

EXECUTIVE SUMMARY REPORT

Site Visit on COP Grievance against PT Fairco Agro Mandiri

1. BACKGROUND

On February 4th 2018, an NGO, the Center for Orangutan Protection (COP), issued a report concerning a wounded Borneo Orangutan (*Pongo Pygmaeus*) in Kutai National Park (KNP), Teluk Pandan Village East Kutai district, East Kalimantan Province. The orangutan was in a weak condition and isolated in the middle of a swamp. On February 5th, a team from Kutai National Park, the police and local community tried to save the Orangutan. A vet check found that it had wounds and scars on its body and head.

The Nature Conservation Agency (BKSDA) then coordinated with COP for a further examination of the orangutan. COP conducted another health check on February 6th but unfortunately the orangutan died. A necropsy and rontgen conducted at Bontang Hospital revealed multiple gunshot wounds (130). After two weeks of investigations five suspects were arrested on 17 February 2018.

According to results of COP's investigation, the case occurred at a community palm oil plantation. As part of the investigation, COP interviewed some of the smallholders. Based on field verification and FFB Receiving Record, the FFB from the plantation was sold to several mills including PT Fairco Agro Mandiri (FAM), a supplier of Golden Agri-Resources (GAR). COP submitted this grievance to the Roundtable on Sustainable Palm Oil (RSPO), and forwarded it to GAR on May 9th 2018.

In accordance with the [GAR Social and Environmental Policy \(GSEP\)](https://www.smart-tbk.com/wp-content/uploads/2016/01/16_0123-Golden-Agri-Indonesian-Brochure-Editorial-V6A.pdf) (https://www.smart-tbk.com/wp-content/uploads/2016/01/16_0123-Golden-Agri-Indonesian-Brochure-Editorial-V6A.pdf) GAR commenced the grievance handling process including a site visit, as part of its responsible sourcing procedure.

The complaint submitted by COP was not published by the RSPO before GAR conducted the field verification on July 2nd-6th 2018.

2. VERIFICATION RESULTS

Verification was conducted by a team comprising GAR (Resta Ekapradistya and Ansari) and The Forest Trust (TFT) (Surya Purnama), using three methods: field observation, interviews and documents review. GAR also invited COP to take a part in this verification, but COP could not send any personnel at that time.

The verification was conducted at the mill and plantation of PT FAM. This included interviews with PT FAM suppliers, reviewing FFB Receiving Documents and interviews with several dealers/brokers around Kutai National Park. GAR team also held a consultation with the Head of Kutai National Park.

a. PT FAM Mill

1. Documents Review

PT FAM already trace their FFB sources up to the dealer/broker level, so they have the list of their dealers that supply to them, but they lack a list of farmers at the plantation level. Analysis of the FFB receiving data over the last three years showed there were no any FFB purchase agreements between PT FAM and dealers located around KNP. But the team also

did not find any clause concerning the prohibition of supply of illegal FFB to the mill (for example FFB from National Park, Legally Protected Area, etc.)

2. Interviews with PT FAM supply chain.

Some dealers in the PT FAM supply chain stated that all of their supplying farmers were the farmers who obtained land through the transmigration programme and are located within 4-5 kilometres from the dealer’s location. Dealers also stated that in a number of occasions there were some “parties” who used their Delivery Order documents to supply their FFB to PT FAM mill. This created complicated supply chain nodes and increased the risk that illegal FFB entered PT FAM mill as can be seen in **figure 1** below.

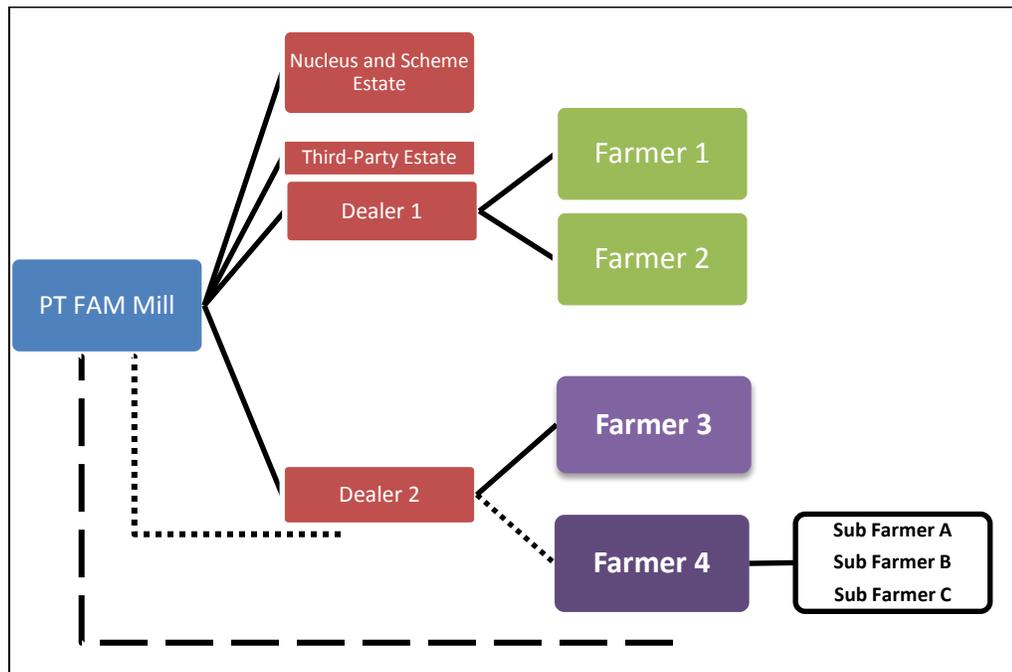


Figure.1.
The illustration of PT FAM supply chain complexity

- = FFB & Documentation Flow
- — — — = “FFB only” Flow
- = “Document only” Flow

3. Field Observation

Based on field observation conducted around PT FAM mill, GAR team found PT FAM is very far from KNP (148 Km). The condition of the road appeared bad and posed numerous difficulties and hazards for FFB trucks.

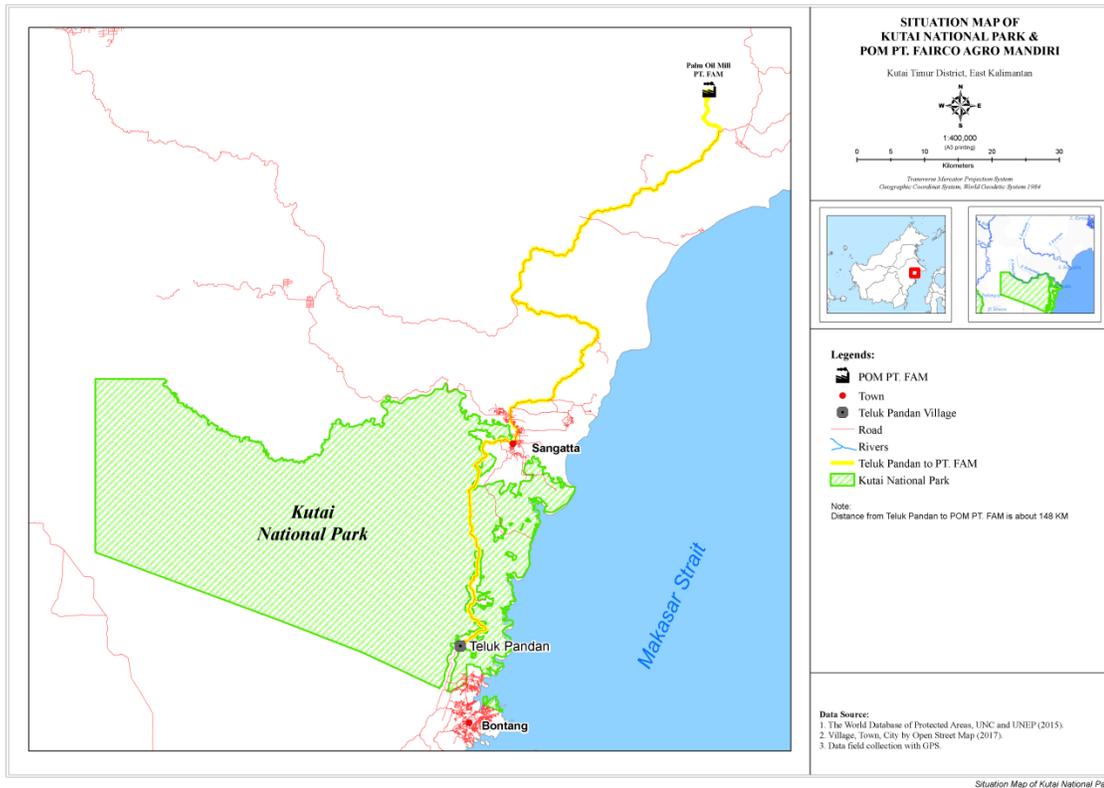


Figure.2 .
Kutai National Park and PT FAM situation Map

b. Kutai National Park Area

1. Interviews with Dealers

The team traced dealers located at Teluk Pandan Village. This village area had been excluded from Kutai National Park area since 2014. The team met two dealers in this area who admitted that they sourced FFB from farmers located at Teluk Pandan Village and within Kutai National Park.

During the interview they also admitted they supplied FFB to PT FAM with the last delivery around six months ago, however, they could not show the team any documentary as proof. The delivery to PT FAM usually takes nine to twelve hours from their area, making it uneconomical. In addition, PT FAM applied a 25% purchase price reduction based on FFB grading for all its FFB suppliers, making the condition less profitable for them.



Figure 3.

Road condition from Kutai National Park to PT FAM (148 Km)

These two dealers do not have any agreements with the mills they supply, so they usually send the FFB to other parties that have agreements/contracts with palm oil mills.

2. Consultation with Head of Kutai National Park

The team also conducted a consultation with the Head of KNP and obtained information that KNP was in the process of inventorying and verifying FFB farms inside the Kutai National Park Area. They were also tracing the FFB distribution from inside the KNP to the receiving palm oil mills. KNP intends to use the data as a basis for decision-making in handling the palm oil farms inside the KNP.

3. Observation of Dealer FFB receiving process

The team observed that farmers delivered the FFB by various types of vehicles including motorcycles, pickup cars, open trucks, etc. Most of the FFB were harvested one or two days prior to delivery.

At Teluk Pandan Village which is located at the side of Trans Kalimantan main road that connected Bontang and Sanggata the team spotted local housing and private palm oil farms (less than one hectare). Larger plantations were located at the back of the local housing extending up to five km to the west of Kutai National Park Area. This indicates the complexity of the supply chain around Kutai National Park.

3. CONCLUSION

- a. No documentary proof was found that PT FAM sourced from FFB dealers located around Kutai National Park.
- b. PT FAM did not have a Traceability to Plantation system to ensure that FFB originates from responsible sources.
- c. The supply chain around Kutai National Park is complex and there is a risk that FFB from Kutai National Park can enter the PT FAM supply chain.

4. RECOMMENDATION

- a. PT FAM to establish a Traceability to Plantation System to ensure the FFB comes from responsible sources. The system includes agreement revisions adding a clause that prohibits illegal FFB from areas like protected forest area. This system is expected to be established by end 2018.
- b. PT FAM to engage with Kutai National Park on their ongoing investigation to get information about FFB sources located around Kutai National Park. This engagement is expected to be started by end September 2018

- c. PT FAM to socialise the Traceability to Plantation system to all FFB dealers/DO holders. This is expected to be completed by end December 2018.

5. GAR ONGOING IMPROVEMENT/INITIATIVES

- a. Socialising the importance of Traceability to Plantation implementation to other supplier mills around Kutai National Park
- b. Communicating and coordinating with Kutai National Park to support their ongoing investigation.
- c. Initiating a landscape approach to help conservation of Kutai National Park.