



CONFLICT PALM OIL CASE STUDY

BUMITAMA AGRI LTD

WHAT CONFLICT PALM OIL LOOKS LIKE: SNACK FOOD 20 AND CARGILL
AT RISK OF SOURCING CONFLICT PALM OIL FROM BUMITAMA AGRI LTD

Preamble

Palm oil is a globally traded agricultural commodity. Eighty five percent of palm oil is grown in Indonesia and Malaysia and it is now the world's most widely used edible vegetable oil. At the same time, palm oil has become one of the world's leading causes of rainforest and peatland destruction and is responsible for releasing globally significant quantities of carbon pollution into the atmosphere. The production of palm oil is also responsible for widespread human rights violations and the use of child labor and modern day forms of slavery.

In order to protect rainforests and respect the rights of Indigenous Peoples and rural communities we must change the way that palm oil is produced. The stakes are high and transforming the way palm oil is produced and globally distributed is a large and complex undertaking. It is crucial that stakeholders— including the Snack Food 20, global palm oil traders like Cargill, governments, NGOs, and consumers— all do our parts to eliminate Conflict Palm Oil from global supply chains and drive a transformation towards the production of truly responsible palm oil.

Responsible palm oil is palm oil that is produced without contributing to deforestation, expansion on carbon-rich peatlands, and/ or the violation of human and labor rights. Responsible palm oil is produced legally and can be verifiably traced back from the consumer product to the plantation where it was grown.

Conflict Palm Oil is produced under conditions associated with the ongoing destruction of rainforests, expansion on carbon-rich peatlands, and/or human rights violations, including the failure to recognize and respect the customary land rights of forest-dependent communities and the use of forced labor and child labor.

This case study profiles Bumitama's persistent deforestation and destruction of endangered orangutan habitat and the Snack Food 20 companies and traders who are at risk of sourcing Conflict Palm Oil from this controversial producer.

The Snack Food 20 and traders like Cargill do not yet have traceable palm oil supply chains nor the kind of global responsible palm oil procurement policies necessary to exclude sourcing from bad actors like Bumitama. Until the Snack Food 20 and traders like Cargill clean up their supply chains, they share responsibility, and also must be held accountable, for the destruction of rainforests, peatlands and the habitat of endangered orangutans inflicted by Bumitama, its subsidiaries and other irresponsible companies.

I. THE PLANTATION COMPANY PROFILE

Bumitama Agri Ltd (BUMI.SI) is a listed company on the Singapore Exchange (SGX) that grows palm oil plantations and produces crude palm oil in Indonesia. Bumitama Agri Ltd, mostly operating through its subsidiary company, PT Bumitama Gunajaya Agro (PT BGA), has a landbank of more than 198,000 hectares in West and Central Kalimantan in Borneo and Riau in Sumatra, of which 133,000 hectares are planted with palm oil. It is currently planting new areas at an aggressive rate of 15,000 hectares a year with a target of 200,000 hectares in plantations by 2017.

Bumitama Agri Ltd has more than a dozen palm plantation subsidiaries including three, PT Ladang Sawit Mas (PT LSM), PT Andalan Sukses Makmur (PT ASMR) and PT Nabatindo Karya Utama (PT NKU), profiled in this briefing.

Bumitama Agri Ltd was founded by the Harita Group, which is controlled by the billionaire Lim family. Bumitama's Board Chair and Chief Executive Officer is Lim Gunawan Hariyanto, and Deputy Chief Executive Officer is his brother, Gunardi Hariyanto Lim. These founders own 53% of Bumitama Agri Ltd through their family controlled holding company, Fortune Holdings Pte Ltd.

Bumitama Agri Ltd declares in its Annual Report that it is committed to not "putting at risk areas of HCV interest or habitats important for endangered plant or animal species," and to "take into consideration the environmental impact of any major change in our processes or expansion." However, the company's actions, as profiled below, tell another story.

Bumitama Agri Ltd subsidiary PT Bumitama Gunajaya Agro, which manages most of Bumitama's plantation concessions, has been a member of the Roundtable for Sustainable Palm Oil (RSPO) since 2007. However, six years later none of the plantations managed by PT BGA have yet achieved RSPO certification. To the contrary, PT BGA and the Bumitama group have now been publicly censured by the RSPO for failing to comply with their obligations as RSPO members to protect High Conservation Value forests.

II. THE PROBLEM

Centered in Indonesia and Malaysia but now spreading to other tropical regions, palm oil has become one of the world's leading causes of rainforest destruction. Unchecked expansion and poor forest governance has allowed and even encouraged palm oil plantations to enter into the heart of some of the world's most culturally and biologically diverse ecosystems. Palm oil expansion is one of the biggest threats to iconic wildlife species like the Endangered Borneo orangutan.

Bumitama Agri Ltd and its subsidiary PT Bumitama Gunajaya Agro (PT BGA) are two of the companies responsible for the expansion of palm oil in Borneo at the expense of rainforests and loss of habitat for the Borneo orangutan. Field investigators are documenting a growing number of specific cases of on-going forest clearance by Bumitama Agri Ltd in West and Central Kalimantan, including forests that are essential habitat for Endangered Borneo orangutans.

Of particular concern is that some Bumitama Agri Ltd concessions are in buffer zones nearby or adjacent to Indonesian national parks and forest reserves, including one concession, PT ASMR, which is impacting world renowned Tanjung Puting National Park in Borneo. Covering 415,070 hectares of lowland, freshwater swamp, peat and mangrove forests, Tanjung Puting National Park, located on the eastern bank of the Sekonyer River in Central Kalimantan, is a globally significant conservation area rich in biological diversity. It was named as a UNESCO Biosphere Reserve in 1977, and gained Indonesian national park status in 1984. It is home to more than 200 bird species, 17 reptile species and 29 mammal species. Visitors can find such iconic endangered species as the estuarine crocodile, clouded leopard, Malayan sunbear and Storm's stork, and endangered primates such as the proboscis monkey, the agile gibbon and Borneo orangutans.

However, Tanjung Puting National Park, like other Indonesian national parks, is under threat. Due to uncontrolled land use, including encroachment by palm oil plantations and invasions by illegal logging interests plundering its high concentration of commercial ramin and meranti tree species, sixty five percent of the Tanjung Puting National Park forest area is considered degraded.

At the same time, over the past few years companies have begun planting palm oil plantations on more than 100,000 ha of cleared rainforest in the buffer areas surrounding the national park, negatively affecting orangutan populations. According to orangutan scientists, in addition to securing the integrity of protected forests it is “essential” that forest conservation measures are taken outside of protected areas in order to maintain critical orangutan habitat such as nesting sites, corridor areas between forest blocks, and seasonal feeding areas.

If Bumitama continues with its plans to establish palm oil plantations within the Tanjung Puting National Park and its riparian buffer zone, it will further degrade the ecological integrity of this critical protected area and threaten the survival of the orangutans that live in and rely on the forests in its concession.



- - SENTAP KANCANG AND GUNUNG TERAK FOREST RESERVES WEST KALIMANTAN
- - TANJUNG PUTING NATIONAL PARK CENTRAL KALIMANTAN
- - RIAU, SUMATRA



II. THE EVIDENCE

Independent Indonesian NGO field investigations in Borneo of three Bumitama palm oil concessions, PT Ladang Sawit Mas (PT LSM), PT Andalan Sukses Makmur (PT ASMR) and PT Nabatindo Karya Utama (PT NKU), have documented the company's destruction of forests with important conservation values and the negative consequences for orangutans that have been harmed or died as a result of the company's activities.

A History of RSPO Complaints-Panel Findings

In 2013, seeking to prevent further loss of orangutan forest habitat, NGO's including International Animal Rescue Indonesia, Friends of the National Parks Foundation, Center for Orangutan Protection and Friends of Borneo, submitted documentation on each of the three controversial palm oil concessions to an RSPO Complaints Panel for review and arbitration, starting with PT NKU on March 11, then PT LSM on April 8, and PT ASMR in mid September.

In July 2013, the RSPO Complaints Panel, following its review of the PT LSM complaint, publically censured RSPO member PT BGA, PT LSM's parent company, finding that it was in non-compliance with the RSPO New Planting Procedure and the RSPO Principles and Criteria. It found that PT LSM cleared forests in the buffer zones of the Sentap Kancang and Gunung Terak Forest Reserves near Gunung Palung National Park in West Kalimantan, and a number of starving orangutans had to be rescued from the PT LSM concession in March 2013.

Critically, in July the RSPO cautioned PT BGA that, "...the issues faced by your company may not be ad-hoc but systemic in nature..." and that failure to address these concerns could result in the RSPO's "ultimate sanction" by suspending or terminating of RSPO membership.

In mid-September 2013, independent field investigators found that Bumitama subsidiary PT ASMR had begun forest clearing activities in High Conservation Value forest areas in and adjacent to Tanjung Puting National Park in Central Kalimantan, provoking the immediate submission of a new petition to the RSPO urgently requesting it to take actions to halt the clearance and to control its member's destructive activities.

Tragically, Tanjung Puting National Park is still under threat, and stakeholders remain concerned that action from the RSPO will come too late to stop the forest destruction on Bumitama's PT ASMR concession. Concerns exist that the RSPO seems reluctant to impose meaningful sanctions on its members or terminate membership even in clear cases of fundamental violations of its rules, and, as a result, any sanctions on PT ASMR will be too weak to stop the behavior from continuing.



CLEARANCE OF FORESTS IN THE PT NKU CONCESSION FOR A NEW PALM OIL PLANTATION.
PHOTO: CENTRE FOR ORANGUTAN PROTECTION



Findings of Field Investigations - Orangutan Endangerment

Starving orangutans rescued from PT LSM plantation concession

March 2013 four starving orangutans were rescued by Nature Conservation Agency in Ketapang (BKSDA Ketapang) and International Animal Rescue (IAR) Indonesia from PT BGA subsidiary, PT LSM's, concession in the forest buffer zones of Sentap Kancang and Gunung Tarak Forest Reserves near Gunung Palung National Park in West Kalimantan. A video produced by International Animal Rescue, which can be viewed at <https://vimeo.com/63254306>, shows the devastation caused by the plantation expansion operations of BGA's subsidiary, PT LSM, into this important forest area.



LEFT: STARVING ORANGUTAN THAT WAS RESCUED FROM THE PT LSM PALM OIL PLANTATION IN WEST KALIMANTAN IN MARCH, 2013. **RIGHT:** ORANGUTAN CLINGS TO THE LAST TREE LEFT STANDING IN AN AREA CLEARED BY PT LSM FOR A NEW PALM OIL PLANTATION. **PHOTOS:** ALEJO SABUGO- YAYASAN IAR INDONESIA

Death of a young orangutan from PT NKU plantation concession

The Centre for Orangutan Protection has removed two juvenile orangutans from the PT NKU concession in Central Kalimantan, which was being developed prior to carrying out a High Conservation Value assessment. The first juvenile orangutan was removed from the forest within the palm oil plantation concession in August and later died in the care of a local worker. The second was removed in October and had his fingers chopped off by a plantation worker.



THE JUVENILE ORANGUTAN THAT WAS REMOVED FROM THE PT NKU CONCESSION AND DIED IN THE CARE OF A LOCAL WORKER.
PHOTO: CENTRE FOR ORANGUTAN PROTECTION

Findings of Field Investigations - Clearing High Conservation Value Forests (HCVF)

Forest clearing by Bumitama subsidiary PT NKU

In March, 2013 the Centre for Orangutan Protection (COP) filed a formal complaint to the RSPO Complaints Panel based on evidence that PT BGA's subsidiary PT NKU had cleared land containing High Conservation Values. The complaint presented evidence that PT NKU did not conduct an appropriate High Conservation Value assessment prior to clearing.

Forest clearing by Bumitama subsidiary PT LSM

In April 2013, Friends of Borneo and Yayasan IAR Indonesia filed a formal complaint to the RSPO Complaints Panel based on evidence that PT BGA's subsidiary PT LSM had cleared a total of 3, 205 hectares of land in the forest buffer zones of the Sentap Kancang and Gunung Terak Forest Reserves near Gunung Palung National Park in West Kalimantan. The complaint presented evidence that the clearing had been carried out prior to a High Conservation Value assessment being done. IAR Indonesia rescued four starving orangutans from the PT LSM concession, a clear indication that the forests that were cleared contained high conservation values and provided important habitat for local orangutans. Furthermore, an Environmental Impact Statement in 2009 had identified the presence of endangered species including orangutans in the PT LSM concession, and it is not credible that PT BGA could have been unaware of this.

In July 2013, the RSPO publically censured PT BGA on a number of points, including clearance of forests without following proper New Planting Procedures, and failing to properly identify and protect high conservation value forest areas in the two above concessions, PT LSM and PT NKU.



CLEARANCE OF FORESTS IN THE PT LSM CONCESSION FOR A NEW PALM OIL PLANTATION.

PHOTO: ALEJO SABUGO- YAYASAN IAR INDONESIA

Forest clearing by Bumitama subsidiary PT ASMR

In September 2013, local NGOs reported that a Bumitama subsidiary, PT Andalan Sukses Makmur (PT ASMR), had started clearing existing vegetation in the Tanjung Puting National Park and buffer areas, sparking the filing of yet another formal RSPO complaint. The company intends to establish a palm oil plantation within the national park and adjacent forest buffers, which are important areas for orangutan protection. The company was given an exploration permit by the local bupati based, in part, on an Environmental Impact Statement that local organisations have characterized as inadequate and misleading.

The three examples above are indicative of deeper systemic problems with Bumitama's management culture, in particular its failure to apply effective standard operational procedures for identifying and protecting high conservation values across its operations.

Combined with PT BGA's aggressive 15,000 hectare per year plantation expansion targets, PT BGAs current business model comes at a high cost for rainforests, the protection of endangered orangutan habitat and the ecological integrity of Tanjung Puting National Park.



CLEARANCE OF FORESTS IN PT ASMR CONCESSION FOR A NEW PALM OIL PLANTATION.



Plantation expansion on carbon-rich peatlands in Bumitama's concessions

In Satellite mapping of Bumitama's concession areas in West Kalimantan have also identified clearance and presumed drainage of areas of carbon-rich peatlands. When these areas are drained the peat is exposed to the air, and as the peat oxidizes it emits large quantities of carbon dioxide into the atmosphere, year after year for decades, much like coal power plant emissions. This is in addition to a one time large pulse of emissions from deforestation. Scientists have identified palm oil plantation expansion onto peatlands in Indonesia and Malaysia as a globally significant threat to the climate system, projected to contribute more than 400 million tons of CO₂ emissions per year from Indonesia alone if further expansion on peat is not prohibited.

Given the very high carbon intensity of palm oil plantations on peatlands, the World Bank Group's International Finance Corporation (IFC), following an 18 month global review of palm oil impacts, has adopted new policies that prohibit it from providing any further financing of palm oil plantation expansion on peatlands. This sets an important precedent for private banks, many of which draw on IFC social and environmental safeguard policies to inform their own due diligence policies and procedures in other sectors.

Orangutan scientists have also identified peat swamp forests, even including secondary forest areas that have been logged, as particularly important habitat to be conserved for remaining populations of Borneo orangutan.

IV. SNACK FOOD 20 AND CARGILL AT RISK OF SOURCING CONFLICT PALM OIL FROM BUMITAMA AGRI LTD

The global agribusiness traders who purchase Conflict Palm Oil from Bumitama blend it into palm oil supply chains that feed into the global market.

Bumitama's principal direct buyers of crude palm oil are known to include Wilmar International, Sinar Mas, and Musim Mas. In turn, Wilmar International and Musim Mas have been identified as significant suppliers of palm oil to Cargill.

Given that Cargill does not require the ultimate origin of most of the palm oil it buys and trades for global markets to be known and tracked, Cargill cannot verify whether the palm oil products it is selling to its customers, including snack food manufacturers, is contaminated with Conflict Palm Oil from Bumitama and others, or not.

Cargill needs to implement a No Trade list of companies from whom it will not source. No Trade Lists are an essential tool for traders to use to clean up their palm oil supply chains, but they need to have clear listing criteria, be strictly applied and be transparently reported and regularly updated to be effective. Unfortunately, Cargill is failing to disclose basic information about whether or not it has a No Trade list, and if it has one, the current criteria it uses, how it implements it and the current set of palm oil companies included on the list. This lack of transparency raises significant questions as to the credibility of Cargill's palm oil commitments and whether it has any intention to prohibit sourcing from palm oil companies associated with deforestation, expansion onto carbon-rich peatlands and human rights violations.

Cargill needs to put fully traceable supply chain systems in place to know the sources of all the palm oil it handles and profits from, and verify that it has eliminated palm oil from Bumitama from entering its supply chains. Until it does so, Bumitama can not be ruled out as a source of Conflict Palm Oil contaminating Cargill's supply chains and being sold on to its customers. Cargill's lack of transparency and supply chain traceability is compounded by the Snack Food 20's general failure to forcefully demand traceable and responsible palm oil from their suppliers.

While none of the Snack Food 20 can guarantee that they are not using Conflict Palm Oil in their products, Unilever and Nestle are doing more than most to construct traceable supply chains. Nestle's Responsible Sourcing Guidelines offer a positive model for the sector, including in being transparent about reporting their progress. That said, all the Snack Food 20 companies continue to be at risk of buying and using Conflict Palm Oil from Bumitama and others in the products that they sell in the U.S. and abroad.

Until Bumitama changes its policies and practices, the Snack Food 20 should insist their suppliers, including Cargill, stop purchases of palm oil at risk of coming from Bumitama and its subsidiaries and to eliminate it from their supply chains. If the Snack Food 20 and the traders do not succeed in changing the behavior of Bumitama or removing Bumitama and its subsidiaries from their supply chain they will remain complicit with Bumitama's irresponsible practices.



THE SNACK FOOD 20

Campbell Soup Company	Krispy Kreme Doughnuts Corp.
ConAgra Foods, Inc.	Mars Inc.
Dunkin' Brands Group, Inc.	Mondelez International, Inc.
General Mills, Inc.	Nestle. S.A.
Grupo Bimbo	Nissin Foods Holdings Co., Ltd.
Hillshire Brands Company	PepsiCo, Inc.
H.J. Heinz Company	The Hershey Company
Hormel Foods Corporation	The J.M. Smucker Company
Kellogg Company	Toyo Suisan Kaisha, Ltd.
Kraft Food Group, Inc.	Unilever





V. THE SOLUTION

What can the Snack Food 20 companies do?

The Snack Food 20 manufactures hundreds of valuable brand name products, which gross more than \$432 billion in sales each year. In order to transform the way that palm oil is produced, including by Bumitama and its subsidiaries, the Snack Food 20 need to demand 100% traceable and responsible palm oil from their suppliers and eliminate Conflict Palm Oil from their products. The Snack Food 20 companies can use their purchasing power and influence to drive changes by taking the following steps:

- 1. Articulate clear social and environmental commitments:** Make a public commitment to protect rainforests, peatlands, climate, biodiversity and human and labor rights and to eliminate Conflict Palm Oil from the company's supply chain.
- 2. Adopt a global responsible palm oil procurement policy:** Develop and implement a global policy that requires palm oil that is 100 percent traceable and does not come from illegal sources or companies that contribute to deforestation, expansion on carbon-rich peatlands, and/or the violation of human and labor rights.
- 3. Develop a robust time-bound implementation plan:** Set measureable time-bound performance targets and outline auditing and verification measures for implementing the company's responsible palm oil policy. Publicly report on progress annually.
- 4. Create supply chain transparency and traceability:** Work with suppliers to develop 100 percent traceable supply chains to ensure the sources of all palm oil are known, documented, and grown in accordance with the company's responsible palm oil policy.
- 5. Require suppliers to eliminate sources of conflict palm oil:** Make and implement a time-bound plan to eliminate palm oil sourced from companies who continue to produce Conflict Palm Oil. Work with supply chain partners who are willing to deliver traceable supply chains, eliminate Conflict Palm Oil and adopt comprehensive responsible palm oil policies.
- 6. Become an advocate for protecting rainforests, peatlands, climate, biodiversity and human and labor rights.** Work with peers and other stakeholders, including governments, to advocate for wider actions that address underlying causes of Conflict Palm Oil, reduce adverse environmental and social impacts from supply chains, and support enabling laws and regulations, policies and actions in both producer and consumer countries.

If the Snack Food 20 companies take these steps, and succeed in convincing traders to address the lack of transparency and traceability in palm oil supply chains, the demand for responsible palm oil will grow and provide a significant incentive for palm oil producers to fundamentally change their practices and stop destroying rainforests, worsening climate change, and violating human and labor rights.

What can traders like Cargill do?

Traders like Cargill buy massive volumes of palm oil from the companies that grow, mill, and refine palm oil. Traders are the linchpin in the international palm oil supply chain and they have uniquely influential leverage to drive a transformation in the way palm oil is produced. By failing to address the lack of transparency and traceability in palm oil supply chains, these traders have been putting the valuable brand assets of their consumer goods company customers at risk by continuing to supply them with Conflict Palm Oil from controversial companies like Bumitama Agri Ltd.

Traders can use their influential leverage to drive changes in the way palm oil is produced by adopting global responsible palm oil procurement policies that insist that the palm oil they buy from refineries, mills and growers is fully traceable and not associated with deforestation, expansion onto carbon-rich peatlands or human and labor rights violations.

As a matter of urgency, traders like Cargill must map their global supply chains and determine where the oil palm fruit that produced the crude palm oil, palm kernels or palm kernel oil they source from refineries, mills and third-party growers was grown to achieve fully traceable and transparent palm oil supply chains and eliminate Conflict Palm Oil.

For more information:

Read Rainforest Action Network's report *Conflict Palm Oil: How US Snack Food Brands are Contributing to Orangutan Extinction, Climate Change and Human Rights Violations* - <http://www.ran.org/conflict-palm-oil>

Rainforest Action Network campaigns for the forests, their inhabitants and the natural systems that sustain life by transforming the global marketplace through education, grassroots organizing and non-violent direct action.

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