

Verification and Action Plan Report Involving PT GSS and PT SSN Addressing Grievance From Rainforest Action Network

I. Background

On 30 September 2019 Golden Agri Resources (GAR) received a report from Rainforest Action Network (RAN) entitled "[Leuser Watch Report: The Last of the Leuser Lowlands: Field Investigation Exposes Big Brands Buying Illegal Palm Oil From The Singkil-Bengkung Peatlands](#)". According to the report, two GAR supplier mills namely PT Global Sawit Semesta (GSS) and PT Samudera Sawit Nabati (SSN) sourced Fresh Fruits Bunches (FFB) planted on peatlands within the Leuser Ecosystem protected area i.e. Rawa Singkil Wildlife Reserve (RSWR) through CV Buana Indah (BI) as the agent/dealer. In our initial engagement, PT GSS admitted that CV BI was one of its FFB suppliers. PT SSN, on the other hand, said it had never bought FFB from CV BI. To gain more clarity, GAR and the management of PT GSS and PT SSN agreed that verification visits should be carried out in line with the grievance handling procedure in [GAR's Social and Environmental Policy \(GSEP\)](#). GAR also published a statement responding to the RAN report on its [website](#). In October 2019 RAN also published an investigation [report on deforestation in another estate in the Singkil Bengkung area namely PT Laot Bangko](#). RAN stated that interviews conducted with staff of palm oil mills during the investigations indicated that PT Laot Bangko was continuing to supply PT SSN. In November 2018 GAR had conducted a verification to a number of suppliers on PT Laot Bangko case. Report can be found [here](#).

II. Objective

1. Verify RAN allegations that PT GSS and PT SSN sourced FFB planted on peatlands within the Leuser Ecosystem protected area i.e. RSWR through CV BI as the agent/dealer as well as allegations related to sourcing from PT Laot Bangko.
2. Assess the systems and implementation of Traceability to the Plantation (TTP) at PT GSS and PT SSN mills.
3. Based on the results of the verification and assessment above, to provide corrective action plans to PT GSS and PT SSN.

III. Output and Expected Outcome

Output: Verification Report and Time-bound Action Plan

Expected outcome: Implementation of Traceability System in PT GSS and PT SSN and their supply chains

IV. Method, Scope, Date and Team of Verification

Method: document review, interviews, observations, spatial analysis, application of FPIC principle and others.

Scope: Traceability at PT GSS mill, PT SSN mill and CV BI as their FFB dealer.

Date of visit: 8-12 October 2019

GAR Verification Team: Resta Ekapradistya (Grievance), Ahmad Yudana (Landscape), and Ansari (Traceability).

V. Verification Result

No	Allegation (to verify)	Verification result	Supporting facts/findings
1	PT SSN sourced FFB from CV BI	a. No document-based evidence that PT SSN received FFB from agent by name of CV BI.	<ul style="list-style-type: none"> • CV BI was not listed in PT SSN 2019 FFB receiving documents/transaction database.

			<ul style="list-style-type: none"> In interviews with PT SSN management, the company said it did not have any business relationship with CV BI due to non-compliance with PT SSN legality requirement.
		<p>b. However, there was a possibility that FFB from CV BI entered PT SSN mill through other Delivery Order (DO) holders.</p>	<ul style="list-style-type: none"> During the visit to CV BI's ramp (broker collection point) mentioned in RAN report, GAR encountered the driver of the truck who was mentioned in RAN report. He said that he sent FFB from CV BI to PT SSN through another DO holder. The statement was confirmed by the ramp manager. Name of the driver and license plate of the truck were recorded in PT SSN's security post under other DO holders. Based on interview, PT SSN management stated they did not have transactions with CV BI. However, PT SSN is unaware that CV BI is using other DO holder's names in transactions with PT SSN.
	PT SSN sourced FFB from PT Laot Bangko	No transactions between PT SSN with PT Laot Bangko	Based on document review (2018 - 2019) there's no evidence of FFB transactions between PT Laot Bangko and PT SSN.
2	PT GSS sourced FFB from CV BI	<p>a. Verified that PT GSS sourced from CV BI.</p>	CV BI was recorded in PT GSS 2019 FFB receiving documents/transaction database. The owner of PT GSS stated it was true that PT GSS sourced FFB from CV BI. But after the RAN report was published, PT GSS no longer sourced FFB from CV BI.
		<p>b. Surat Pengantar Buah or SPB (Fruit Cover Letter) mentioned in RAN report was verified.</p>	PT GSS confirmed this and showed GAR team the SPB stated in the RAN report.

	PT GSS sourced FFB from PT Laot Bangko	There were FFB supplies from PT Laot Bangko to PT GSS.	Based on 2019 document review PT Laot Bangko was registered as PT GSS's FFB supplier.
3	<ul style="list-style-type: none"> RAN Report p.13-14: Sourcing relationship between the palm oil plantation at N 2°50'51.0" E 97°43'14" and the broker collection point N 2°52'35" E 97°42'22" and PT GSS and PT SSN. During RAN investigation the truck (Plate: BH 9353 TL) 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. 	<p>a. Verified that the palm oil farm mentioned by RAN supplied FFB to CV BI's ramp (broker collection point).</p> <p>b. Verified that PT GSS was linked to the farm via CV BI.</p> <p>c. There was a possibility that FFB from CV BI entered PT SSN mill via other Delivery Order (DO) holders.</p> <p>d. There is a strong indication that FFB carried by the truck (Plate: BH 9353 TL) from the farm location mentioned by RAN was received by the ramp that sells oil palm using the company name of CV BI.</p>	<p>Broker collection point (ramp) mentioned in the RAN report is located in Aloe Lhok Village. It is one of five CV BI's ramps. The manager of the ramp said it is for collecting FFB from the surrounding villages, which included FFB from transmigration area and from the farm in the RAN report.</p> <p>Similar to findings in 2.a.</p> <p>Similar to findings in 1.b.</p> <p>Accompanied by the manager of the ramp and the truck driver, GAR visited the area (Point E in map attached) approximately one km from the coordinates of the palm oil farm mentioned by RAN (Points F and G in map attached). The location point E is on a border of Rawa Singkil Wildlife Reserve. Point E as well as the palm oil plantation mentioned by RAN (points F and G) were planted with palm oil around four to five years ago. Area surrounding point E is partially in APL (non-legally protected area) and partially in the RSWR area (legally protected area). According to CV BI ramp manager, FFB from the farm was supplied to the ramp. GAR team found that the truck (Plate: BH 9353 TL) was carrying FFB from the farms surrounding the location mentioned by RAN. And according to management of CV BI, the truck frequently supplied FFB to the ramp. In an interview with the owner of CV BI, it was found that CV BI</p>

			does not have a list of smallholders it procures from.
		b. Based on our spatial analysis, it was verified that the coordinates locations mentioned in RAN report p.13-14 were located inside Rawa Singkil Wildlife Reserve.	See our map analysis/tracking route in the attachment.
4	Q12019 TTP achievement: PT GSS = 1.6% PT SSN = 0%	a. PT SSN has joined GAR's Ksatria Sawit Programme. At the time of the visit in October 2019, PT SSN has achieved 6.3% TTP and has registered two agents and 160 farmers. b. PT GSS has decided to not join our Ksatria Sawit Programme. Based on PT GSS declaration, its Q3 2019 TTP achievement was 81.5%. PT GSS has appointed an officer to be in charge of Sustainability and TTP.	The Q12019 TTP achievement was based on traceability self-declaration submitted to GAR.
5	Lack of adequate traceability systems at PT GSS and PT SSN.	See result of traceability system assessment below.	See result of traceability system assessment below.

VI. Traceability System Assessment Result:

No	Criteria/Indicator	Verification Result/Finding		Compliance Level	Recommended Action Plan
		PT SSN	PT GSS		
GAR Social and Environmental Policy Principles section 4.1: Transparent and traceable supply chain ¹					
1.1	Adequate TTP SOPs and mechanisms are in place to monitor implementation				
	1.1.1. SOPs related to evaluating potential suppliers; receiving of FFB are available.	The mill does not yet have an SOP related to evaluating potential suppliers, but has an SOP related to receiving FFB.	The mill does not yet have an SOP related to evaluating potential suppliers, but has an SOP related to receiving FFB and traceability SOP draft.	Non-compliant	Complete the SOPs with: <ul style="list-style-type: none"> Assessment of Suppliers and Potential Suppliers The process of receiving FFB Stages/steps of Traceability implementation Compiling TTP implementation templates into Traceability SOP
	1.1.2 Evidence of SOP socialisation to related parties is available	The mill has informed dealers of criteria for fruit, sources, and risk of illegal fruit, through Circular Letter issued by PT SSN Management and contracts signed by dealers; but has not informed them of criteria related to the mechanism for recording the profile of farms and farmers.	The mill has informed dealers of criteria for fruit, sources, and risk of illegal fruit through contracts signed by dealers; but has not informed them of criteria related to the mechanism for recording the profile of farms and farmers	Partially compliant	Conduct TTP socialisation events as required in point 1.1.1 to all related parties including internal PICs, dealers/agents and farmers.
1.2	Evidence of TTP SOP implementation is available				
	1.2.1 Evaluation reports of suppliers and potential suppliers are available.	The mill does not have evaluation reports of suppliers and potential suppliers.	The mill does not have evaluation reports of suppliers and potential suppliers.	Non-compliant	Commence the process of evaluating suppliers and potential suppliers as per SOP.

¹ http://goldenagri.com.sg/wp-content/uploads/2016/09/GAR_Social_and_Environmental_Policy-2.pdf

	1.2.2. List of suppliers compliant to requirements is available including farm maps and/or spatial coordinates.	<ul style="list-style-type: none"> The mill has a list of FFB dealers Has utilised Ksatria Sawit Programme to start gathering data of agents and farmers. 	The mill has registered data of nucleus estate and dealers. However, the mill does not have data of farmers in its supply chain.	Partially compliant	<p>Ensure all FFB suppliers are registered including dealers and all their farmers compliant with TTP SOP with the following stages:</p> <ol style="list-style-type: none"> Listing all farmers and their farm locations (village name must be mentioned as a minimum) for each dealer. Conducting field verification on each farm to complete TTP requirements including verifying its coordinates.
	1.2.3 Records of daily FFB received and its origin are available at the mill.	Records of daily FFB received are available (DO Code, date, time of truck arrival/departure, truck plate number, name of driver, address of DO Holder), but no record of origin of FFB.	Records of daily FFB received are available (dealer identity, date, time of truck arrival/departure, truck plate number, name of driver, address of DO Holder), but no record of origin of FFB.	Partially compliant	<p>Mill shall receive DO's only that state:</p> <ul style="list-style-type: none"> Farm owner: name. Farm location: village and sub-district from which the driver loads the FFBs into the truck (not the ramp location).
	1.2.4 Calculation of TTP achievement is available (Expected: 100% TTP achieved)	PT SSN TTP achievement is 6.3% per Q32019.	PT GSS TTP achievement is 81.5% per Q32019.	Non-compliant	PT SSN and PT GSS to achieve 100% TTP.
	1.2.5. Mechanisms to monitor consistency in the implementation of SOPs are available	The mill does not have a mechanism to ensure supply chains are transparent and traceable.	The mill does not have a mechanism to ensure supply chains are transparent and traceable. However, PT GSS has hired a sustainability officer and set up a team to handle TTP process.	Non-compliant	Conduct annual internal audit programme.
	1.2.6 Records of monitoring of consistent SOPs implementation are available.	No records available	No records available	Non-compliant	The first internal audit is reported in Q32020 at the latest.

VII. Initiatives for Rawa Singkil Wildlife Reserve (RSWR)

Currently there are some initiatives to conserve RSWR conducted by various NGOs. During the visit, GAR held discussions with Kreditanstalt für Wiederaufbau (KfW) or Credit Institute for Reconstruction and USAID Lestari (a collaboration project between USAID and World Conservation Society) on the issue.

Based on the discussions, GAR concludes that a social approach involving multi stakeholders is key to successfully protecting RSWR. Facts that support the conclusion:

1. Based on 2017 data, about 4,000 hectares inside RSWR has been opened by the local community, and 77 hectares has been planted with oil palm.
2. Currently the NGOs are using a soft approach in engaging communities to avoid social conflict.
3. However, there are some other NGOs implementing a confrontational approach with the local communities who have carried out illegal logging and land clearing inside RSWR. This approach has triggered resistance by the local communities and a negative perception of NGOs.

In a separate discussion with Head of BKSDA (Natural Resources Conservation Agency) Aceh Province, he stated that BKSDA had marked the boundaries surrounding RSWR by placing pegs in 2017, however it was not completed due to resistance from the local communities.

VII. Conclusion

1. Based on the verification visit, GAR confirmed links from CV BI to PT GSS, and links from the farms inside RSWR to CV BI. On PT SSN, although no documented transaction was found, based on interviews with CV BI, GAR suspected a risk that CV BI uses other agents' delivery orders to send FFB to PT SSN.
2. Both mills lack SOPs and have only achieved low percentage of TTP. However, both companies have started to invest in tackling this issue even before RAN report:
 - SSN has signed up with GAR's Ksatria Sawit Program and works with Koltiva.
 - GSS has hired a sustainability officer and set up a team to handle TTP process.
3. On the RAN report regarding PT Laot Bangko, we confirmed PT Laot Bangko was registered as a PT GSS supplier in 2019 database; while we did not find PT Laot Bangko registered in PT SSN 2018-2019 supplier list.
4. Local communities are claiming land inside the RSWR. GAR recognizes the need of a social approach involving multi stakeholders as key to the success for conserving RSWR.

VIII. Recommendation and Time-bound Action Plan

1. PT GSS and PT SSN

PT GSS and PT SSN must submit time-bound action plans to be agreed with GAR as a prerequisite for commercial contract renewal (see recommendation in **Section VI** in this verification report). While in the process of achieving full compliance, both companies must deliver the following minimum requirements:

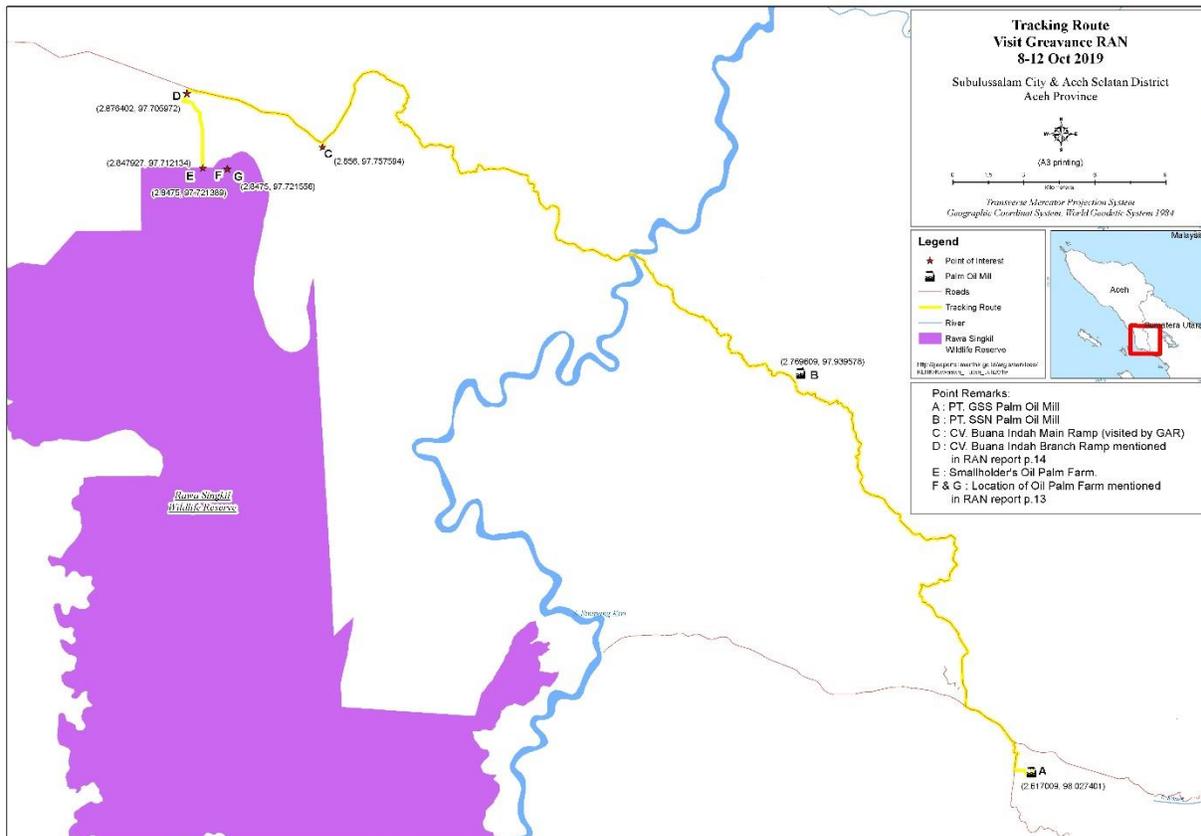
- a. Conduct TTP socialisation events with all related parties including internal PICs, dealers/agents and farmers by **December 31 2019**
- b. Commence the process of evaluating suppliers and potential suppliers by **January 1 2020**
- c. Ensure all FFB suppliers are registered including dealers and all their farmers referring to the TTP SOP with the following stages:

- 1) Listing all farmers and their farm locations (village name must be mentioned as a minimum) for each dealer by **January 31 2020**
- 2) Completing field verification to each farm located in villages situated near boundaries of Singkil Peatlands Reserve by **March 31 2020**.

2. Golden Agri Resources (GAR)

- a. GAR has approached several NGOs who have had activities in the RSWR area such as KFW/GFA & USAID Lestari to learn more about the issue of smallholders' occupation and efforts to rehabilitate the RSWR area. Currently, GAR is also proactive in the [APT initiative collaborating with The Earthworm Foundation](#)
- b. GAR will continue to support a multi-stakeholder approach on a landscape level involving the government and NGOs to improve sustainable practices in the area. GAR will encourage all of its suppliers including GSS and SSN to participate in these collaborations to support smallholders through traceability and legality. A capacity building event and a Focus Group Discussion will be held in December 2019 with supplier mills surrounding RSWR area.
- c. GAR has commissioned a third party to conduct a second visit to the area in November 2019 focusing on a social study of farmers and agents in the area near the border of RSWR as well as carry out a stakeholder mapping.
- d. GAR will also require other mills in the area: PT Perkebunan Lembah Bhakti, Nafasindo, Bangun Sempurna Lestari, Ensem Lestari, Runding Putra Persada, to apply the same standards required of GSS and SSN.

IX. Attachment: GAR Team's Tracking Route during Verification



X. References

1. GAR's Social and Environmental Policy (GSEP) http://goldenagri.com.sg/wp-content/uploads/2016/09/GAR_Social_and_Environmental_Policy-2.pdf
2. "Leuser Watch Report: The Last of the Leuser Lowlands: Field Investigation Exposes Big Brands Buying Illegal Palm Oil From The Singkil-Bengkung Peatlands" (link to report: <http://bit.ly/2nj5tYr>).
3. Source of Rawa Singkil Wildlife Reserve map: http://geoportal.menlhk.go.id/arcgis/services/KLHK/Kawasan_Hutan_Juli2019
4. GAR site visit report on grievance against PT ISP <http://bit.ly/2KrcRIj> and Smart Spot event <http://bit.ly/2Sei497>
5. GAR Q1'2019 Mill List supplying Belawan Refinery <https://goldenagri.com.sg/sustainability-dashboard/download-file/getfile/610>
6. Other sources