



Conflict Palm Oil In Practice: Exposing KLK's role in Rainforest Destruction, Land Grabbing and Child Labor

RAN's Assessment of KLK's Statement of Response ***May 9, 2014***

On April 2, 2014 Rainforest Action Network (RAN) released a report titled *Conflict Palm Oil in Practice: Exposing KLK's Role in Rainforest Destruction, Land Grabbing and Child Labor* that documents serious issues in Kuala Lumpur Kepong Berhad's operations.¹ The report features the following four Conflict Palm Oil cases:

- KLK's expansion plans into the ancestral lands of tribal groups in a remote area of Papua New Guinea without their Free, Prior and Informed Consent.
- KLK's use of child labor and forced labor on two plantations in Indonesia.
- Expansion by KLK's newly acquired Equatorial Palm Oil onto traditional farming lands of local communities in Liberia in violation of their Free, Prior and Informed Consent.
- On-going deforestation on two KLK plantations in Indonesia.

On April 8th, Kuala Lumpur Kepong Berhad responded to RAN's report with a statement that unfortunately does little to address much less put to rest the issues raised by RAN.² KLK's response does not include any public commitments to resolve the grievances outlined or a commitment to adopt a global responsible palm oil policy. Rather it tries to brush aside the grave human rights violations that have been documented and draw attention away from consideration of the report's recommendations. The issues profiled in the report – KLK's involvement in land grabbing, violations of Indigenous peoples' rights, deforestation and use of child labor and labor abuses – are serious, and RAN's recommendations to KLK, its customers and financiers remain unchanged.

With this statement, RAN provides an assessment of and response to the claims KLK has made in its statement as well as updates on the cases in Liberia and Papua New Guinea.

RAN continues to call on KLK to resolve the grievances outlined in our report to the mutual satisfaction of the Indigenous Peoples, communities, and workers affected as well as stop the development of any potential High Conservation Value areas, High Carbon Stock forests and expansion on peatlands of any depth and area, and ensure its third party suppliers are not engaged in such practices. We recommend KLK join its

¹ *Conflict Palm Oil in Practice: Exposing KLK's Role in Rainforest Destruction, Land Grabbing and Child Labor*, Rainforest Action Network. <http://ran.org/conflict-palm-oil-practice>

² "KLK's Response to RAN's Report Titled 'Conflict Palm Oil in Practice'," Kuala Lumpur Kepong Berhad. <http://www.klk.com.my/wp-content/uploads/2013/06/2014-04-08-KLKs-Response-to-RANs-Article-Conflict-Palm-Oil-ProductionFINAL.pdf>

peers, including Wilmar International, New Britain Palm Oil, Daabon, Agropalma, and Golden Agri Resources (GAR) by adopting and implementing a global palm oil policy that requires the production and sourcing of palm oil to be fully traceable, legally grown and verified as not associated with deforestation, expansion on carbon-rich peatlands of any depth, or the violation of human or labor rights.

Corporate consumers, traders, processors, financiers and palm oil producers must all eliminate Conflict Palm Oil from their global supply chains and portfolios. This includes dropping business relationships and sourcing of palm oil from KLK until the company resolves its issues with deforestation and human and labor rights violations.

Case 1: Papua New Guinea: KLK Fails to Respect Indigenous Peoples' Ancestral Land Rights in Collingwood Bay

KLK Disregards Customary Law and Misrepresents Consent

KLK's response to RAN's report misrepresents the consent it has obtained for its proposed development in Collingwood Bay and shows a complete lack of understanding of and respect for the customary law of the Collingwood Bay tribes.

In Collingwood Bay customary law requires KLK or any company proposing a project of such a scale to obtain the Free, Prior and Informed Consent of the Council of Chiefs,³ the chosen representatives of the Collingwood Bay tribes. Unfortunately for KLK, the Council of Chiefs had already considered industrial palm oil development and said no. In 2010 all nine tribal chiefs in Collingwood Bay met to discuss the use of their ancestral land, and the community wide consultation process resulted in a Joint Communiqué that declared, "We protest in the strongest possible terms any plans to introduce the palm oil industry into the Collingwood Bay area."

KLK contends in its response that the Communiqué is no longer relevant since it was issued in 2010, but this is simply not true. Under the customary law of Collingwood Bay, nobody can revoke the position of the Chiefs but the Chiefs themselves, and if they do so, it must be by total consensus.

Rather than respect the authority and position of the Council of Chiefs, KLK has attempted to undermine it. KLK implies that it has obtained consent to develop on the customary lands of the Collingwood Bay communities from Sibo Management Ltd (Sibo) and Wanigela Agriculture Industries Ltd (Wail) – two private limited companies owned by individuals who do not have the Collingwood Bay peoples' mandate to represent them in dealing with their ancestral lands. Whether malicious or uninformed, KLK's

³ The Council of Chiefs is made up of the chiefs of each of the nine language groups in Collingwood Bay Community. In 2010 the Chiefs gave recognition to the Women of Collingwood Bay, announcing that they shall be the 10th Tribe and have an equal voice in consensus building when it comes to development issues.

attempts to dismiss and undermine the authority of the Council of Chiefs speaks volumes about the company's lack of understanding and respect for the customs and rights of the Collingwood Bay people.

The National Constitution of Papua New Guinea recognizes the authority of Indigenous Peoples to use their own customary institutions and governance systems to make decisions over land use in their ancestral lands. In a letter from Oro Community Environmental Action Network's (OCEAN) to the RSPO, Adelbert Gangai describes how Papua New Guinean and customary law apply in Collingwood Bay:

*The PNG Land Act is silent about what proportion of the customary landowners must agree to dispose of customary land, therefore giving us the option to apply custom law. In our system there is no majority ruling: **total consensus is required, especially for any project of the scale KLK is pursuing. Once a consensus is reached, that is it.** Anyone who complains to the courts will only be sent back to the village to deal with it in the custom way. There is no appeal. If a family disagrees in a clan consensus building process, their elder or chief will vote against the rest and because one clan has not consented, any decision taken by the rest, even if by a majority, is null and void.*

[In] precedencies set by the PNG courts in land disputes such as this, the onus of proof lies with developers to prove to the Courts that more than 75% of all clans with inherited rights consented to nominate landowner companies to transfer or dispose of customary lands. In our case, the defendants will have to prove that at least three-quarters of all clans endorsed WAIL and Sibbo to apply for the SABLs and [to] sell the exploitation rights to KLK, Batu Kawan and Ang Agro Management.

KLK Fails to Conduct Proper Due Diligence in Collingwood Bay

Over 5 million hectares of customarily owned land has been taken from local people in Papua New Guinea using Special Agriculture and Business Leases (SABLs). A Commission of Inquiry into the SABLs was established in July 2011, and a interim report published in March 2013 uncovered massive fraud and a lack of due process in granting the leases and recommended that 90 percent of the leases be revoked as they are illegal.

KLK notes that the SABLs issued to its partners for portions 113C and 143C were not amongst those investigated by the Commission of Inquiry (COI). However, KLK fails to mention that these specific leases had previously been declared null and void by the PNG courts in 2002. They were not under investigation by the COI because they were assumed cancelled. Yet somehow these leases reappeared and were re-issued to KLK's partners, Sibbo and Wail, in 2012 without due verification with the community or provincial authority.

In 2012 Collingwood Bay community representatives filed suit⁴ against the Independent State of Papua New Guinea and KLK's partners Sibbo and Wail challenging the legality of the leases. Later ANG, the wholly owned subsidiary of KLK's subsidiary Collingwood Plantations Pte (CPPL), also became party to the case. On April 11, 2014, KLK's partners conceded in the Judicial Review case before the PNG National Court, and once the case is fully concluded, the SABLs will be declared null and void once again and quashed.

KLK conceded in its own response that it must abide by the court's decision. Yet, it is important that KLK not be allowed to muddy the waters by claiming this is only an issue of legality. KLK's due diligence procedures in acquiring CPPL failed to identify the major social, environmental and legal constraints in their planned development in Collingwood Bay. More troubling yet, KLK's complete lack of respect for the customs and decision-making processes of the Collingwood Bay people indicate that the company has a long way to go to align its practices with best practices in Free, Prior and Informed Consent and working with local communities.

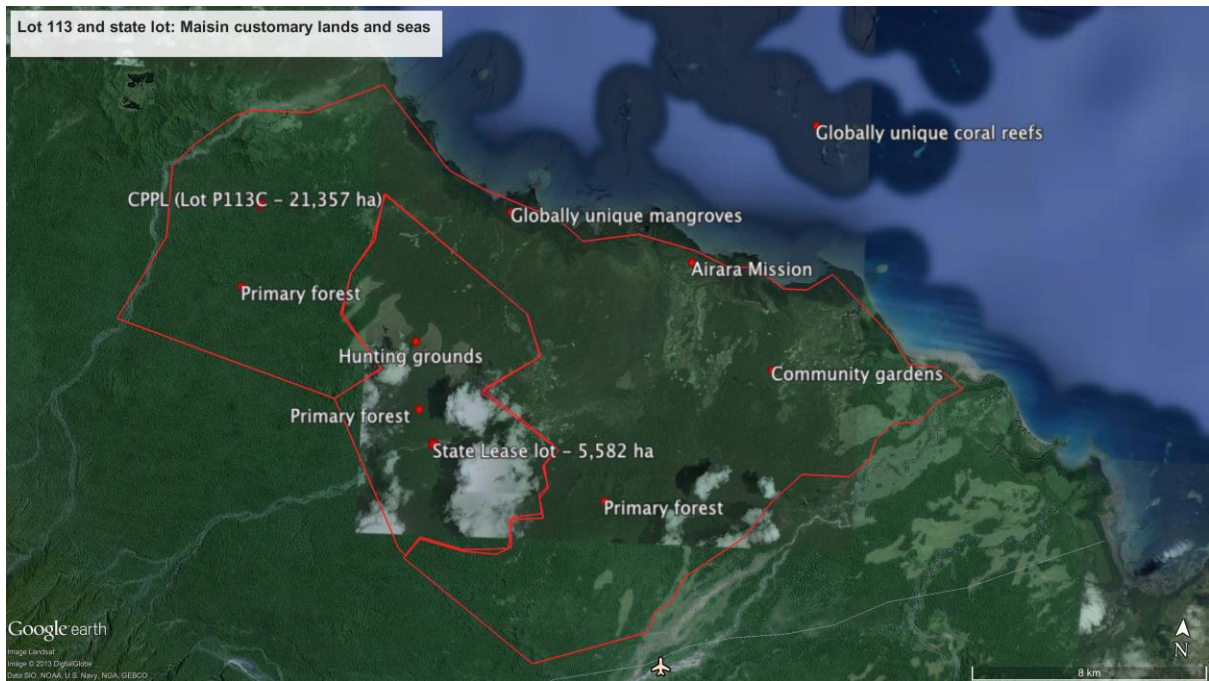
KLK's Future Plans in Collingwood Bay: Deforestation and Rights Violations?

Despite the clear opposition of the Council of Chiefs and being ordered to stop operations by the RSPO and the courts of Papua New Guinea, KLK seems determined not to leave Collingwood Bay. While the company has conceded in the legal case challenging the legality of the leases to lots 113C and 143C on customary lands, it still holds a third lot, a State lease. From KLK's latest response, it appears the company plans to continue development on this lot and may try to convince neighboring landowners to begin planting oil palm, enabling KLK to work its way onto customary lands. KLK has already moved machinery and materials to the State lot. In its response KLK writes,

In the event the Court decides to quash the SABLs issued to Sibbo and Wail, KLK will abide by the court decision. KLK will also not interfere should the landowners decide to apply for registration of ownership of their customary land. Once the landowners obtain certificates of title to their land, it will be up to them to decide whether they wish to partner with KLK to develop oil palm plantations on their land.

KLK fails to mention, however, that this State lot is largely covered in primary forests and serves as hunting grounds for the Collingwood Bay tribes. Any development of industrial palm oil plantations in this area would be a serious breach of a large number of RSPO standards and the principles outlined in the so called *Sustainable Palm Oil Manifesto*, and will provoke local conflict, and reputational and market share risks for the company.

⁴ OS(JR)No 706 of 2012



Map of State Lot to which KKK still holds lease and Lot 113C to which SABL will be quashed

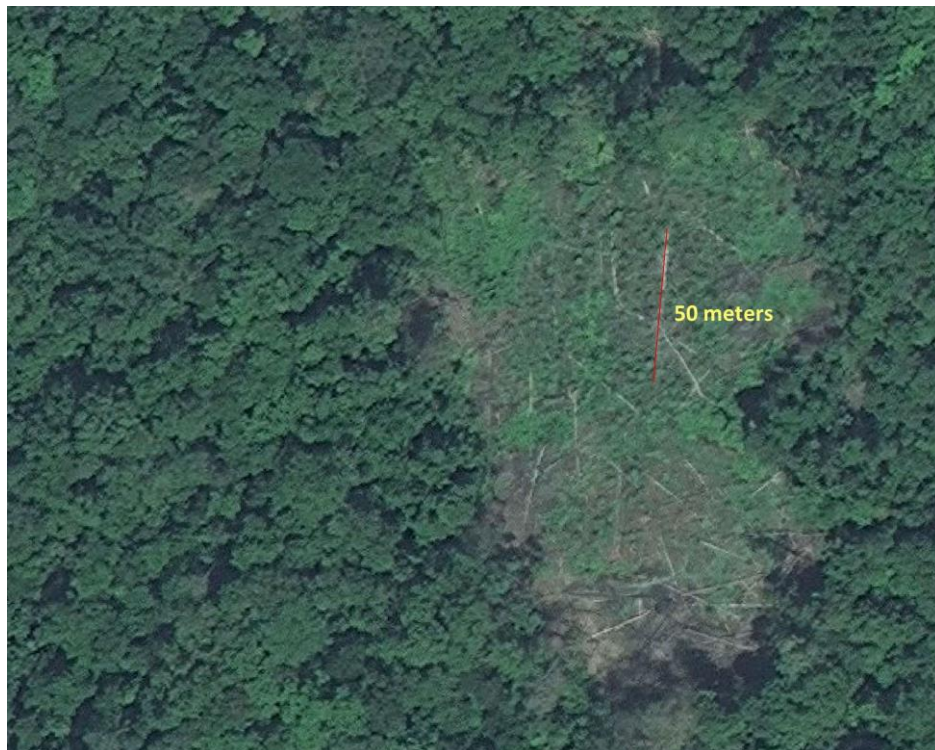


Photo of 50 meter felled tree in primary forest on State Lot

Moving Forward: What KLK Must Do in Collingwood Bay

At this stage moving forward means moving on. KLK has been drawn into a hornet's nest by its PNG business partners who have not served them well, and it is past time for KLK to expedite a plan to wind down and exit from the Collingwood Bay region.

RAN's report outlines a detailed set of recommendations for KLK, and it is a matter of urgency for KLK to adopt and implement these recommendations in Collingwood Bay and more broadly.

Moving forward KLK must adopt policies and Standard Operating Procedures (SOPs) to (1) respect and uphold the legal, customary and user rights of Indigenous Peoples and rural communities to ownership and control of their titled and customary lands, and to (2) respect and uphold their right to give or withhold their Free, Prior and Informed Consent (FPIC) to proposed developments on their lands as expressed through their own freely chosen representatives. More broadly, KLK must adopt and implement a responsible palm oil policy that requires the production and sourcing of palm oil that is fully traceable, legally grown and verified as not associated with deforestation, expansion on carbon-rich peatlands of any depth, or the violation of human or labor rights.

Case 2: Indonesia – KLK Uses Child and Forced Labor

Unaddressed Issues of Child Labor and Worker Exploitation on KLK Plantations

KLK's response to RAN's report fails to address the findings of child labor and abusive labor conditions on a second plantation in East Kalimantan in 2012 and 2013 by Indonesian NGO Sawit Watch.

KLK points out that the company has internal circulars to "ensure that no underage labourers are employed in [their] estates." However, circulars are not sufficient to prevent child labor. Many children are not working directly for the company but instead supporting their parents in meeting otherwise unattainable or hard-to-achieve harvesting quotas. In order to eliminate child labor on its plantations, KLK must address the underlying causes of child labor by reforming the quota system and paying workers a living wage as well as ensuring children on all plantations have access to schools.

KLK also does not address the fact that several other laborers interviewed in Sawit Watch's investigations in 2013 reported being recruited by Handoyo who had been working for CV Sinar Kalimantan and was supposedly blacklisted in 2010 after being exposed for subjecting workers to conditions of modern day slavery. KLK should reveal its procedure for blacklisting labor contractors and what due diligence it has done to verify that Handoyo and other blacklisted contractors are no longer recruiting for the company. In order to ensure that workers are not being unnecessarily put at risk of

forced labor by paying excessive or unlawful recruitment fees, KLK should publicly adopt a “employers pay” principle of not charging any fee or cost for recruitment to workers, directly or indirectly, in whole or in part. KLK should also adopt best practices in screening, managing and monitoring labor recruiters.⁵

Misrepresentation of 2010 Agreements and Abdication of Responsibility

KLK misrepresents several facts in its discussion of the 2010 agreements reached with aggrieved workers and Sawit Watch. First, it mischaracterizes Sawit Watch’s role in the meetings held between KLK and laborers at the RSPO meeting in 2010. Sawit Watch did not agree to mediate a settlement between KLK and the laborers who experienced forced labor conditions on KLK plantation PT 198. Sawit Watch was present at the meeting to support the laborers. KLK’s photos to demonstrate an amicable agreement are also deceptive. The person featured in Picture 2 on page 5 “Mr. Pondi (harvester)” is not in fact a harvester. His actual name is Ponidi, and he works for Menapak, a local NGO in East Kalimantan that assisted the escaped workers from PT 198 in walking away from the plantation safely. He was also at the meeting to support the laborers.

Contrary to KLK’s suggestion in this and previous responses, it was not Sawit Watch’s responsibility to ensure that KLK delivered on the promises it made to the aggrieved workers in the 2010 meeting. Delivering redress to workers who suffered conditions of modern day slavery at the hand of one of the KLK’s labor contractors is solely the responsibility of KLK.

Will KLK Respect and Uphold Workers Rights?

KLK states in its response that it is en-route for RSPO certification of all its plantation operations in Malaysia and Indonesia, and indicates that this will ensure that workers welfare and child labor are comprehensively addressed. However, investigations have revealed human trafficking, child labor, unprotected work with hazardous chemicals and long-term abuse of temporary contracts on RSPO certified plantations,⁶ and studies have revealed that social auditing and certification schemes at large have failed to protect the rights of workers.⁷

KLK must go beyond RSPO certification to ensure respect of workers’ rights by first and foremost empowering workers to assert their own rights effectively, through organizations of their own choosing. KLK should look to models like the Indonesia Protocol on Freedom of Association⁸ for a practical set of guidelines on how to uphold

⁵ *Help Wanted: Fair Hiring Toolkit for Suppliers*, Verite.

<http://www.verite.org/helpwanted/toolkit/suppliers/managing-labor-recruiters>

⁶ *Empty Assurances*, International Labor Rights Forum. <http://www.laborrights.org/publications/empty-assurances-human-cost-palm-oil>

⁷ *Responsibility Outsourced: Social Audits, Workplace Certification, and Twenty Years of Failure to Protect Workers Rights*, AFL-CIO. <http://www.aflcio.org/content/download/77061/1902391/CSReport.pdf>

⁸ “Indonesia Protocol on Freedom of Association.” <http://www.cleanclothes.org/resources/recommended-reading/freedom-of-association-protocol-indonesia/view>

and respect the rights of workers to join together in trade unions and to collectively bargain decent pay and better working conditions.

RAN's report outlines a detailed set of recommendations for how KLK must respect and uphold the rights of workers. It is a matter of urgency for KLK to move forward by adopting and implementing these recommendations.

In summary, KLK must adopt policies and Standard Operating Procedures that respect and uphold fundamental workers' rights outlined by the ILO core conventions and other international instruments, and apply them to all KLK workers, including temporary, contract, and migrant workers of all genders who are hired directly or indirectly by the company. All KLK workers must also have access to an open, balanced, transparent and accountable grievance mechanism without fear of recrimination or dismissal. Policies, SOPs and grievance mechanisms should follow the guidance set out by UN Guiding Principles on Business and Human Rights.⁹



Photo of worker housing on KLK plantation in East Kalimantan visited by Sawit Watch in July 2013

⁹ UN Guiding Principles on Business and Human Rights, United Nations Human Rights Office of the High Commissioner. http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

Case 3: Liberia: KLK's Involvement in Land Grabbing and Assault

KLK and its subsidiary's response to the third case study in RAN's report fails to address the main demands of the communities in Grand Bassa County – namely that Equatorial Palm Oil Ltd (EPO) stop the land survey in Jogbahn Clan, and cease clearance and end expansion on their customary land.

KLK Fails to Conduct Proper Due Diligence Again

KLK refers to the allegations brought against its newly acquired subsidiary company, Equatorial Palm Oil Ltd (EPO) by affected communities in Jogbahn Clan and respected NGOs Sustainable Development Institute (SDI) and Global Witness as “baseless and irresponsible.” While this is a predictable corporate PR move, it does little to instill confidence in KLK's customers and financiers that the company has in place robust policies or proper due diligence mechanisms to ensure it is not involved in the production of Conflict Palm Oil.

KLK could begin to demonstrate good faith by answering the following questions: What due diligence did KLK do before acquiring EPO? What has KLK done to investigate the allegations? What will it do to resolve social conflict in EPO's operations and across its global operations?

Similar to KLK's investment in CPPL in Collingwood Bay, KLK's due diligence procedures in acquiring EPO seemed to have failed to identify the major social constraints in their planned development in Grand Bassa County. Worse yet, KLK's track record of acquiring companies embroiled in social conflict and subsequent disregard for the rights of communities, significantly the communities' right to give or withhold their Free, Prior and Informed Consent to projects proposed on their lands, continues to grow.

EPO/KLK Continue to Violate Communities' Rights

The affected communities of District no.4, Grand Bassa County have engaged with EPO, local government officials and legislators to express their objections to the company's expansion onto their land. In disregard of the affected communities' objection to its expansion, the company cleared and planted some of the communities land with palm oil towards the end of 2012 and continuing into 2013. This clearing destroyed crops and communities' farmland and violated their right to Free, Prior, Informed Consent, which is enshrined in Liberian law and international human rights law. Customary land rights are also protected under a range of international human rights laws applicable to Liberia.

During a meeting on March 5, 2014, Liberian President Ellen Johnson Sirleaf told the communities that the government is committed to supporting them in protecting their land from further expansion by EPO. She promised that the Jogbahn land – just over 20,000 hectares – should be recognized as the community's land and that no company

should operate there without the community's consent.

Despite the President's commitment, EPO has continued to conduct studies of the Clan's land in preparation for clearance. In the past weeks, the company has deployed security personnel and workers to start cutting blocks in Jogbahn land area.¹⁰ Land clearance and other preparatory activities would be unlawful, as they do not respect communities' right to give or withhold their Free Prior and Informed Consent. Further, these activities have the potential to escalate violent conflict between the community and company.

Will KLK/EPO Respect the Rights of the Jogbahn Clan?

In its response to RAN's report, KLK provides the following from EPO,

The aspect of EPO operations that is under RAN's scrutiny is the resurvey and demarcation of the concession area as per the approved resurvey map of Nov-Dec 2012. As agreed and stipulated by the Liberian Government, the resurvey of the concession land and boundary demarcation is strictly to be conducted within the old concession area of 34,500 acres.

To clarify, the aspects of EPO/KLK's operations under RAN's scrutiny include all of those brought forth by SDI and the eight villages within the EPO concession in a formal complaint to the RSPO¹¹ as well as the companies' broader policies, due diligence and Standard Operating Procedures.

RAN wants to know what policies, procedures, and due diligence measures EPO and KLK have in place for (1) respecting and upholding the legal, customary and user rights of Indigenous Peoples and rural communities to ownership and control of their titled and customary lands; (2) respecting and upholding communities' rights to give or withhold their Free, Prior and Informed Consent (FPIC) to proposed developments on their lands as expressed through their own freely chosen representatives; and (3) resolving social conflicts and remediating human rights violations to the mutual satisfaction of the affected parties. EPO/KLK's operations in Grand Bassa County give us reasons for grave concern and stand as a significant red flag for the company's involvement in Conflict Palm Oil more broadly.

In its response above EPO/KLK refer to the "old concession," as if to imply that the area was under EPO's control prior to the existence of a conflict with the local communities. In fact, the villages disputing EPO's claim existed before the concession was allocated. The area that is now at the center of the dispute is an area that has never been planted

¹⁰ "When Our Land is Free, We're all Free," Sustainable Development Institute. May 6, 2014.
<http://www.sdiliberia.org/WhenOurLandIsFreeWereAllFree>

¹¹ "Community Complaint against Equatorial Palm Oil", Sustainable Development Institute.
http://www.forestpeoples.org/sites/fpp/files/news/2013/10/Community%20Complain_LiberiaGrandBassaCounty_Oct2013.pdf

with palm oil.

EPO/KLK also continue to say throughout the response that the Government has granted it permission. That is not in question. The issue is that the communities have rejected the authority of the government by rejecting and resisting the expansion of EPO on their customary lands. As Senior Elder Joseph C. Johnson of Jogbahn town, one of the areas affected by the EPO concession, said to Front Page Africa, “The towns maintain their stance that they want no further expansion of the palm oil company.”

As with its operations in Collingwood Bay and globally, RAN continues to call on KLK/EPO to adopt and implement global responsible palm oil policies and Standard Operating Procedures (SOPs) that requires the production and sourcing of palm oil that is fully traceable, legally grown and verified as not associated with deforestation, expansion on carbon-rich peatlands of any depth, or the violation of human or labor rights.

Case 4: Indonesia: KLK Deforests Orangutan Habitat

KLK’s response to RAN’s report fails to address the fact that KLK is actively clearing natural forests that are important habitat areas for endangered species like the Borneo orangutan.

The evidence presented by Greenpeace in its media report “P&G’s Dirty Secret”¹² shows that KLK is engaged in deforestation, including of mapped orangutan habitat. KLK does not deny that it engages in deforestation but seeks to avoid addressing Greenpeace’s findings by talking about primary forest. It states that “the concession areas were not primary forest and do not serve as an orangutan habitat.” As is well known, orangutans do not depend on primary forest alone; secondary forest also serves as orangutan habitat.

On PT Karya Makmur Abadi II (“KMA”) Greenpeace mapping analysis is based on Ministry of Forestry maps and Landsat images shows that nearly 1000 hectares of forest was cleared between 2011 and 2013, though cloud cover make the precise extent hard to determine. Greenpeace field investigations in January and February 2014 also documented ongoing clearance of forest within the concession.

On PT Jabontara Eka Karsa (“JEK”) KLK claims to have set aside 4,600 hectares for conservation, but Greenpeace mapping analysis shows that in 2013 only ~3,500 hectares of forest remained, with extensive clearance (~8,500 hectares) since 2011.

¹² “P&G’s Dirty Secret,” Greenpeace.

http://www.greenpeace.org/international/Global/international/briefings/forests/2014/ProcterGambleDS_MediaBriefing_Final.pdf

KLK states that the HCV assessments in both PT KMA and PT JEK did not identify any orangutan habitat and that there were no sightings of orangutans in the estates. Sightings of orangutans are not necessary for the area to be orangutan habitat. Bornean orangutans are listed as endangered by the IUCN, with habitat loss being the major threat. Protecting potential habitat is key to allow for population recovery. KLK should make its HCV assessments for PT KMA and PT JEK publicly available for review by Greenpeace and other parties.

RAN continues to call on KLK to follow the lead of its peers like Wilmar and declare an immediate moratorium on further clearance of natural forests, expansion on peatlands of any depth, and development of lands that contribute to the livelihoods of local communities until credible High Conservation Value (HCV) and High Carbon Stock (HCS) assessments, community mapping and FPIC are undertaken to designate areas off limits to expansion. In order to further prevent these impacts, KLK must adopt and implement a responsible palm oil policy that requires the production and sourcing of palm oil that is fully traceable to the plantation, legally grown and verified as not associated with deforestation, expansion on carbon-rich peatlands of any depth, or the violation of human or labor rights.

KLK's Palm Oil Policy Falls Short of Global Benchmark for Responsible Palm Oil

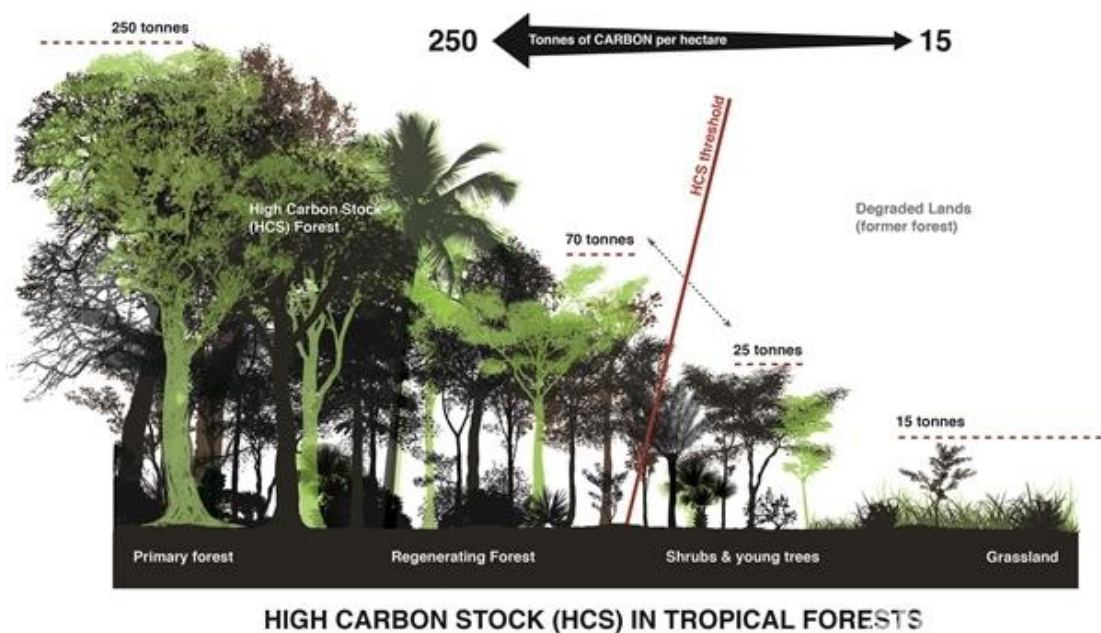
KLK's response to RAN's report also fails to address the critical shortfalls in the company's global palm oil production and trade policies. KLK has not committed to adopting a responsible palm oil policy that requires the production and sourcing of palm oil that is fully traceable to the plantation, legally grown and verified as not associated with deforestation, expansion on carbon-rich peatlands of any depth, or the violation of human or labor rights.

Instead, KLK draws attention to its participation in the Sustainable Palm Oil Manifesto as evidence that it is willing to go beyond the RSPO. This Manifesto, though much discussed behind closed doors by the palm oil industry particularly in Malaysia, has yet to be publically released due to negative responses by other key stakeholder groups and the risk of adverse publicity. Ironically, KLK points as a "positive" to the single most controversial, regressive and opposed element of the Manifesto Group's platform. KLK writes,

"The [Manifesto] signatories will lead, fund and execute independent research to determine high carbon stock ("HCS") threshold and once defined these thresholds will be adopted. In the interim we will continue to implement RSPO criterion 7.8 to minimise GHG emissions associated with new developments."

High Carbon Stock (HCS) assessment methodologies have been developed and field tested by companies including Golden Agri Resources and Asia Pulp and Paper, with the

support of The Forest Trust (TFT) and Greenpeace. The world's largest trader of palm oil, Wilmar International, amongst others, has also recently adopted them. The purpose of HCS assessments is to have efficient and ecologically justified field methodologies and satellite monitoring for distinguishing between forested and non-forested areas in concession areas. The HCS methodology is critically important as it defines key vegetation classes and the threshold between high and low carbon stock areas. This approach helps distinguish between the areas of primary and secondary forests that will be protected from conversion and low carbon stock shrubs, grasslands and open lands that have the potential to be converted to palm oil plantations. The HCS threshold that has been adopted by its developers is illustrated below.



The Sustainable Palm Oil Manifesto Group, including KLK, is attempting an end run around this body of work by setting up its own industry controlled process that is intended to shift the High Carbon Stock/Low Carbon Stock threshold to the left by several vegetation classes. The result will be that under Manifesto Group “threshold definitions” even well developed secondary forests will be defined as Low Carbon Stock forests and could continue to be cleared, in effect leading to business as usual operations. This would simply be on-going deforestation with a name change, otherwise known as Greenwash.

KLK will continue to contribute to the destruction of critically important rainforests as long as it clears High Conservation Value areas and High Carbon Stock forests or sources from companies engaged in these controversial practices. It is critical that KLK implements an immediate moratorium on the development of new plantations on High

Conservation Value areas and potential High Carbon Stock forests in its global supply chain.

Concluding Remarks

RAN's report *Conflict Palm Oil in Practice: Exposing KLK's Role in Rainforest Destruction, Land Grabbing and Child Labor* outlines detailed recommendations for KLK. It is a matter of urgency for KLK to move forward by adopting and implementing these recommendations.

KLK must adopt and implement a palm oil policy that requires the production and sourcing of palm oil to be fully traceable to the plantation, legally grown and verified as not associated with deforestation, expansion on carbon-rich peatlands of any depth, or the violation of human or labor rights.

RAN continues to call on KLK to resolve the grievances outlined in our report to the mutual satisfaction of the Indigenous Peoples, communities, and workers affected as well as stop the development of any potential High Conservation Value areas, High Carbon Stock forests and expansion on peatlands of any depth, and to ensure any third party suppliers from which it sources are also not engaged in such practices.

RAN recommends that corporate consumers, traders, processors, financiers and palm oil producers eliminate business relationships and sourcing of palm oil from KLK until the company resolves its issues as outlined in our report.

RAN welcomes productive dialogue on these topics with Kuala Lumpur Kepong Berhad (KLK) and other stakeholders.