LEUSER WATCH

PT SURYA PANEN SUBUR

ONGOING DEFORESTATION IN CRITICAL TRIPA PEATLAND CONNECTED TO MAJOR BRANDS
PepsiCo and Others Fail To Stop Destruction Of 'Orangutan Capital Of The World'

INTRODUCTION

On 11th November 2014, the palm oil company PT Surya Panen Subur II (PT SPS II) was exposed for the destruction of thousands of hectares of the Tripa peatland for Conflict Palm Oil.¹ The Tripa peatland is located in the Leuser Ecosystem of Sumatra, Indonesia, and was once called 'The Orangutan Capital of the World' because its rich peat forests supported some of the densest populations of Sumatran Orangutans. Now critically endangered, and with Tripa significantly destroyed, the orangutan population of Tripa has dropped significantly. Tripa’s orangutans cling to life in the remaining patches of forests, which continue to fall for palm oil development.

This case study presents new evidence of ongoing deforestation in the palm oil concession operated by PT SPS II in the critical Tripa peatland. In January and again in March 2018, RAN field investigators found that heavy machinery was used to clear forests and additional areas were being prepared for new oil palm plantations, including in some cases with the use of fire, an act that is against Indonesian law. Indonesia’s Minister of Environment and Forestry has also conducted ground-level observation and confirmed recent oil palm plantation establishment in areas that have been declared as peat protection zones by the national, provincial and district governments.²

Additionally, this case study uses recently published mill lists by major brand such as PepsiCo,³ Unilever,⁴ Nestlé,⁵ Mars,⁶ Mondelez,⁷ General Mills,⁸ Procter & Gamble,⁹ Colgate Palmolive,¹⁰ and Reckitt Benckiser¹¹ to prove for the first time that these brands have been sourcing palm oil from PT SPS II and are responsible in part for the ongoing destruction of globally important lowland rainforests and peatlands in the Leuser Ecosystem. This report also confirms that palm oil traders Golden Agri-Resources (GAR),¹² Wilmar,¹³ Cargill,¹⁴ Aarhuskallashamn (AAK),¹⁵ Bunge Loders Crocklan,¹⁶ Sime Darby,¹⁷ ADM¹⁸ and Fuji Oil¹⁹ continue to sell Conflict Palm Oil to the global market which has been produced at PT SPS II’s crude palm oil mill located in Tripa, even though PT SPS II has failed for years to come into compliance with ‘No Deforestation, No Peatland and No Exploitation’ policies.
Since exposed in November 2014, Rainforest Action Network (RAN) has been calling on the companies buying and trading conflict palm oil from PT SPS II to end the demand for palm oil coming from Tripa and stop the burning and destruction of the last remaining 4,000 hectares of forested peatlands within PT SPS II’s palm oil concession inside the Leuser Ecosystem. These companies include PepsiCo, other major brands, and major buyers and traders of palm oil such as GAR and Wilmar.

For nearly four years, PepsiCo has failed to intervene and GAR has refused to suspend sourcing from PT SPS II. This is despite ongoing clearance of forests, use of fire, and drainage of peatlands in its concessions, and delays in the establishment of a transparent, credible and independent conflict resolution process to resolve conflicts with local communities who have been fighting for over a decade for the recognition of their customary land rights.

The refusal to end the purchasing of palm oil from PT SPS II is even more controversial considering that the destruction of Tripa’s peatlands has continued since 2012, both by PT SPS II and other parties that have established palm oil plantations illegally within the PT SPS II concession. The latest cases were exposed in April 2016 and August 2017, with field investigations and satellite evidence in this report showing that backhoes have been used to clear peat forests as recently as April 2018. Furthermore, in April 2018, the company was found guilty by the State Prosecutor’s Office of illegally clearing land by setting peat forests on fire in 2012.

PT SPS II remains one of the most controversial palm oil companies operating in the Leuser Ecosystem. If PepsiCo and other brands want their customers to believe that they are taking action to implement their own sustainability policies, it’s time they sever ties with PT SPS II until a lasting solution to the destruction of the Tripa peatland is achieved.

Remaining peat forests inside concession allocated to PT Surya Panen Subur II threatened by palm oil expansion. PHOTO: PAUL HILTON
THE PLANTATION COMPANY

The PT Surya Panen Subur II (PT SPS II) concession covers an area of approximately 13,000 hectares and is located in the Tripa peatland in the southwest of the Leuser Ecosystem, on the island of Sumatra, Indonesia. The Tripa peatland provides important habitat for critically endangered Sumatran orangutans and its waterlogged peat soils are a significant store of carbon.

PT SPS II was originally named PT Agra Para Citra and obtained its land cultivation rights from government authorities in 1997 and 1999 during a time of rapid expansion of palm oil plantations across Indonesia. This period of palm oil expansion is marked by great disregard of the rights of Indigenous and local communities. In 2007, the plantation was taken over by PT Astra Agro Lestari, and changed its name to PT Surya Panen Subur II (PT SPS II). In November 2010, the ownership changed again when PT SPS II was acquired by PT Agro Maju Raya (Amara). Recent reports released by GAR confirm that PT SPS II has not been able to provide proof of proper land acquisition from local communities or evidence that land compensation was given by the prior owners. PT SPS II has its own palm oil mill within its concession where it sends the palm oil fruit harvested in the plantation to be processed, and later shipped to the global buyers via palm oil traders such as GAR.
THE PROBLEM AND THE EVIDENCE

PT SPS II is one of the most notorious palm oil companies operating in the Leuser Ecosystem due to its long-term connection to the destruction of the Tripa peatland. PT SPS II’s plantation came into the international spotlight in March 2012, when forests in its concession were on fire and contributing to a man-made inferno that burned through the Tripa peatland, sending thick plumes of smoke across Sumatra. As a result of these fires, both a civil and criminal lawsuit was led against PT SPS II by a ministry of the central government of Indonesia. After multiple decisions in district courts, and appeals by PT SPS II and its team of lawyers, the company was found guilty in April 2018 by the State Prosecutor’s Office of illegally clearing land by intentionally setting peat forests on fire in 2012.26

RAN’s 2014 report on the Leuser Ecosystem, The Last Place on Earth, profiled PT SPS II for having cleared large areas of rainforests within the Tripa peatland at a great cost to biodiversity.27 Despite the international pressure on PT SPS II that came as a result of the 2014 report, field investigations and satellite monitoring identified 173 acres of new clearance of forested peatlands between January 11 and June 4, 2015. The 2015 investigation stated that either PT SPS II was continuing to clear forested peatlands—an action that was illegal at the time due to the depth of peatlands in this area—or had failed to adequately monitor its concession and engage with other parties that were developing the land into oil palm plantations.28

Satellite imagery revealed an additional 74 hectares of forest were cleared between August 2015 and February 2016.29 In early 2016, PT SPS II responded to the public exposure by submitting a report to GAR that stated that it had stopped clearing forests in 2012 and that third parties were responsible for the ongoing clearance within its concession. Further research then revealed that in the months leading up to June 2017, new peat drainage canals were built inside the concessions and illegal fires were lit to clear land. In total, 24 hectares of forest were lost.30 By the end of 2017, deforestation had continued to the extent that the total remaining forest area in the concession dropped below 4,000 hectares.

In November 2016, PT SPS II was named as one of the major culprits operating in violation of the former Governor of Aceh’s instruction letter, which was sent to all palm oil companies in June 2016 and instructed them to prohibit the clearance of any forest areas inside concessions under their management. The letter was a follow-up measure to the Ministry of Environment and Forestry instruction to enforce a moratorium on new palm oil licenses in the Leuser Ecosystem (Circular Letter No 522.12/2686-III).
The table below shows the reduction in forest cover at the PT SPS II plantation based on remaining forest cover since the issuance of the circular letter. Satellite evidence shows that clearance has continued until as recently as April 2018. A total of 482 hectares have been cleared within PT SPS II’s concession since the circular letter was issued. A total of 84 hectares were lost in the first four months of 2018 alone.

<table>
<thead>
<tr>
<th>June 2016</th>
<th>December 2017</th>
<th>January 2018</th>
<th>February 2018</th>
<th>March 2018</th>
<th>April 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,341 ha</td>
<td>3,943 ha</td>
<td>3,943 ha</td>
<td>3,896 ha</td>
<td>3,888 ha</td>
<td>3,859 ha</td>
</tr>
</tbody>
</table>

In January 2018 and again in March 2018, RAN field investigators found that heavy machinery was used to clear forests. Additional areas were being prepared for new oil palm plantations, including in some cases with the use of fire, an act that is against Indonesian law.

Vegetation clearing along a drainage canal inside SPS II identified in August 2015 (GPS: 3°46'52.7"N 96°36'08.3")

Heavy machinery operating in a forest area inside the PT SPS II concession in March 2018 (GPS: 3°45'53.60"N 96°35'20.09'E)

An area that was cleared after the circular letter was issued to palm oil companies with existing concessions in the Leuser Ecosystem. March 2018 (GPS: 3°45'55.84"N 96°35'31.82'E)

Evidence of fire in an area that was cleared in December 2016. Photo from January 2018 (GPS: 3°45'51.99"N 96°35'56.97'E)
In March 2018, palm oil fruit was tracked from various collection points within the PT SPS II concession to its mill inside the concession. From the mill the palm oil enters the global supply chain and is shipped via traders such as GAR and Wilmar to global consumer goods manufacturers including PepsiCo.

The map shows deforestation within PT SPS II’s concession from June 2016—when the Governor of Aceh issued the circular letter—to February 2018 (area shown in orange). It also shows the most recent deforestation detected in March and April 2018 (area shown in red) and the location of the backhoe that was found to be operating on forested land in March 2018 (remaining forested area shown in green).

A truck being loaded with oil palm fruit at PT SPS II. In March 2018 (GPS: 3°49'46.06"N 96°30'12.38"E)

The Minister of Environment and Forestry has also conducted ground-level observation and confirmed recent oil palm plantation establishment in areas that have been declared as peat protection zones by the national, provincial and district governments. On May 2, 2018, the Minister of Environment and Forestry, Siti Nurbaya, wrote to the Governor of Aceh, Irwandi Yusuf, asking him to impose sanctions for these new plantings. Minister Nurbaya has also appealed to major actors in the palm oil industry to prove the implementation of their commitments on the ground.
LINKS TO GOLDEN AGRI RESOURCES AND OTHER INTERNATIONAL TRADERS

Golden Agri-Resources (GAR) has been sourcing from PT SPS II for a number of years and continues to do so according to the latest available information. Together with Wilmar and Musim Mas, GAR is one of the three largest international traders exporting palm oil from the regional ports that source palm oil grown at the expense of the forests and peatlands inside the Leuser Ecosystem. According to an analysis of Indonesian customs data, GAR’s share of the exports from the region has increased in recent months.

GAR is a major exporter from the Leuser Ecosystem region to buyers in the United States of America. 73% of all palm oil reaching the US from the ports of Belawan and Kuala Tanjung—the regional ports of the Leuser Ecosystem, where refineries are located that source from plantations inside the Leuser—have been supplied by GAR, according to an analysis of customs data that included data from 2015, 2016 and 2017. It is clear that GAR is a major supplier of Conflict Palm Oil to major brands in the US and beyond, and that it has continued to put brands at risk by continuing to supply them with palm oil produced and processed from PT SPS II’s plantation and crude palm oil mill in Tripa.

GAR has continued to source from PT SPS II despite its published Social and Environmental Policy that clearly states, “We will cease to do business with repeat non-compliant suppliers or suppliers who fail to demonstrate any commitment or effort to rectify any non-compliance with our policies including failure to implement corrective action plans” and evidence that PT SPS II has been in breach of GAR’s policies on various occasions for over 6 years.
GAR states in its grievance list that its decision to continue to source from PT SPS II is based on a commitment made by the company to a corrective action plan. The corrective action plan has not been published, but GAR claims that PT SPS II has committed to: adopt a moratorium on peatland development (an act also required under Indonesian regulations); conduct participatory mapping—a process that should be conducted by communities choosing their own representatives to demark the boundaries to their customary lands, villages and community gardens—and a land tenure study, after field verification undertaken by GAR concluded that third parties were responsible for deforestation within areas of peat forests that PT SPS II had not developed.\textsuperscript{35}

Two years later, PT SPS II has failed to conduct a credible participatory mapping process as, to date, it has failed to appoint mutually-agreed independent parties to conduct participatory mapping and map land designations. Participatory mapping must be an open and consultative process with all community members as it is a process that documents the details of the customary land and resources rights, including explanations of the underlying systems that communities use to control, own, manage and transfer land and resources. PT. SPS II has failed to negotiate with and compensate communities equitably for their lands, socialize the importance of conserving the remaining peat forests, and reach an agreement on a participatory conservation plan that could stop further destruction of the Tripa peatland. The company has chosen not to publish the methodology of its Land Tenure Study or publicly report on any progress made on efforts to address ongoing deforestation, canal dredging, fires and resolve conflict. Finally, PT SPS II has failed to engage with government officials and communities together to develop a lasting solution to the conflict and ongoing deforestation happening inside its concession by third parties under its watch.

GAR’s oleochemical plant in Medan
\textbf{PHOTO: NANANG SUJANA}

In June 2017, GAR committed to supporting PT SPS II in a program called “Collaboration for Transformation (CFT)” that aimed to address the deforestation and land tenure issues between PT SPS II and local communities via a conflict resolution process. The details of the program, supported by consultancy firm The Forest Trust (TFT), have not been published for peer review. Furthermore, it has not resulted in the initiation of a mutually-agreed mediation process with local communities, which could secure settlements for land claims and enable a just transition to alternative crops that could support livelihoods and the protection and restoration of the Tripa peatland.

GAR’s latest published mill list confirms that it continued to source from PT SPS II. In May 2018, GAR reported that PT SPS II continues its efforts to seek interventions from police department and military officials for recent clearance, but once again has not disclosed details on the mediation and dialogue that SPS II states it has initiated with local communities.\textsuperscript{36} GAR’s grievance listing also fails to recognize that PT SPS II was found in April 2018 by the State Prosecutor’s Office guilty of illegally clearing land by intentionally setting peat forests on fire in 2012, or refer to instructions issued to the provincial government by the Ministry of Environment and Forestry in May 2018.\textsuperscript{37} This omission, and its continual acceptance of PT SPS II inadequate actions, clearly demonstrate GAR’s failure to enforce its policies and its failure to take rapid action to address non-compliances, including violations of Indonesian law, in the supply chain of its supplying mills in close proximity to an area it has prioritized for protection—the Leuser Ecosystem.
GAR is not the only trader that is sourcing from PT SPS II. Wilmar’s mill lists show that it has continued sourcing from PT SPS II, and once again is failing to implement its 2013 policy commitment which stated, “Effective immediately, Wilmar will not engage in development of High Carbon Stock (HCS), High Conservation Value (HCV), or peat, nor knowingly source from suppliers engaged in development of HCS, HCV, or peat”. Wilmar has been repeatedly exposed for its ongoing sourcing from companies destroying forests in the Leuser Ecosystem, and for its failure to ensure its third parties are in compliance with its policies and are utilizing the High Carbon Stock Approach.

Musim Mas’s mill lists, another of the three global traders operating in the region, show that it has stopped sourcing from PT SPS II since the publication of RAN’s first report in 2014.

Mill lists recently released by major international brands also reveal a number of secondary traders that are believed to be buying palm oil from GAR and Wilmar and then distributing it to the global brands that manufacture consumer goods products in various countries. The secondary traders shipping Conflict Palm Oil from PT SPS II across the globe include Aarhuskarlshamn (AAK), Bunge Loders Crocker, Cargill, Sime Darby, ADM and Fuji Oil.

LINKS TO PEPSICO AND OTHER GLOBAL CONSUMER BRANDS

In February 2018, a number of global consumer brands responded to growing controversy over their connections to Conflict Palm Oil by publishing lists of the mills that they have sourced from via their global palm oil supply networks. PepsiCo, Unilever, Nestlé, Mars, Mondelez and General Mills have all been previously associated with the destruction of the Leuser Ecosystem, and this case study is the first time that they can each be directly linked to the deforestation caused by PT SPS II, and its owner the Amara Group.

![PepsiCo’s mill list with the PT SPS II mill highlighted](https://www.pepsi.com/docs/gallery/policies-docs/pepsi-2017-palm-oil-mill-list.pdf)

These major brands can no longer deny that clear evidence links their brands to palm oil companies responsible for driving the Sumatran orangutan to the brink of extinction and the destruction of the Leuser Ecosystem. The table above is PepsiCo’s published mill list that shows its sourcing relationship with PT SPS II.

While PepsiCo does not identify the trader that supplies it with palm oil from PT SPS II, its annual reports to the Roundtable on Sustainable Palm Oil (RSPO) state that 34% of PepsiCo’s palm oil is used in North America (excluding palm oil used in joint ventures, such as palm oil sourced to produce PepsiCo branded products in Indonesia by Indofood). Considering GAR supplies the vast majority of palm oil exported from the region, a direct or indirect relationship through a secondary trader is likely.

PepsiCo adopted a Palm Oil Specific Commitment in 2015 stating that the palm oil PepsiCo sources through its suppliers would be produced with no further development of High Carbon Stock (HCS) forests or High Conservation Value areas and no new conversion of peatlands. This case shows that, to date, PepsiCo has failed to enforce an immediate
moratorium on deforestation and peatland destruction or publicly report on actions it has taken to address its role in the destruction of the Tripa peatland and the priceless lowland rainforests in the Leuser Ecosystem.

Sourcing from PT SPS II and other mills located in and around the Tripa peatland is in contradiction to the company’s Palm Oil Commitment and Land Policy. In 2014, PepsiCo committed to a zero tolerance policy for illegal activities and land displacement of legitimate land tenure holders in its supply chain, in accordance with international human rights norms. In its Statement on Salient Human Rights Issues, PepsiCo recognizes that land rights issues can directly impact the lives of rights holders and commits to identify and address land rights issues in its agricultural supply chain. PepsiCo has a responsibility to intervene and ensure that its supplier PT SPS II establishes a transparent, credible and independent conflict resolution process, and appoints an independent and competent mediator agency, to assist in long-overdue efforts to resolve conflicts with local communities.

The map shows the location of mills PepsiCo sources from that neighbor the PT SPS II concession (red) and known mills in the area from which it does not source (blue).

In addition to PepsiCo, there are a number of other brands that are exposed to palm oil from PT SPS II in their supply chain including Unilever, Nestlé, Mars, Mondelez, General Mills, Procter & Gamble, Colgate Palmolive, and Reckitt Benckiser.

CONCLUSIONS

This case study reveals that major brands PepsiCo, Unilever, Nestlé, Mars, Mondelez and General Mills have been sourcing from the critical Tripa peatland in the Leuser Ecosystem. Tripa, once called “The Orangutan Capital of the World”, was home to some of the densest populations of the last wild Sumatran orangutans. The palm oil company in question — PT SPS II — has been a known bad actor since 2012 and is one of the few palm oil companies that has been sued and found guilty for illegal peat forest clearance in Indonesia. New palm oil mill lists released by PepsiCo and other major brands confirm the sourcing of palm oil from a PT SPS II mill in the area.

The refusal to end the purchasing of palm oil from PT SPS II for over four years is even more controversial considering that the destruction of the Tripa peatland has continued since 2012, both by PT SPS II and other parties that have established palm oil plantations illegally within the PT SPS II concession. Field investigations and satellite evidence presented in this report show backhoes have been used to clear peat forests as recently as March 2018. PT SPS II has destroyed thousands of hectares of the Tripa peatland, pushing the critically endangered orangutan population even closer to the brink of extinction.

PepsiCo, Unilever, Nestlé, Mars, Mondelez and General Mills, and their suppliers GAR and Wilmar, must suspend sourcing from PT SPS II, and its parent company the Amara Group, until PT SPS II establishes a transparent, credible and independent conflict resolution process to resolve conflicts with local communities and commits to the following actions:

1 Designate who within the company is responsible for overseeing the conflict resolution process and then compile a dossier of any existing Land Tenure Studies and assessments that have been conducted. This dossier will be used to identify which parts thereof a social baseline assessment, land tenure and use studies, Social and Environmental Impact Assessments need to be repeated.
2 Commission an independent assessment into the past implementation of relevant social requirements for the acquisition of the palm oil concession to identify whether any harm have been caused as a result of actions by the company that may require remedy. External consultants with the requisite social research skills and experience must conduct this assessment.

3 The company through an independent and competent mediator agency shares the findings and recommendations of the assessment with communities and starts discussions on possible next steps. These relate to obtaining initial consent and establishing mechanisms for subsequent interactions and assessments/re-assessments; discussion of what additional protections may need to be put into place in fulfillment of the social requirements for responsible palm oil production; and discussion of what form of remedy may be appropriate in cases where harms have been identified. The company staff who lead this engagement with communities, should do so with assistance for either party from external advisors and/or facilitators as requested by local communities.

4 Redo/do the Land Tenure and Use Study, or parts of it, if necessary, as well as the Social Background Study and bibliography. These studies need to be conducted by an independent third party, and reflect inputs and perspectives from all stakeholders, including local communities and governments from the local to national levels.

5 Quality assurances of all these studies and of the community engagement process should be carried out by an independent third party trusted by local communities with clear and time-bound follow up and actions to ensure that they have all been conducted effectively.

Once an agreement to resolve land conflicts in the Tripa peatland is secured, trust may be rebuilt between communities, governments and PT SPS II and efforts to protect and restore Tripa’s peat forests can proceed, in parallel with investments that secure alternative livelihood pathways to palm oil development for local communities.
ENDNOTES

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