019. It was reported that the meeting was attended by 60 representatives from all 22 indigenous communities. Additionally, prior to the decision made by SIRIM QAS International Sdn Bhd to grant certification to Gerenai FMU on 12 April 2020, the audit report was subjected to a review by a panel of independent experts, termed as the peer review process, to confirm that the auditors had acted judiciously in the conduct of the audit and that the FMU has satisfactorily fulfilled the requirements of the certification standard.

...

Based on the statements and allegations made in the articles, MTCC realised that there is still a lack of understanding and misconception on certification as a process and tool for promoting sustainable forest management.'

The nature, institutional set-up and certification processes under MTCS as set out in the statement applies equally to the forest management certification of Ravenscourt FMU and to all other FMUs.

Samling teams, in preparation for the FMC visited the communities and informed and explained Samling's intention to undertake FMC. The status of the forest land on which Samling operates is State Land, or Forest Reserve or Protected Forest. An FDS approved General Harvesting Plan (GHP) is the basis for the control of the operation. Any areas of shifting agriculture – including land designated by the Department of Land and Survey as being valid Native Customary Rights (NCR) land - are excluded from the operational area. Where access through such land is required, e.g. a road, this is discussed, consent given, conditions are agreed and a written agreement signed by all parties.

It is noteworthy that Samling has been operating in these two FMUs for more than 35 years and the company's relationship with the communities has generally been good. There have been, and still are, wide ranging and effective CSR programmes. The nature of this long-term relationship and the communities' appreciation of the Corporate Social Responsibility (CSR) programmes is reflected by the meetings of the Community Relationship Committees (CRC) and the Forest Management Certification Liaison Committee (FMCLC) meetings – the latter are chaired by senior representatives of the FDS – that have invariably shown favourable support for Samling, for Samling's operations, and for FMC.

The level of community engagement is clearly shown by the fact that all of the communities considered to be part of the Gerenai FMU are members of the Gerenai CRC. In the Ravenscourt FMU all the relevant Lun Bawang communities participate in their Ravenscourt CRC. Samling has always engaged with the relevant communities prior to operating in a forest area where there is a nearby community that might be affected by operations. Following on from these engagements a goodwill agreement will be prepared. This agreement sets out in detail the benefits that the community will receive from Samling's operating presence.²³⁸

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