

GAR Site Visit Report at PT Ensem Sawita dan PT Agra Bumi Niaga (Grievance related to RAN report)

A. Background

On November 7th 2016 Rainforest Action Network (RAN) issued a report entitled "Protecting the Leuser Ecosystem – A Shared Responsibility". This was part of a series of reports and followed the two previous reports entitled "The Last Place on Earth – Exposing the Threats to The Leuser Ecosystem: A Global Biodiversity Hotspot Deserving Protection" and "The Last Place On Earth: Tracking Progress and New Opportunities To Protect The Leuser Ecosystem". This latest report alleged that some companies had conducted destructive activities in the Leuser Ecosystem. One of the companies included in the report was PT Agra Bumi Niaga (ABN), suspected of clearing 63 hectares of forest area in their concession after the issuance of Aceh Governor Circular Letter (June 17th 2016). The land clearing in PT ABN concession continued for the next three months following the circular even though the concession was sealed on June 22nd 2016 by the Ministry of Environment and Forestry as a result of the company's failure to obtain a proper license for forest clearing.

On July 2017, The Guardian newspaper published a report entitled "*Pepsico, Unilever and Nestlé accused of complicity in illegal rainforest destruction*"¹, which stated that PT ABN had reduced the Leuser Protected Forest from 420 hectares to 88 hectares between June 2016 and April 2017. The cleared area was a lowland forest corridor vital for the endangered Sumatran Elephant. In addition, the report describes the supply chain connection between PT ABN, PT Ensem Sawita (ES) and Golden Agri-Resources (GAR).

Based on GAR's Supplier Palm Oil Factory Mapping, PT ABN is within the 50-km radius of PT ES (Map Appendix 1) and it means PT ABN is a potential FFB supplier of PT ES. In 2015 GAR and TFT visited PT ES to inform them about and familiarise them with the GAR Social and Environmental Policy (GSEP). We also recommended they collect data and map their suppliers to the plantation level (Traceability to Plantation/TTP). In 2017, GAR and TFT organised a series of thematic trainings (HCV, HCS, Traceability and Social Management) in Banda Aceh attended by a PT ES representative.

In cognizance of the report on PT ABN, GAR had reached out to PT ES Head Office Management in Medan at the end of 2016 to notify them about the issue, and to determine if they were purchasing FFB from PT ABN. In addition, GAR and TFT conducted a site visit to the PT ES mill as well as PT ABN Plantation. These activities were carried out as part of the Responsible Sourcing commitment in the GSEP.

The main objectives of these activities were:

- a. To obtain information about PT ES FFB Sourcing Mechanism, including verifying if PT ES had purchased FFB from PT ABN
- b. To obtain information about PT ES supply chain mapping mechanism
- c. To obtain more information related to RAN's allegations.
- d. To support PT ES and PT ABN in developing action plans based on the fact finding

1 ¹ <https://www.theguardian.com/environment/2017/jul/21/pepsico-unilever-and-nestle-accused-of-complicity-in-illegal-rainforest-destruction>

B. Scope

To review/investigate:

1. PT ES FFB Sourcing Mechanism, focusing on PT ES FFB trading agreement with its suppliers and PT ES FFB Sourcing records in the last two years.
2. PT ES Supply Chain Mapping Mechanism
3. PT ABN legality related to land Clearing
4. PT ABN land clearing, planting and FFB trading

C. Methodology

1. Methodology:
 - a) Desk research including researching public information oo PT ES and PT ABN, PT ABN location, Sumatran elephant distribution map, and land use change map through satellite imagery
 - b) Review legal documentation from PT ES and PT ABN
 - c) Interviews and FGD with management of PT ES, PT ABN and other relevant sources
 - d) Field observation in PT ES mill and PT ABN plantation
2. Verification location (Annex 1 & 2):
 - a) PT ES Mill in Gampong Aramiah, Bireum Bayeum Subdistrict, Aceh Timur Region, Aceh Province
 - b) Concession area of PT ABN in Dusun Dataran Indah Gampong Peunaron Baru Kecamatan Peunaron Kabupaten Aceh Timur Provinsi Aceh.
3. Period:

Field verification conducted from August 2nd – 4th 2017
4. Verification team:

GAR - Ahmad Yudana and Resta Ekapradistya; TFT - Bobby Bayu Prakoso

D. Verification Result

1. PT ES Sourcing Mechanism

PT ES has not developed a system to ensure FFB is sourced from “clean and clear” area. There is no procedure to distinguish FFB source, and no FFB sourcing requirement in agreements with dealers.

PT ES is a non-integrated mill or mill without plantation. The FFB purchasing mechanism is designed to ensure supply volume and price competitiveness. PT ES gives a downpayment to agents or farmers before the FFB is received by the mill and allows agents/farmers to hold Delivery Orders or FFB Delivery Letters without the requirement of stating/declaring the FFB origin.

Since PT ES has no plantation and competition to obtain FFB is severe, they are not keen to add strict requirements for their suppliers as they fear the farmers and agents will supply

other mills with more lenient requirements instead. PT ES will only stop purchasing if the supplier has problems delivering the FFB or there are other quality or commercial issues.

Based on the FFB purchasing data in 2016 – 2017, PT ES purchased FFB from PT ABN in period of March 2016 and February to June 2017. Even though GAR had notified PT ES about issues with PT ABN at the end of 2016, PT ES did not take action immediately and only stopped purchasing from PT ABN in July 2017.

2. PT ES Supply Chain Mapping Mechanism

PT ES has not identified and mapped their FFB suppliers' plantations. Therefore, GAR team re-trained PT ES team on identifying and mapping their suppliers.



Traceability training to PT ES and their agent in M. Yusuf plantation at Gampong Aloe Teh 4°30'12,9" N, 97°52'22,8" E

A PT ES field operator said he had asked some dealers to identify the farmers and plantation coordinates, but had not received any information. He stressed that due to manpower shortage PT ES was not confident it could carry out identification and mapping of suppliers to achieve 100% Traceability to Plantation.

3. PT ABN legality Related to Land Clearing

Based on PT ABN document review and interviews with their management, we determined that the area managed by PT ABN is a palm oil plantation previously called PT Putri Hijau (PH). PT PH obtained Principles License in 1997, and their Cultivation Rights Title in 2000 and 2005 for a 1,936.2-hectare area. In 2008, it was acquired and renamed PT ABN. There was a further change of company ownership, but the new owner retained the name of PT ABN. Their Plantation Business License was issued in 2015 for a 1,936.2-hectare area located in Dataran Indah Sub-Village, Peunaron Baru Village, Peunaron Sub-district, Aceh Timur District, Aceh Province.

On their Land Clearing License, PT ABN shared the following documents:

- Letter from Regional Secretariat of Aceh Province No: 525.26 /9181 dated April 13th 2007 on Land Clearing License request on behalf of PT PH for an area of 850 hectares.
- Land Clearing License Recommendation Letter from Aceh Province Agriculture Office to Nanggro Aceh Darussalam Governor for PT PH Number: 074/5010 Date: September 27th 2006. According to that letter, out of the total of 1,936.2 hectares, 1,088 hectares was planted and the remaining 850 hectares would be planted in 2007.

In the letters, it was stated that the company was required to apply for “Timber Utilization Permit” (Izin Pemanfaatan Kayu) from the authorised government agency if during the land clearing it was found that the remaining timber could be used. PT ABN did not submit the application since they thought that the area was rehabilitated old plantation planted in 1997/1998 and abandoned during Aceh Conflict, and that they could not use the remaining timber.

PT ABN also produced the land clearing license issued to PT PH by the Aceh Province Agriculture Office Number 593/4146 dated November 18th 1998 for an area of 1,493 hectares. Comparison of the hectareage in this letter and the one stated in Land Clearing Recommendation Letter from Aceh Province Plantation Office number 074/5010 in September 27th 2006, indicated that out of the proposed area of 1,493 hectares, the company had only planted 1,088 hectares as of 2006.

The PT ABN management confirmed that in June 20th 2016, clearing activity was banned (and area sealed) by the team from the Law Enforcement and Security department of the Environmental and Forestry Ministry for North Sumatra Region (Balai Pengamanan dan Penegakan Hukum Lingkungan Hidup dan Kehutanan or BPPLHK) accompanied by Greenomics. The ban was executed as the field officer of PT ABN could not produce the various license documents requested by the team.

After the management of PT ABN (Banda Aceh Office) submitted various license documents to BPPLHK on June 29th 2016, PT ABN claimed that they obtained permission to continue their activities. PT ABN referred to the letter from Aceh Provincial Environment and Forestry Office Number: 522.3/604-IV dated 16 February 2017. The letter explained that the area of PT ABN's Cultivation Rights Title (HGU) was outside the Legally Protected Forest Area, but was located inside the Leuser Ecosystem Area (KEL), Therefore, the letter required plantation management to comply with Aceh Governor Regulation Number 5/2014 regarding the Procedure and Requirements for Non-Forest Land (APL) inside KEL in Aceh Region.

4. Land Clearing, Planting and FFB Trading conducted by PT ABN

PT ABN land use planning and realisation documentation were unavailable, but its management said that they conducted land clearing in the area that had already been planted since 1997/1998 and partially planted in 2011 by the previous management.



Field verification result at some observation points (Annex Map 2) shows that the area that was opened and planted in 2016 was already planted with old oil palm trees. There are some old oil palm trees among new planted trees. See the picture at observation point number 3 (4°33'13,2" N, 97°40'25,3" E)



At the area that has been opened in 2017 where many chopped tree trunks are stacked up. See the observation point number 8 (4°33'05,0" N, 97°41'25,6" E).



This picture shows an area that is not opened yet and we can see old oil palm tree mixed up with forest vegetation with trunk diameter about 20-30 Cm. This photo is taken in the 2017 clearing boundary at observation point number 9 (4°33'04,1" N, 97°41'25,8" E) – See Annex 2

By overlaying PT ABN cleared area with Elephant Distribution Map issued by BKSDA Aceh Province in 2015, we can see there is an overlapping as shown in Map Annex 2.

Based on information from PT ABN, FFB from the old oil palm trees were sold to PT KPJ (Koperasi Prima Jaya), but after PT KPJ refused to purchase FFB from PT ABN, PT ABN sold the FFB to PT ES from the period of February 2017 to June 2017. After a rejection from both companies, PT ABN sold its FFB to local dealers in the Gampong Peunaron Area. Considering that PT ES does not have a traceability system for its FFB sourcing, it is possible that FFB from PT ABN has entered PT ES supply chain through local dealers.

E. Conclusion and Recommendation

Conclusion:

- a. PT ES has not developed a responsible sourcing system
- b. PT ES purchased FFB from PT ABN
- c. PT ES has not identified and mapped its FFB suppliers. PT ES had tried to implement *Traceability to Plantation* based on socialisation and training provided by GAR, but is not confident that it can be implemented successfully
- d. Legal permit that is used by PT ABN (formerly PT PH) as authorization for land clearing is a letter from Aceh Province Region Secretariat dated April 13th 2007. PT ABN did not submit proposal for a new land clearing license and Timber Utilization Permit (IPK) since they considered the clearing was for replanting and there was no timber that could be used
- e. The cleared area contained old abandoned oil palm trees mixed with other forest vegetation. Part of that area is inside Sumatran Elephant Distribution Area (See Map in Annex 2)

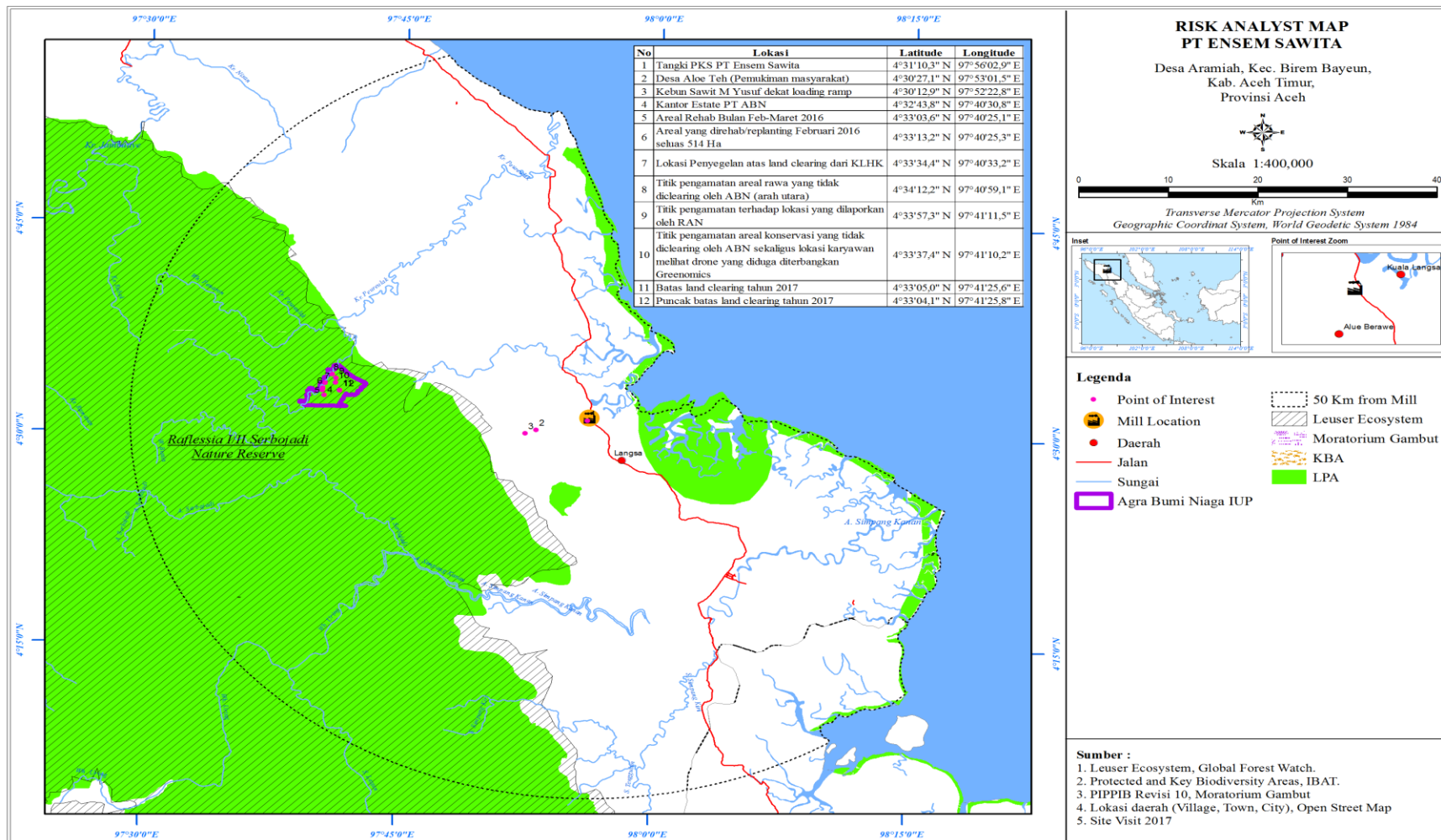
Recommendation:

- a. PT ES must develop a responsible FFB purchasing and sourcing system in line with the GSEP that includes a due diligence system with prudent principles to avoid conflict/illegal FFB sources by end of November 2017
- b. PT ES must increase its commitment and build a team for implementing TTP by end of November 2017 and ensure all its suppliers are traceable by end of 2018.
- c. PT ABN needs to retrace and document the history of land use planning and realisation of land clearing, and determine if the opened area is old plantation or forested area that had not been cleared before
- d. PT ABN needs to conduct HCV and HCS assessment before continuing land clearing.

REFERENCES

1. https://d3n8a8pro7vhmx.cloudfront.net/rainforestactionnetwork/pages/17392/attachments/original/1486495650/RAN_Leuser_Watch_PT_Agra_Bumi_Niaga_20170207.pdf?1486495650
2. <https://www.theguardian.com/environment/2017/jul/21/pepsico-unilever-and-nestle-accused-of-complicity-in-illegal-rainforest-destruction>

Annex 1. Locations of Field Verification sites: PT ES mill, supplier farmers and PT ABN



Annex 2. Location of Field Verification sites at PT ABN estate

