

# LEUSER WATCH

## THE LAST OF THE LEUSER LOWLANDS: FIELD INVESTIGATION EXPOSES BIG BRANDS BUYING ILLEGAL PALM OIL FROM THE SINGKIL-BENGKUNG PEATLANDS

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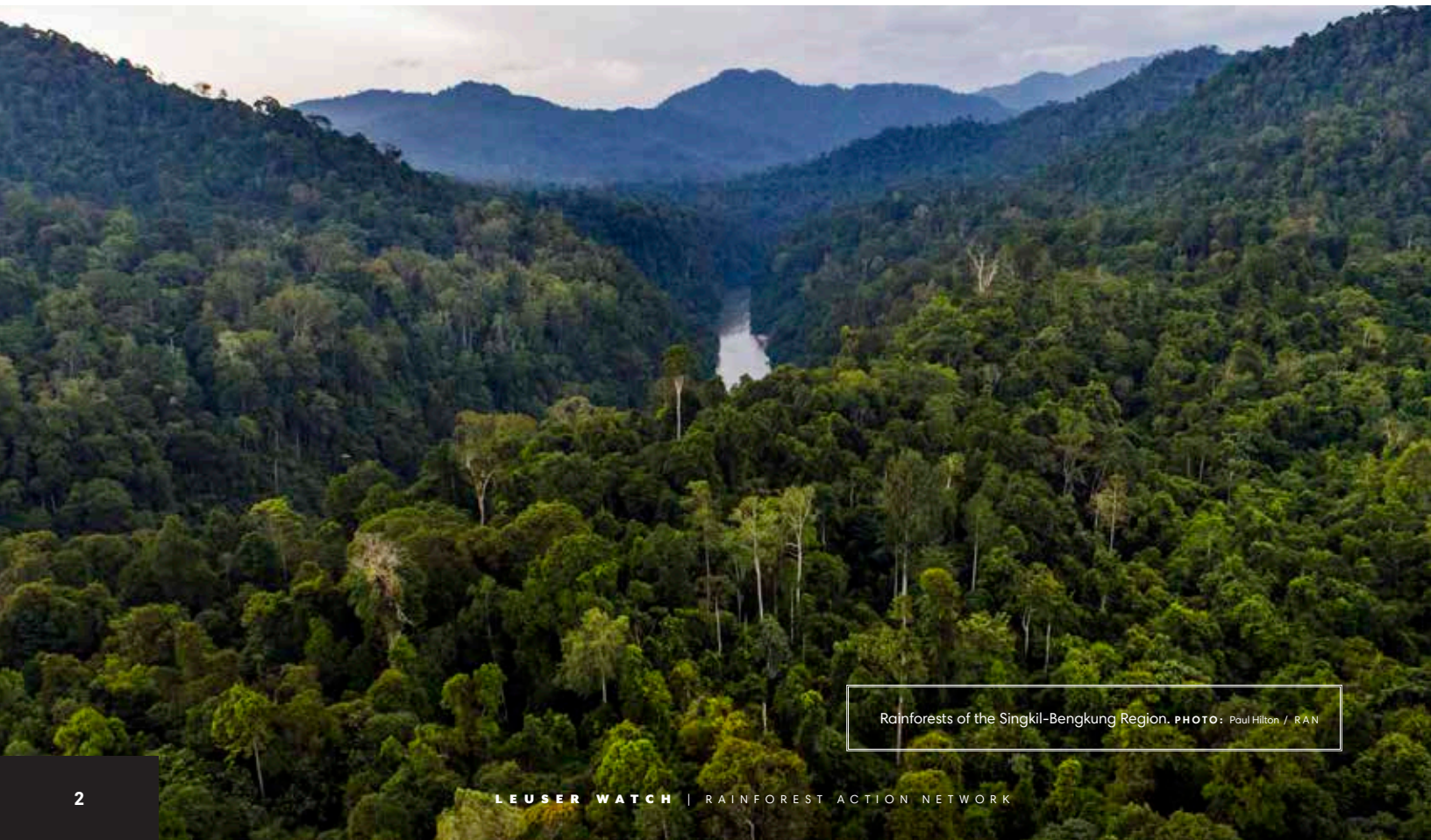
# INTRODUCTION \

Rainforest Action Network (RAN) conducted a series of undercover investigations in 2019 into the alarming destruction of peat forests occurring within the globally important lowland rainforests of Sumatra's Leuser Ecosystem. The field research was conducted to determine if the forest clearance was being driven by major snack food brands, even though these brands had adopted policies years ago to end deforestation in their supply chains. The results of the investigations are definitive. Palm oil is being grown illegally inside the nationally protected Rawa Singkil Wildlife Reserve and that oil is being used to manufacture snack foods sold across the world by Unilever, Nestlé, PepsiCo, Mondelez, General Mills, Kellogg's, Mars and Hershey's.

The Singkil-Bengkung region is a global hotspot for biological diversity. It is one of the highest priority conservation landscapes in the world as it consists of ancient, deep, carbon-rich peatlands and provides critical habitat for endangered Sumatran elephants, rhinos and tigers. The area has been called the 'orangutan capital of the world' because it is home to the densest populations of orangutans to be found anywhere.

The brands named here have been found purchasing palm oil from multiple mills that have continued to source palm oil resulting from the illegal clearing of lowland rainforests within the nationally protected Rawa Singkil Wildlife Reserve. These mills are located immediately next to areas of illegal encroachment into the Leuser Ecosystem and lack the necessary procedures to trace the location where the palm oil they sell is grown, a key requirement for complying with the No Deforestation, No Peatlands, No Exploitation (NDPE) policies all of these brands have publicly committed to.

RAN's investigations also expose glaring hypocrisy by global banks. The expansion of Conflict Palm Oil into this region is being driven by Japanese, Indonesian, and European banks who are financing major palm oil traders which are active in the region, most notably Golden Agri Resources. Japan's Mitsubishi UFJ Financial Group, Dutch bank ABN Amro and Singapore's OCBC appear to not even be complying with their own policies as their client continues to source illegal palm oil grown in the Rawa Singkil Wildlife Reserve.



Rainforests of the Singkil-Bengkung Region. PHOTO: Paul Hilton / RAN





The Singkil-Bengkung region is a global hotspot for biological diversity. The area has been called the ‘orangutan capital of the world’ because it is home to the densest populations of orangutans to be found anywhere.

Deforestation for new oil palm plantations in Rawa Singkil Wildlife Reserve.

PHOTO: Nanang Sujana / RAN



Rhinoceros Hornbill. PHOTO: Paul Hilton / RAN

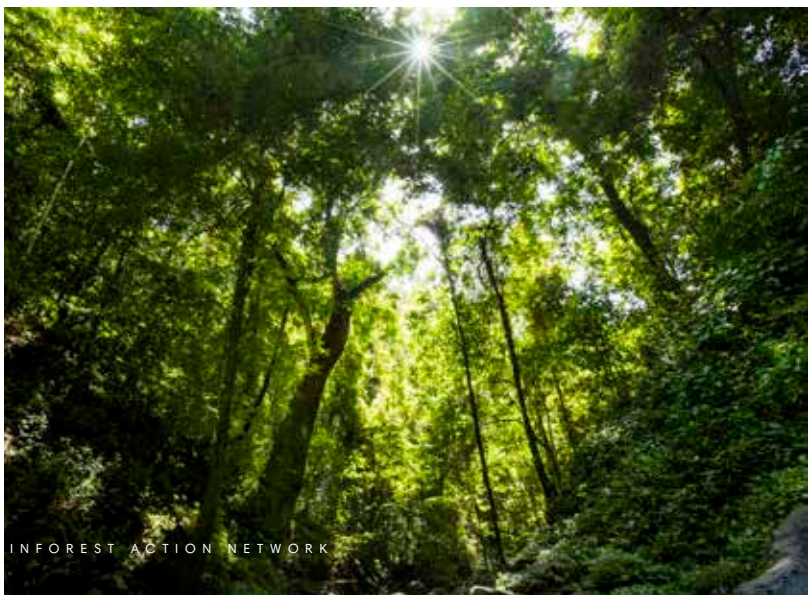
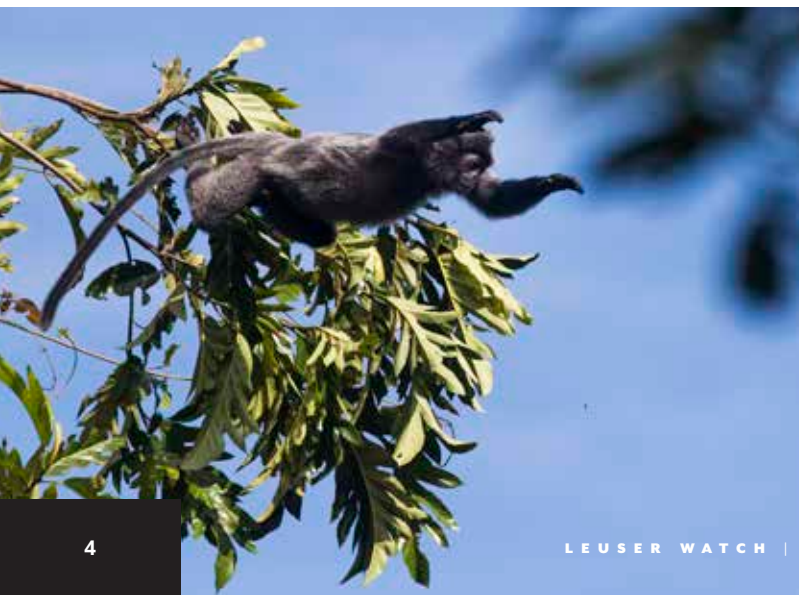




Progress has been made by some companies implementing their NDPE policies, but the findings of these investigations show that paper promises are not enough to keep the forests from falling. The Leuser Ecosystem at large, and the Singkil-Bengkung region in particular, still offers a rare and fleeting opportunity to get it right and avoid the devastating mistakes made throughout so much of Indonesia in the past. It remains possible here to prevent the destruction of habitat which drives iconic wildlife species toward extinction, to avert the human suffering from inevitable floods and landslides caused by deforestation and to end the reckless burning of carbon-filled peatlands contributing to the climate crisis.

The authors of this report are demanding that companies caught contributing to this destruction stop buying palm oil sourced from the rogue mills identified here, or financing the culprits processing and shipping illegal palm oil to the global market, until transparent and verifiable monitoring, traceability and compliance systems are established to ensure they are only sourcing truly responsible palm oil.

Sumatran rhinoceros; Silver Leaf Monkey; Lowland rainforests.  
PHOTOS: Paul Hilton / RAN

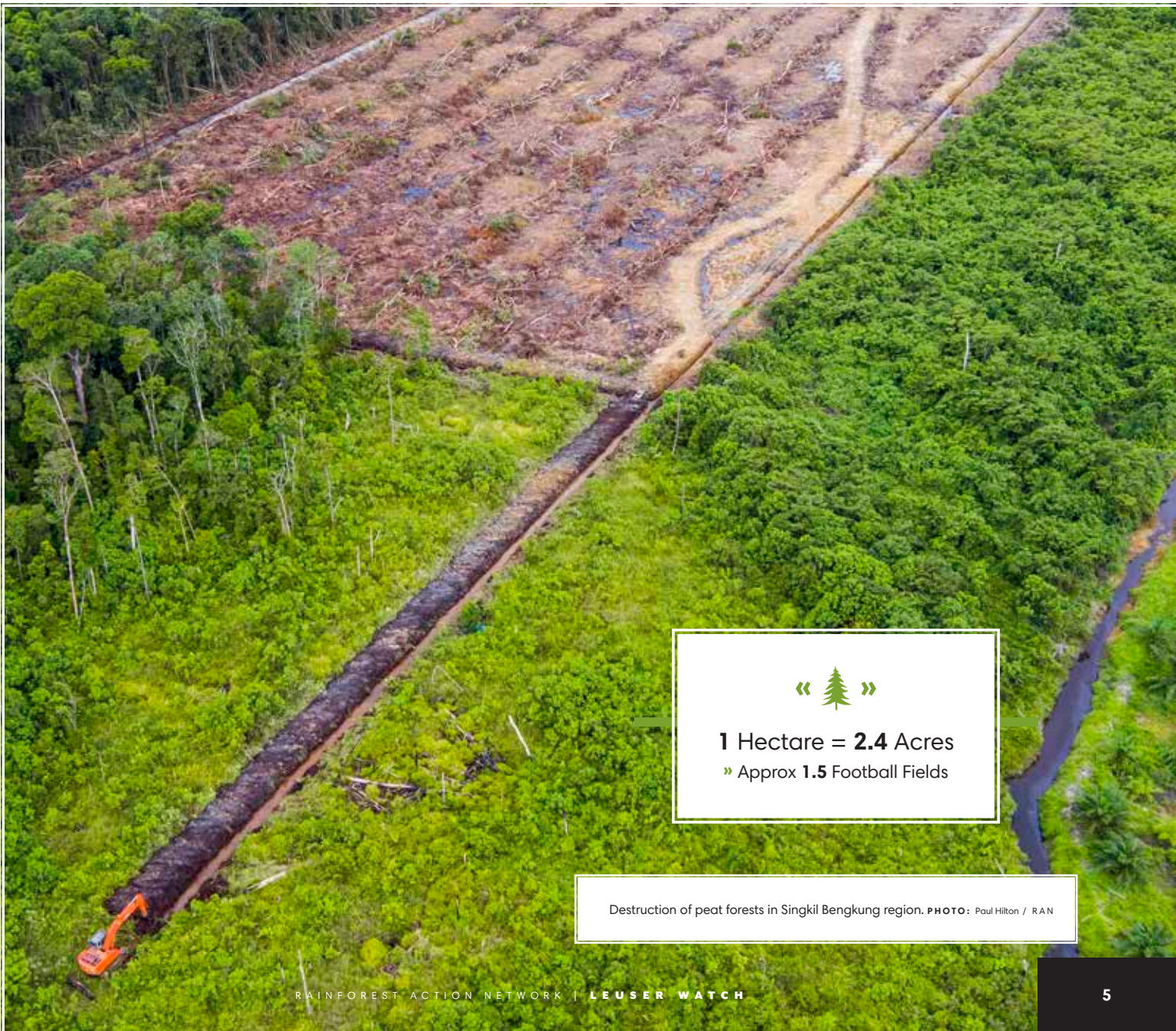




# **SUMMARY OF INVESTIGATION FINDINGS**

## **ILLEGAL DEFORESTATION FOR SNACK FOODS**

RAN's field investigators documented the trafficking of freshly harvested oil palm fruit from an illegal palm oil plantation developed on peatlands inside the Leuser Ecosystem's national protected Rawa Singkil Wildlife Reserve<sup>1</sup> to a nearby palm oil broker. Two mills were identified to be processing the controversial oil palm fruit and were found to be supplying refinery operators and traders, who in turn sell and distribute palm oil products to major snack food companies in over 100 countries worldwide. Unilever, PepsiCo, Nestlé, MondeL z, General Mills, Kellogg's, Mars and Hershey's were all found sourcing palm oil from suppliers connected to deforestation in one of the world's most important peatland forests: the Singkil-Bengkung region of the Leuser Ecosystem. This is despite public commitments made by each company to halt sourcing from suppliers destroying rainforests and peatlands for new palm oil plantations several years ago.



**1 Hectare = 2.4 Acres**  
» Approx 1.5 Football Fields

Destruction of peat forests in Singkil Bengkung region. PHOTO: Paul Hilton / RAN



# THE SINGKIL-BENGKUNG SOLUTION \

The Singkil-Bengkung rainforest in the Leuser Ecosystem presents an increasingly rare opportunity, because it is a place where it's still not too late to achieve top priority conservation goals, for Indonesia and the world, but that window of opportunity is now. The high stakes for local communities, threatened wildlife and the global climate demand a thoughtful, coordinated, solution-oriented approach by all parties to achieve long term conservation goals and sustainable economic prosperity.

The global market now demands palm oil that is free of deforestation, peatland development and exploitation of communities and workers, especially in global biodiversity hotspots like the Leuser Ecosystem. Urgent action is needed to reverse the decade-long trend of deforestation, draining and burning of the Singkil-Bengkung peatlands, to minimise flooding events along the once stable and meandering Alas River and Bengkung rivers, and to address the economic impoverishment that drives wildlife poaching, illegal logging and land clearing. Advancements are needed in the palm oil industry because global brands, and therefore their customers, remain exposed to illegal sources of Conflict Palm Oil. This problem continues due to a lack of investment in traceability and compliance systems, low palm oil prices, competition for higher-quality oil palm fruit amongst a network of underperforming mills, and an absence of capacity building in best agricultural practices.

There is an opportunity to diversify economies and drive investments in low-carbon, community-led, small-scale agriculture that respect the rights of communities and smallholder farmers to manage their lands, improve livelihoods, and enable the long-term protection and management of peatlands and lowland rainforests critical for the survival of the Sumatran orangutans, tigers, rhinos and elephants. Governments, communities, and the banks, brands and palm oil companies responsible for the impacts of the profit-driven plantation agriculture model, can invest in lasting solutions to address the harm caused to the environment and communities whose customary rights have not been recognized and deliver much needed improvements in the palm oil industry, which is relied upon by tens of thousands of smallholder farmers.

Specifically, in order to give stakeholders a chance to develop a common and just vision together we need to halt the underlying drivers of the destruction of the Singkil-Bengkung region.

The conclusion of the investigators behind this report is that the global brands and banks implicated must immediately take action to halt business-as-usual practices with their suppliers and clients and not resume sourcing or financing until transparent and verifiable monitoring, traceability and compliance systems are in place to protect the lowland rainforests and peatlands of the Singkil-Bengkung region from further destruction.



Alas River PHOTO: Nanang Sujana / RAN



## ACTIONS NEEDED >>

### from **SNACK FOOD COMPANIES** Sourcing from Singkil-Bengkung

- » Effective immediately, **Unilever, Nestlé, PepsiCo, Mondelēz, General Mills, Mars, Kellogg's** and **Hershey's** must suspend sourcing from the Conflict Palm Oil mills exposed for their connections to the destruction of lowland rainforests and peatlands in the Rawa Singkil Wildlife Reserve in the Singkil-Bengkung region of the Leuser Ecosystem — PT. Global Sawit Semesta, PT. Samudera Sawit Nabati — and not resume sourcing until transparent and verifiable monitoring, traceability and No Deforestation, No Peatland and No Exploitation compliance systems are in place.
- » Effective immediately, **Unilever, Nestlé, PepsiCo, Mondelēz, General Mills, Mars, Kellogg's** and **Hershey's** must eliminate sources of illegally palm oil grown in the Rawa Singkil Nature Reserve and place all palm oil companies<sup>2</sup> that continue to clear lowland rainforests and peatlands in the Singkil-Bengkung region on a published No-Buy list..
- » **Unilever, Nestlé, PepsiCo, Mondelēz, General Mills, Mars, Kellogg's** and **Hershey's** must instruct all eleven mills<sup>3</sup> risk of sourcing the Singkil-Bengkung region to adopt and rapidly implement No Deforestation, No Peatland and No Exploitation policies, and establish transparent and verifiable monitoring, traceability and compliance systems that make sure the brokers and plantations they source from have proof of legal title, and are not associated with deforestation, peatland development, or the exploitation of communities and workers.

## ACTIONS NEEDED >>

### from **FINANCIERS OF PALM OIL TRADERS** Sourcing from Singkil-Bengkung

Banks who are financing major palm oil traders active in the Singkil-Bengkung region — in particular **ABN Amro, MUFG** and **OCBC** — must raise this case with Golden Agri Resources and demand the company strengthens its monitoring and third party supplier compliance systems; suspends sourcing from PT. Global Sawit Semesta and PT. Samudera Sawit Nabati; eliminate sources of illegally grown palm oil grown in the Rawa Singkil Nature Reserve and place all palm oil companies<sup>4</sup> that continue to clear lowland rainforests and peatlands in the Singkil-Bengkung region on a published “No Buy list”; and enforce the adoption of No Deforestation, No Peatland and No Exploitation policies and establishment of transparent and verifiable monitoring, traceability and compliance systems for all eleven mills<sup>5</sup> at risk of sourcing from the Singkil-Bengkung region.



# GLOBAL IMPORTANCE OF THE LEUSER'S SINGKIL-BENGKUNG REGION \

The roughly 2.6 million hectare Leuser Ecosystem in Sumatra is renowned around the world by scientists, conservationists and wildlife lovers as the only place left where critically endangered orangutans, tigers, elephants and rhinos still exist in the same forest. Widely considered the most important expanse of intact forest left in SE Asia, the most ecologically rich and vulnerable parts of the Leuser are its remaining lowland coastal forest and peatland regions. The Singkil-Bengkung region is the largest, the most intact and the most valuable of all these areas.

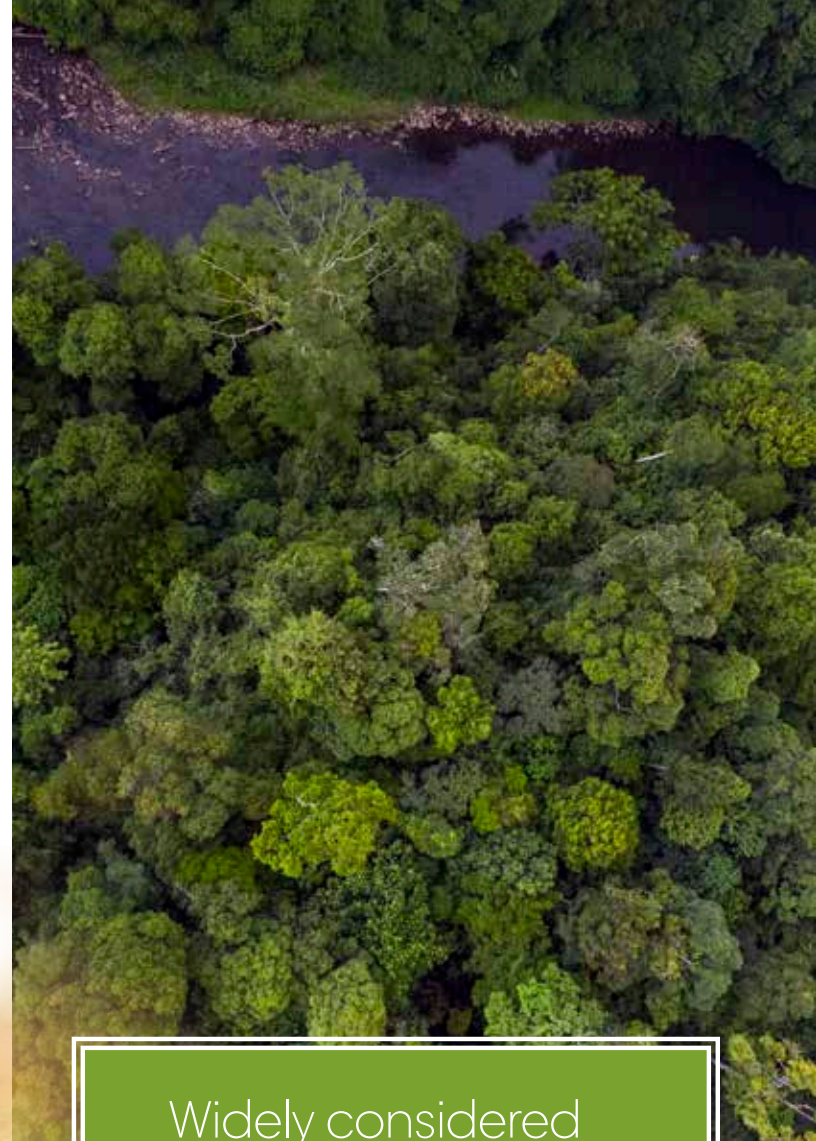
This wet forest straddles the districts of Aceh Selatan, Aceh Singkil and Subulussalam in the Indonesian province of Aceh. It is comprised of the critically important Singkil and Kluet peatlands as well as the surrounding and connecting lowland rainforests. The Singkil peatland is particularly noteworthy as the largest, deepest and most intact peatland in Aceh. With peat deposits in some areas that are over ten meters, or roughly three stories deep, this peatland stores immense amounts of carbon.<sup>6</sup> Over the past decade over 18,000 hectares of forests within Singkil-Bengkung region has been cleared, leaving 250,000 hectares of rainforests remaining, although this area decreases each and every year due to deforestation and the drainage of peatlands.

Over 75,000 hectares of peatland forests remain in the Singkil peatland, and are afforded the highest levels of protection under Indonesian law in the Rawa Singkil Wildlife Reserve.<sup>7</sup> Since its establishment in 1998 local conservationists have raised concerns to changes to the reserve's boundaries, to accommodate palm oil development which has reduced the size of the area protected from 102,400 hectares to 80,000 hectares.<sup>8</sup> In the past ten years, over 3000 hectares of critical lowland forest habitat within the Rawa Singkil Wildlife Reserve has been cleared, and a large proportion of the clearing has been for new oil palm plantations. A large network of roads and drainage canals have been constructed to allow the deep peatlands to be drained and planted with oil palm plantations.



Lowland rainforests of Singkil-Bengkung. PHOTO: Nanang Sujana / RAN





Widely considered **the most important** **expanse of intact forest left in SE Asia**, the most ecologically rich and vulnerable parts of the Leuser are its remaining lowland coastal rainforests and peatlands.

PHOTOS: Paul Hilton / RAN

Leuser Ecosystem; Sumatran orangutan.

PHOTOS: Paul Hilton / RAN



INTACT TROPICAL RAINFOREST  
AND PEATLANDS

ILLEGAL FIRES AND  
FOREST CLEARANCE



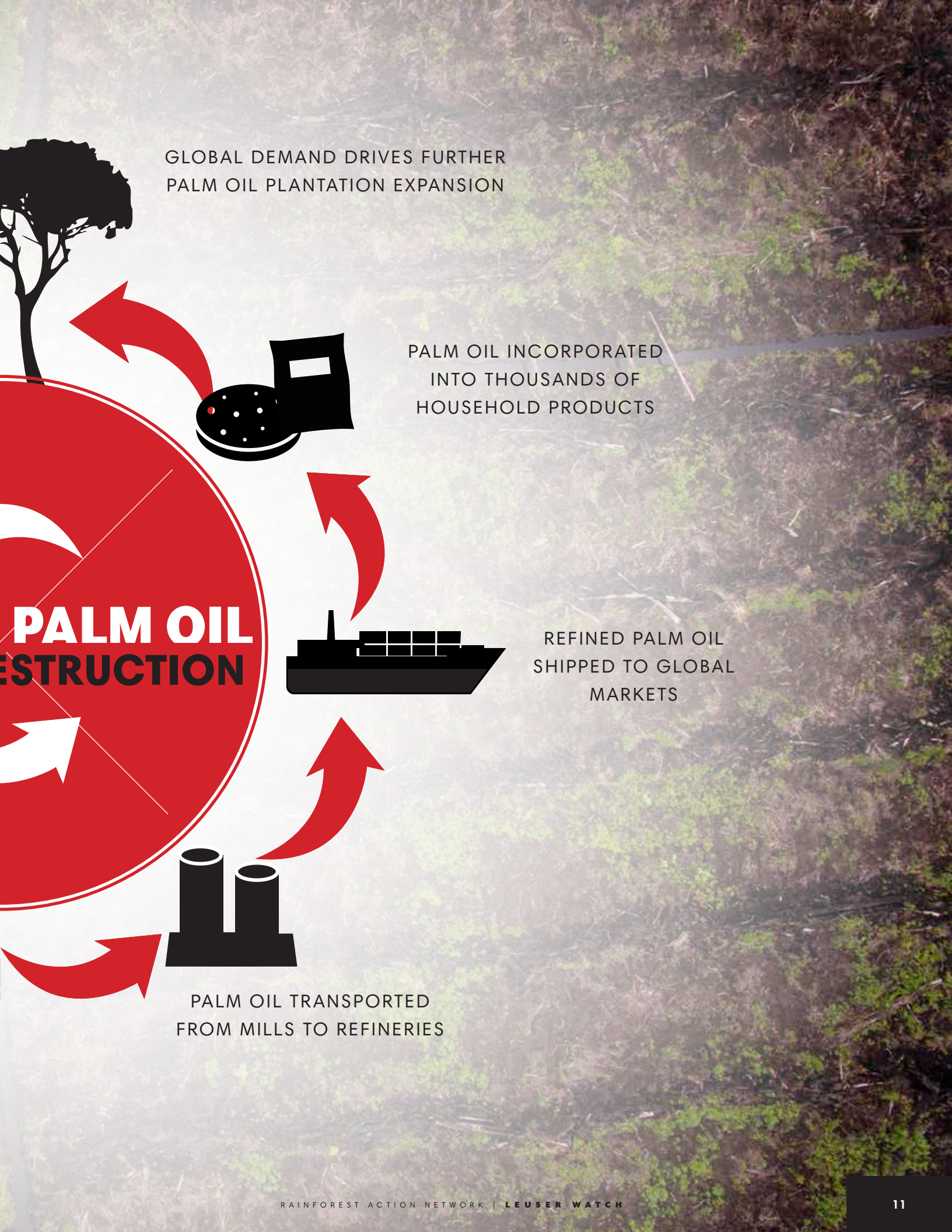
OIL PALM PLANTATIONS  
ESTABLISHED

FRESH OIL PALM FRUIT HARVESTED  
AND TRUCKED TO MILLS



**CONFLICT**  
**CYCLE OF DE**





GLOBAL DEMAND DRIVES FURTHER  
PALM OIL PLANTATION EXPANSION

PALM OIL INCORPORATED  
INTO THOUSANDS OF  
HOUSEHOLD PRODUCTS

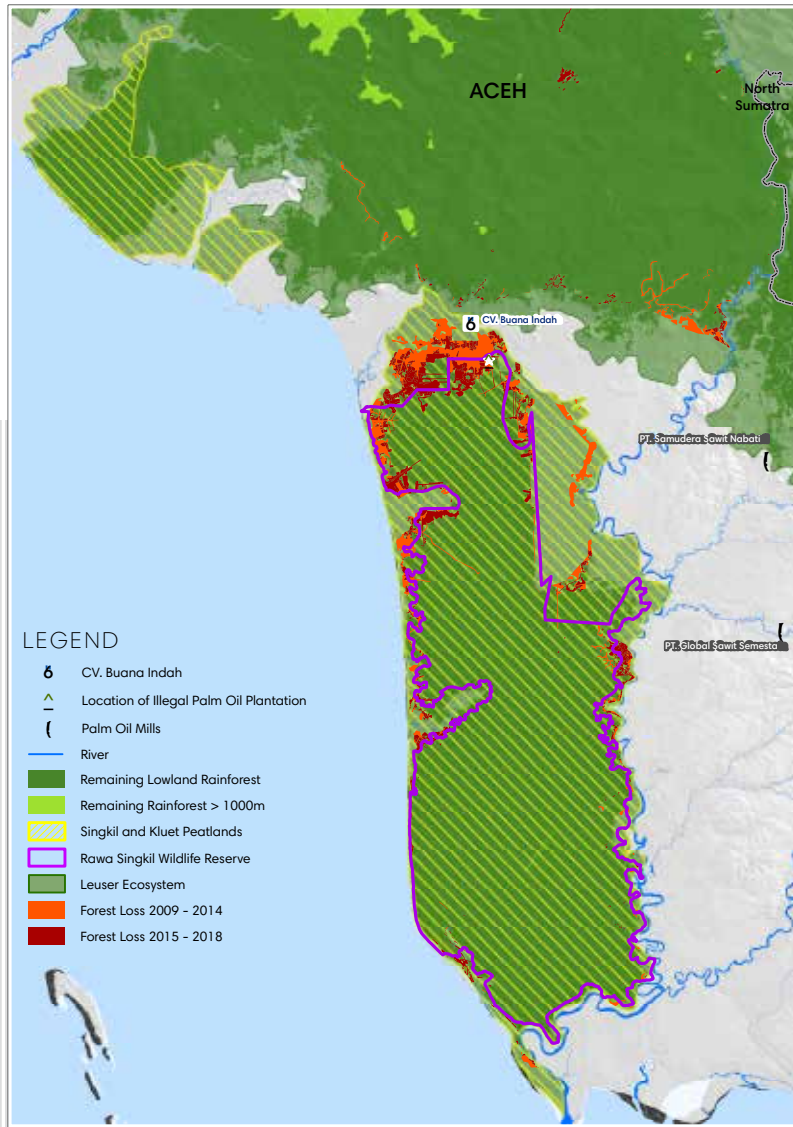
REFINED PALM OIL  
SHIPPED TO GLOBAL  
MARKETS

PALM OIL TRANSPORTED  
FROM MILLS TO REFINERIES



# THE EVIDENCE

Satellite analysis and field based investigations have revealed that forests on deep peat soils in the Rawa Singkil Wildlife Reserve were cleared in 2013 and converted into an illegal oil palm plantation — despite deforestation and the establishment of palm oil plantations being prohibited under Indonesian law.<sup>9</sup>



Deforestation 2009 - 2014  
Deforestation 2015 - 2018

The map above shows that the area where the oil palm fruit was harvested is located inside the Rawa Singkil Wildlife Reserve (south of the green line). The colored layers show areas of forests that have been cleared during different periods of time. The location where the oil palm was harvested is an area where the forests were cleared between 2009 and 2014. Additional satellite analysis conducted found that the specific location where a GPS coordinate was taken inside the illegal oil palm plantation was cleared in February 2013.

**NOTE:** Satellite imagery is available on request that reveals that the clearing of forests continued in 2016, 2017, 2018 and 2019 next to the illegally established oil palm plantation despite the peatlands protected areas status.

Field investigations in early 2019 found that oil palm trees that had been illegally planted on the site of the 2013 deforestation event were producing fresh fruit bunches (FFB), and the oil palm fruit that is processed to produce palm oil products was being harvested. It was later confirmed that oil palm fruit collected in the illegal plantation was supplied to a broker using the company name of CV. Buana Indah.



Right now, **snack foods made by Unilever, Nestlé, PepsiCo, Mondelēz, General Mills, Kellogg's, Mars and Hershey's** may be manufactured **using palm oil grown illegally** in the Rawa Singkil Wildlife Reserve in the Leuser Ecosystem



Oil palm fruit being collected inside Rawa Singkil Wildlife Reserve.

**COORDINATES:** » N 2°50'51.0" E 97°43'14"



Oil palm fruit loaded onto a small truck. The license plate of the truck is BH 9353 TL.

**COORDINATES:** » N 2°50'51" E 97°43'17"



## CONFLICT PALM OIL TRADERS » CV. BUANA INDAH

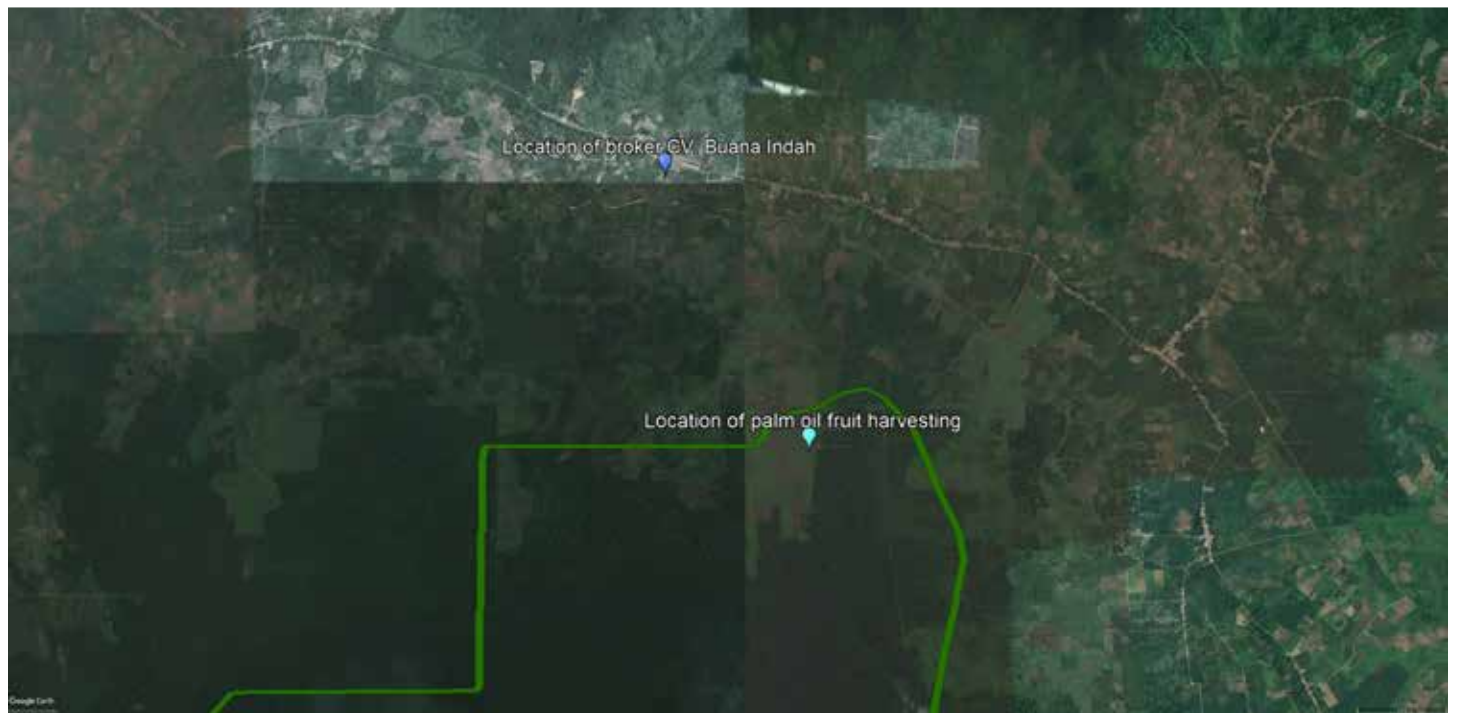
Field investigations, interviews and transaction records of CV. Buana Indah's sales collected in early 2019, confirmed that trucks carrying the oil palm from the brokers collection point transported the oil palm fruit to a nearby palm oil mill operated by PT. Global Sawit Semesta, who supplies, or has supplied, palm oil to refineries operated by palm oil trading giants Golden Agri Resources (GAR) and Musim Mas.<sup>10</sup>

*During the investigation this truck was followed for about 5 kilometres outside of the Rawa Singkil Wildlife Reserve to the collection point of broker that sells palm oil using the company name of CV. Buana Indah.*



Same truck with licence plate BH 9353 TL arrives at the collection point a broker of palm oil to nearby mills called CV. Buana Indah. **COORDINATES :** » N 2°52'35" E 97°42'22"





This map shows the proximity of the brokers collection point to boundaries of the Rawa Singkil Wildlife Reserve and location where the oil palm fruit was harvested inside the boundaries of the nationally protected area.

CV. Buana Indah is one of a network of over 20 brokers selling palm oil grown at the expense of the Singkil-Bengkung rainforests of the Leuser Ecosystem to a network of eleven at risk palm oil mills,<sup>11</sup> which in turn supply major traders and snack food companies.



## CONFLICT PALM OIL MILL » PT GLOBAL SAWIT SEMESTA

The second investigation took place in early 2019 and uncovered a supply link between the broker CV. Buana Indah (RAM), and crude palm oil mill PT. Global Sawit Semesta. The image below shows a receipt issued by PT. Global Sawit Semesta (PT GSS) which shows CV. Buana Indah (RAM) as the supplier of 7,334 of oil palm fruit to the mill operated by PT. GSS.

The same truck with a prominent sign saying "CIBRO" was documented the next day leaving the PT. Global Sawit Semesta mill and was then followed back to the CV. Buana Indah collection point.

NO. TIKET	PBLA519105915		TIPUS/NO. KENDARAAN (PLAT/NO. KEND.)		PT. GLOBAL SAWIT SEMESTA		INDONESIA	
REKOR	TSS LOK		1993 BENGKALAH					
DOKUMEN	SUPPLIER TSS		NO. BUKU		11,570 KG		7,640 KG	
TIMBANG	TANGKAL		JAN 14/2019		3,936 KG		306 KG	
WAGUK	191016234		14/01/2019				7,334 KG	
KELUAR	191016648							
DATA SUPPLIER			ID					
CV. BUANA INDAH (RAM)			8700001					
SPESIFIKASI			Jumlah-Jumlah			KIRIL		
407			4.00			18.00 KG		
PENGIRAN TSS			PT. GLOBAL SAWIT SEMESTA					
PENGANGKUTAN			DOK					
NO. DP			039					
NO. KENDARAAN			191016234					
NAMA SUPIR			SARIFIN					
NO. SIM			N/A					
SUPER PENGIRAN			OPERATOR					
SARIFIN			SARIFIN					





The truck leaving PT Global Sawit Semesta at 14:45pm

**COORDINATES:** » N 2°37'4" E 98°1'15"



The same truck arriving back at the broker collection point (CV. Buana Indah) at 16:11pm

**COORDINATES:** » N 2°52'35" E 97°42'22" - (Note the CIPRO sign at the back of the truck)



## CONFLICT PALM OIL MILL » PT. SAMUDERA SAWIT NABATI

Interviews conducted during the investigation also indicated that another palm oil mill called PT. Samudera Sawit Nabati (PT. SSN) located in close proximity to the Rawa Singkil Wildlife Reserve was another customer of the broker CV. Buana Indah. PT Samudera Sawit Nabati is a supplier to Golden Agri Resources. GAR's latest published supplier list includes PT Samudera Sawit Nabati's mill and states that the mill has zero traceability systems.<sup>12</sup>



Location of PT Samudera Sawit Nabati palm oil mill in relation to the broker CV. Buana Indah and the oil palm harvesting location within the Rawa Singkil Wildlife Reserve.

**(NOTE:** Above is a representative sample of the documentation of chain of custody evidence proving the sourcing of illegal palm oil grown inside the Rawa Singkil Wildlife Reserve to the two Conflict Palm Oil mills, major traders and Snack Food companies. The full archive of evidence from the investigation and research methodology is available on request.)



Conflict Palm Oil Mill in Singkil-Bengkung region. PHOTO: Nanang Sujana / RAN



# ROLE OF THE MAJOR PALM OIL TRADERS

A number of primary traders that operate refineries sourcing from mills in the Singkil-Bengkung region, and secondary traders that source from primary traders for further distribution, have been linked to the two mills found to be accepting oil palm fruit from the illegal plantation located inside the Rawa Singkil Wildlife Reserve. Published mill lists show that two of the largest palm oil trading companies in the world — Golden Agri Resources and Musim Mas — have continued to directly source crude palm oil from the mills sourcing palm oil fruit illegally grown in the Rawa Singkil Wildlife Reserve.<sup>13</sup>



Fire is used to clear land in Singkil-Bengkung region. PHOTO: Nanang Sujana / RAN



Global palm oil producer and trader Golden Agri Resources (GAR) has one major refinery facility in Medan called PT SMART TBK that is at risk of directly sourcing from mills surrounding the Singkil-Bengkung region. According to the mill list covering the period between January and March 2019, both PT Global Sawit Semesta (PT. GSS) and PT Samudera Sawit Nabati (PT SSN) were suppliers to GAR.<sup>14</sup> The latest published mill list covering April to June 2019 lists PT. Samudera Sawit Nabati as a supplier. Interviews conducted with mill staff at the time of the investigations also confirmed that GAR was a regular customer during the period of the two investigations.

This investigation is not the first time GAR has been exposed for sourcing Conflict Palm Oil grown at the expense of the Singkil-Bengkung region.<sup>15</sup> In a field verification report released in February 2018, GAR confirmed that it was sourcing from PT GSS and PT SSN throughout 2016 and 2017<sup>16</sup> and stated that it was sourcing from a total of seven mills that lacked traceability systems that would enable them to know if the oil palm fruits they source were grown illegally inside the Rawa Singkil Wildlife Reserve or at the expense of the surrounding lowland rainforests in the Singkil-Bengkung region. GAR set March 2018 as the deadline for all seven mills to establish due diligence systems needed to avoid Conflict Palm Oil and illegal sources, and February 2019 as the deadlines for the mills to achieve 100% traceability to the plantation.<sup>17</sup>

RAN's investigations proves that GAR has continued to source palm oil from both PT GSS and PT. SSN despite both mills failing to implement the corrective actions needed to halt the sourcing of Conflict Palm Oil, or palm oil from illegal sources, by deadlines set, and agreed to, as prerequisites for ongoing business. This is the latest in a series of exposes that shows that GAR has failed to implement its No Deforestation, No Peatland and No Exploitation Policy in the operations of its third party suppliers since issuing updated policy commitments in 2014 and 2015.<sup>18</sup> It also shows that GAR's previous commitment to prioritize interventions in the Leuser Ecosystem has not translated into an end to deforestation, or adequate traceability and compliance systems of its supplying mills in the Singkil-Bengkung region, despite the findings of its own investigations that cited the need for deep engagement and support to implement corrective action plans to halt the sourcing and sale of illegal palm oil to the global market.<sup>19</sup>

In response to RAN's findings, GAR confirmed that six of its supplying mills were located near the Rawa Singkil Wildlife Reserve and that five of its supplying mills had not established traceability to the farm or plantation where the palm oil they source is grown. GAR stated it has set new targets for its mills to achieve traceability to the plantation by the end of 2020. While the company denied deforestation by referring to the findings of field investigations in 2017 and 2018 outside the Rawa Singkil Wildlife Reserve in the Singkil-Bengkung region, it did not comment on non-compliant suppliers within the nationally protected area or confirm its intention to instigate the results of RAN's investigation.

Given the documented failure in GAR's handling of ongoing non-compliance by PT GSS and PT SSN, it can not be considered as a responsible supplier of palm oil, or a responsible client for financiers, until it strengthens its monitoring and third party supplier compliance systems. Effective immediately GAR must suspend sourcing from PT. Global Sawit Semesta and PT. Samudera Sawit Nabati and not resume sourcing until verifiable monitoring, adequate traceability and No Deforestation, No Peatland and No Exploitation compliance systems are in place. The company should also eliminate sources of illegally grown palm oil grown in the Rawa Singkil Nature Reserve and place all palm oil companies<sup>20</sup> that continue to clear lowland rainforests and peatlands in the Singkil-Bengkung region on a published No-Buy list. GAR must ensure that all eleven mills<sup>21</sup> at risk of sourcing from the Singkil-Bengkung region adopt and rapidly implement No Deforestation, No Peatland and No Exploitation policies, and establish transparent and verifiable monitoring, traceability and compliance systems that make sure the brokers and plantations they source from have proof of legal title, and are not associated with deforestation, peatland development, or the exploitation of communities and workers.





Golden Agri Resources refinery exposed for ongoing sourcing of Conflict Palm Oil grown illegally in the Rawa Singkil Wildlife Reserve. **PHOTO:** Paul Hilton / RAN



Global palm oil trader Musim Mas has three facilities in Medan, called MM Belawan, MM KIM 1 and MM KIM 2, that are at risk of directly sourcing from mills surrounding the Singkil Bengkum region. Publicly available mill lists show all three facilities have been sourcing from PT. GSS in the latest available period from April to June 2019 and have done so at least for the previous four quarters as well.<sup>22</sup> This sourcing relationship is believed to go back further in time, with mill lists from 2016 and 2017 also listing PT. GSS as a supplier. There is no recent evidence of these facilities sourcing from PT. SSN.<sup>23</sup>

Musim Mas is a leading Indonesian palm oil company that has committed to No Deforestation, No Peatland and No Exploitation policy, has achieved verification against the Palm Oil Innovation Group Charter for its own operations<sup>24</sup>, and has publicly prioritized the implementation of this policy in the Leuser Ecosystem.<sup>25</sup> In its recent progress report on its efforts in Aceh, Musim Mas claims to have taken action to map smallholders and high risk mills in Aceh Singkil, and to engage specific mills in the region, but it has not issued a comprehensive report on its efforts to ensure that PT GSS, or other supplying mills in the Singkil-Bengkum region, are operating in compliance with its policy.<sup>26</sup> This case shows that Musim Mas must scale up its efforts to implement its No Deforestation, No Peatland and No Exploitation Policy in the operations of its third party suppliers. As a matter of urgency, Musim Mas must expand its efforts across its supply chain to the districts of Aceh Singkil, Aceh Selatan and Subulussalam to address ongoing deforestation in the Rawa Singkil Wildlife Reserve and surrounding lowland rainforests.

In response to RAN, Musim Mas confirmed that nine of its supplying mills were located near the Rawa Singkil Wildlife Reserve and that it has set the end of 2020 as the deadline for knowing the location of all palm oil sourced from the region. The company also claims that it plans to increase its direct engagement with smallholder farmers seeking secure land titles and support for improvements in agricultural practices. Musim Mas confirmed that it would verify the findings of RAN's investigate and communicate to supplying mills that it will not accept palm oil products grown in the Rawa Singkil Wildlife Reserve.

Effective immediately, Musim Mas must suspend sourcing from PT. GSS and not resume sourcing until verifiable monitoring, traceability and No Deforestation, No Peatland and No Exploitation compliance systems are in place. The company should also eliminate sources of illegally grown palm oil grown in the Rawa Singkil Nature Reserve and place all palm oil companies<sup>27</sup> that continue to clear lowland rainforests and peatlands in the Singkil-Bengkum region on a published No-Buy list.

In order to be trusted as a responsible supplier of palm oil sourced from third-party suppliers Musim Mas must ensure that all eleven mills<sup>28</sup> at risk of sourcing from the Singkil-Bengkum region adopt and rapidly implement No Deforestation, No Peatland and No Exploitation policies, and establish transparent and verifiable monitoring, traceability and compliance systems that make sure the brokers and plantations they source from have proof of legal title, and are not associated with deforestation, peatland development, or the exploitation of communities and workers.





Musim Mas's refineries sourcing Conflict Palm Oil from PT. GSS in the Leuser Ecosystem.

PHOTO: Paul Hilton / RAN



Wilmar's published mill lists do not show palm oil from either mill being sourced by its refinery at Kuala Tanjung, but Wilmar's previously published mill lists show that in the past it has purchased crude palm oil from PT. SSN. According to these lists this sourcing relationship took place at least during 2014,<sup>29</sup> 2015<sup>30</sup>, 2016<sup>31</sup> and at least until the period covering January 2017 to December 2017.<sup>32</sup> The palm oil from PT. SNN then also made its way into other parts of the Wilmar supply chain. For instance, Wilmar's Olenex facility in Rotterdam had PT. GSS in its mill lists for 2018 and 2017.<sup>33 34</sup>

Wilmar has previously committed to prioritize interventions in the Leuser Ecosystem but its landscape-wide initiatives have recently concluded.<sup>35</sup> As a matter of urgency, Wilmar must publish a forward-looking plan detailing actions it is taking to translate its No Deforestation, No Peatland and No Exploitation policy into an end to deforestation in the Leuser Ecosystem and ensure all its supplying mills<sup>36</sup> at risk of sourcing from the Singkil-Bengkung region adopt and rapidly implement No Deforestation, No Peatland and No Exploitation policies, and establish transparent and verifiable monitoring, traceability and compliance systems that make sure the brokers and plantations they source from have proof of legal title, and are not associated with deforestation, peatland development, or the exploitation of communities and workers.



PT. Laot Bangko's new oil palm oil planted after clearing rainforests in Singkil-Bengkung Region. PHOTO: RAN



## SECONDARY TRADERS »

A number of secondary traders that do not have their own refining facilities in Medan also source palm oil from PT. GSS and PT.SSN. These secondary traders include ADM,<sup>37</sup> Cargill,<sup>38</sup> AAK,<sup>39</sup> Fuji Oils,<sup>40</sup> and Louis Dreyfus.<sup>41</sup> They could be sourcing from both mills via GAR, or from PT GSS via Musim Mas, or through other refinery operators in Medan that lack company-group wide NDPE policies and implementation systems, including Pacific Palmino Industri (PPI) of the Pacific Interlink (HSA) parent company group, Best Group, Permata Hijau or Agro Jaya Perdana. All of these companies latest mill lists show that they were sourcing from both PT GSS and PT SSN, with the exception of Louis Dreyfus which was only sourcing from PT GSS. These secondary traders must ensure that GAR, Musim Mas and Wilmar rapidly implement the actions detailed above, and other refineries adopt and NDPE policies and implement transparent and verifiable monitoring, traceability and compliance systems to ensure they are not driving the destruction of the lowland rainforests and peatlands in Singkil-Bengkung region and across the Leuser Ecosystem. RAN approached these secondary traders for comment. Fuji Oil, ADM and Cargill replied indicating that they would investigate the results of RAN's investigation once published.

Deforestation by PT. Indo Sawit Perkasa in Singkil-Bengkung region. PHOTO: RAN



# SNACK FOOD GIANTS \

## SOURCING CONFLICT PALM OIL

Right now, snack foods made by Unilever, Nestlé, PepsiCo, Mondelez, General Mills, Kellogg's, Mars and Hershey's may be manufactured using palm oil grown illegally in the Rawa Singkil Wildlife Reserve in the Leuser Ecosystem. Available company mill lists accessed August 7, 2019 show that Unilever,<sup>42</sup> Nestlé,<sup>43</sup> PepsiCo,<sup>44</sup> Mondelez,<sup>45</sup> General Mills,<sup>46</sup> Kellogg's,<sup>47</sup> Mars<sup>48</sup> and Hershey's<sup>49</sup> all list PT Global Sawit Semesta and PT Samudera Sawit Nabati as suppliers and are therefore at risk of purchasing palm oil products that have been produced using illegal palm oil that was supplied to both mills by the broker CV. Buana Indah.

The fact that it takes an NGO-conducted investigation to expose that these major global brands are still actively sourcing Conflict Palm Oil from illegal sources, years after each of them has issued public policies explicitly committing them to stop sourcing from suppliers destroying rainforests and carbon-rich peatlands, signals a major failure of the implementation efforts conducted to date by these companies. Consumer trust is understandably undermined when it is made clear that these multibillion dollar international corporations continue to fail to make the investments and interventions needed to reform their palm oil supply chains to prevent this sort of egregious violations of their own promises from occurring.

Unilever, Nestlé, PepsiCo, Mondelez, General Mills, Kellogg's, Mars and Hershey's will remain complicit with the destruction of the Singkil-Bengkung's lowland rainforests and carbon-filled peatlands, which is contributing to the climate crisis and driving iconic wildlife species toward extinction, until they execute and report on the progress made to implement the actions detailed in this case study.







**Consumer trust is understandably undermined** when it is made clear that these multibillion dollar international corporations continue to fail to make the investments and interventions needed to reform their palm oil supply chains to **prevent this sort of egregious violations of their own promises** from occurring.



Sumatran orangutan rescued in Singkil Bengkung region **PHOTO:** ORANGUTAN INFORMATION CENTRE;  
Student leaders and activists rally for protection of the Leuser Ecosystem. **PHOTO:** RAN;  
Deforestation by PT. Indo Sawit Perkasa in Singkil-Bengkung region in December 2018. **PHOTO:** RAN



# THE BANKS \

## COMPLICIT IN ILLEGAL DEFORESTATION FOR PALM OIL

Banks financing the above-mentioned palm oil producers and traders are complicit in the destruction of the Rawa Singkil Wildlife Reserve and the lowland rainforests of the Singkil-Bengkung region. One of the clearest examples of this is seen in the financing of Golden Agri Resources (GAR). Between January 2015-June 2018, GAR and its subsidiaries received USD 1.9 billion<sup>50</sup> in loans and underwriting from 16 different banks. Of this amount, it's largest financiers were Mitsubishi UFJ Financial Group (MUFG) (\$281m), China Development Bank (\$260m), OCBC (\$207m), Maybank (\$204m), CIMB (\$136m), ABN Amro (\$126m), and Bank Negara Indonesia (BNI) (\$100m). GAR is also a major recipient of investment funding, with the largest investor being Silchester International Investors (\$374m).

RAN's investigations confirming GAR's connection to illegally-produced palm oil is a major material risk to the company and its financiers. This represents a material risk to GAR's business, given NDPE practices are demanded by a large proportion of the international palm oil market and increasingly by banks. It also represents a reputational risk for banks such as ABN Amro, MUFG and OCBC that have committed to only finance sustainably produced palm oil.

### ABN Amro

In 2018, Netherlands bank ABN Amro provided USD 46m in corporate loans and revolving credit to GAR's subsidiary Sinarmas Cepsa. It provided USD 80m in corporate loans and revolving credit in 2017. The findings of these investigations show that GAR is operating in violation of ABN Amro's policy<sup>51</sup> which requires clients to comply with the law and protect peatlands and forests with High Conservation Value or High Carbon Stock, and prohibits the significant degradation of critical habitat that includes protected areas and habitat for endangered species. ABN Amro is at risk of violating its ESG policy by financing GAR.

### Mitsubishi UFJ Financial Group (MUFG)

MUFG provided GAR with a USD 100m revolving credit facility in 2018. The findings of these investigations show that GAR is operating in violation of MUFG's policy<sup>52</sup> which prohibits financing illegal transactions and transactions for illegal purposes and requires mitigating negative impacts on areas with High Conservation Values, which would include habitat for endangered species on the IUCN redlist. MUFG is at risk of violating its ESG policy by financing GAR.

Protestors call on MUFG to cut its ties to companies associated with Conflict Palm Oil.  
PHOTO: Ayse Gürsöz / RAN





### Oversea-Chinese Banking Corporation (OCBC)

OCBC underwrote a bond for GAR subsidiary Golden Assets International in the amount of USD 113m in 2018. The findings of these investigations show that GAR is operating in violation of OCBC's policy<sup>53</sup> which expects clients to abide by local laws, including laws regarding the use of peatlands, and have policies and procedures in place to address deforestation and protect High Conservation Value areas.

Banks who are financing major palm oil traders active in the region will remain complicit with the destruction of the Singkil-Bengkung's lowland rainforests and carbon-filled peatlands, which is contributing to the climate crisis and driving iconic wildlife species toward extinction, until they execute and report on the progress made to implement the actions detailed in this case study.

As a matter of urgency, ABN Amro, MUFG and OCBC must raise this case with Golden Agri Resources and demand the company strengthens its monitoring and third party supplier compliance systems; suspends sourcing from PT. Global Sawit Semesta and PT. Samudera Sawit Nabati; eliminate sources of illegally grown palm oil grown in the Rawa Singkil Nature Reserve and place all palm oil companies that continue to clear lowland rainforests and peatlands in the Singkil-Bengkung region on a published "No Buy list"; and enforces the adoption of No Deforestation, No Peatland and No Exploitation policies and establishment of transparent and verifiable monitoring, traceability and compliance systems for all eleven high mills at risk of sourcing from the Singkil-Bengkung region.

Fires used to burn forests within the Singkil-Bengkung region. PHOTO: Paul Hilton / RAN





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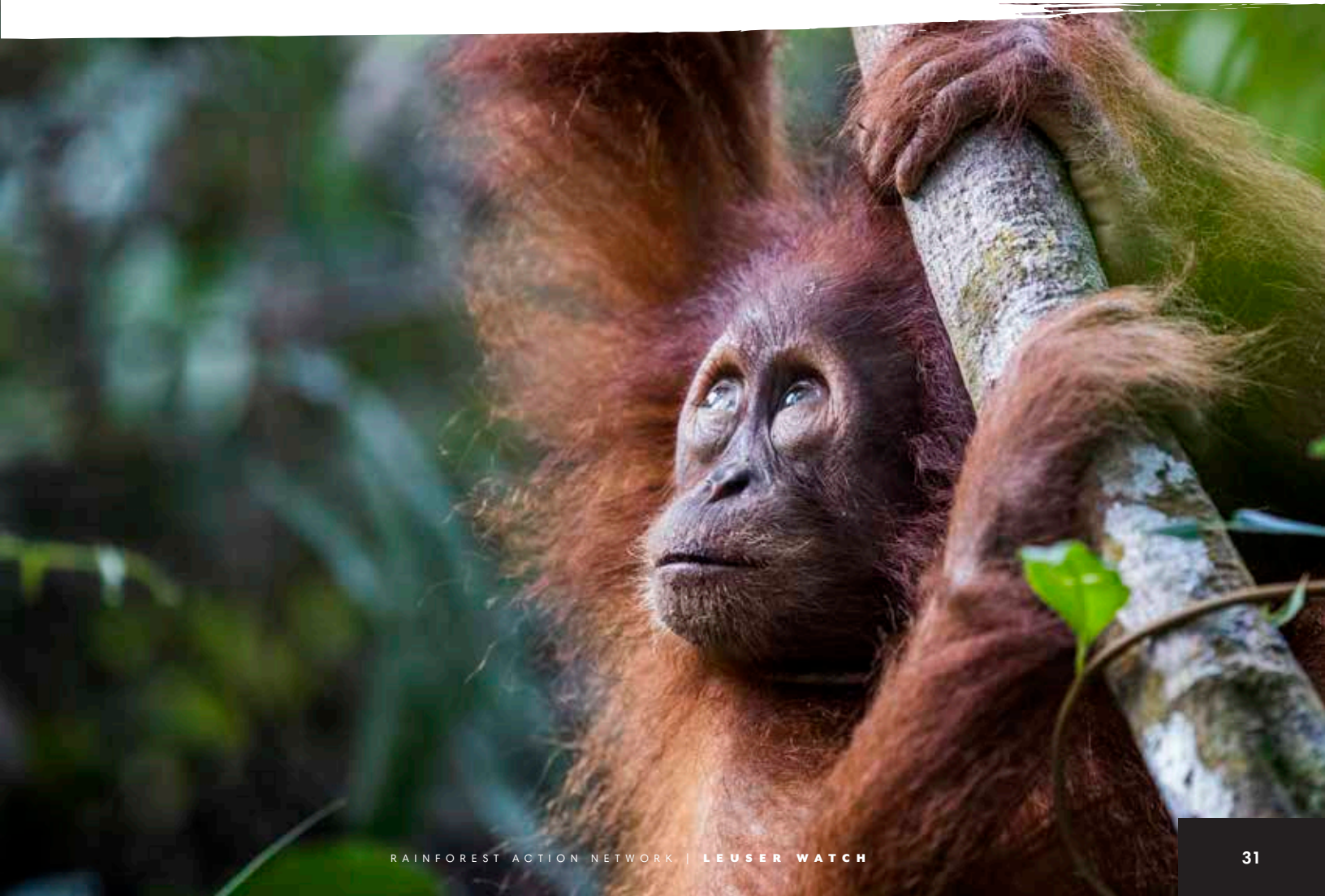
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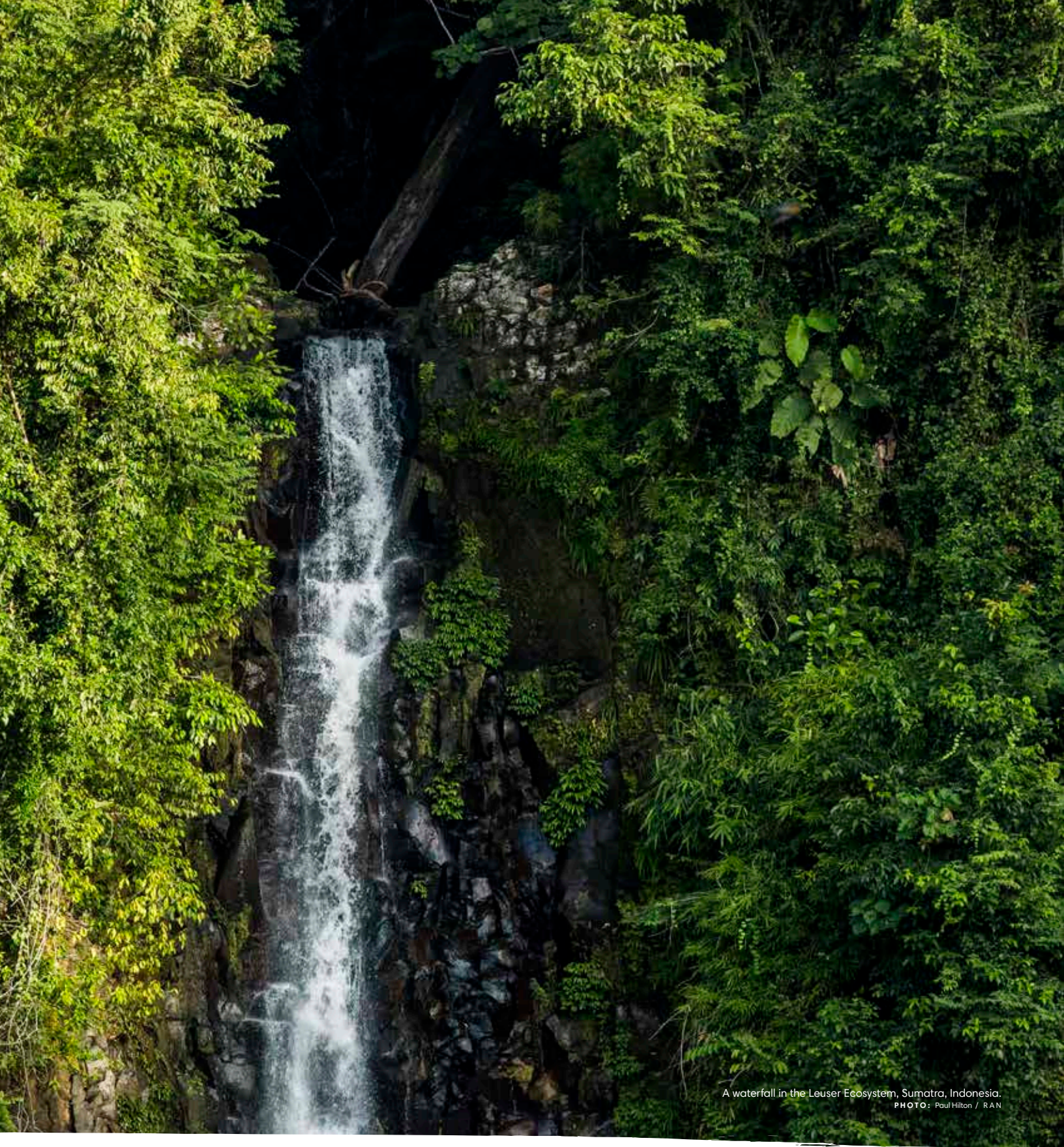
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Sumatran orangutan. PHOTO: Paul Hilton / RAN







A waterfall in the Leuser Ecosystem, Sumatra, Indonesia.  
PHOTO: Paul Hilton / RAN

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