

# Indonesian palm oil growers' exposure to sustainability purchasing policies (30 June 2015)

## Summary

- Six out of ten largest palm oil growers listed on the Indonesian stock exchange (IDX) have high-risk exposure to major buyer/traders' No Deforestation, No Peat, No Exploitation (NDPE) purchasing policies. Six out of these ten growers sell 50% or more of their crude palm oil and/or palm kernel oil to buyers that have adopted such policies for their supply chain;
- Two of the top ten growers (SSMS and ANJT) have recently had their purchasing contracts suspended over sustainability concerns. Two other growers (SMART and Astra) were recently pressured by investors and campaigners to establish stronger sustainability standards;
- Growers that try to avoid traders' higher sustainability standards are subject to significant risk exposure as they face downstream purchasing policies from consumer brands and manufacturers that are increasingly committed to NDPE policies;
- Crude palm oil from the ten largest IDX-listed growers accounts for 10% of global production;
- Chain Reaction Research concludes that the transformation to sustainable practices in the palm oil industry is unavoidable, particularly for publicly traded plantation companies.

IDX-listed company	Risk exposure
PT Astra Agro Lestari (AALI)	High
PT Bakrie Sumatera Plantations (UNSP)	High
PT Dharma Satya Nusantara Group (DSNG)	High
PT Eagle High Plantations (BWPT)	High
PT Sampoerna Agro (SGRO)	High
PT Sawit Sumbermas Sarana (SSMS)	High
PT Austindo Nusantara Jaya (ANJT)	Medium
PT Salim Ivomas Pratama (SIMP)	Medium
PT Tunas Baru Lampung (TBLA)	Medium
PT Sinar Mas Agro Resources and Technology (SMART)	Medium

## Contents

Summary .....	1
Contents .....	2
1 No Deforestation, No Peat, No Exploitation policies.....	3
2 The 10 largest IDX-listed palm oil growers.....	4
3 Grower’s largest customers.....	5
4 Risk exposure assessment for each IDX-listed company .....	8
4.1 PT Astra Agro Lestari (Astra) .....	8
4.2 PT Salim Ivomas Pratama (SIMP) .....	9
4.3 PT Sinar Mas Agro Resources and Technology (SMART) .....	11
4.4 PT Dharma Satya Nusantara Group (DSNG) .....	13
4.5 PT Tunas Baru Lampung (TBLA).....	14
4.6 PT Eagle High Plantations (BWPT) .....	15
4.7 PT Sampoerna Agro (SGRO) .....	16
4.8 PT Sawit Sumbermas Sarana (SSMS) .....	17
4.9 PT Bakrie Sumatera Plantations (UNSP) .....	18
4.10 PT Austindo Nusantara Jaya (ANJT) .....	19
5 Assessment of business risk exposure .....	21
5.1 Risk assessment results .....	21
5.2 Can IDX-listed growers avert NDPE policies?.....	22
Methodology .....	23
Glossary .....	26
References .....	28

## 1 No Deforestation, No Peat, No Exploitation policies

Over the past year and a half, several major palm oil traders have adopted No Deforestation, No Peat, No Exploitation (NDPE) policies. The signatories of these purchasing policies, which include Apical, Bunge, Cargill, Golden Agri-Resources, IOI, Kencana Agri, Kuala Lumpur Kepong, Musim Mas, and Wilmar, cover over 90% of the globally traded palm oil market.<sup>1</sup>

These commitments apply to a company’s entire supply chain, including plantations operated by their own subsidiaries and third-party suppliers. The policies prohibit clearance of High Conservation Value (HCV) and High Carbon Stock (HCS) areas, as well as peatlands (regardless of depth) for palm oil expansion. In addition, they require human and labour rights be upheld in accordance with the core conventions of the International Labour Organisation (ILO),<sup>2</sup> and the right of local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to any new developments.

Many consumer brand companies in the processed food and personal care product industries have made similar NDPE commitments in the last couple years. The biggest of these, in terms of the quantity of palm oil use, are Unilever, Procter & Gamble, and Nestlé.<sup>3</sup>

Table 1 gives an overview of major commodity traders that have adopted NDPE policies. Most of these companies have adopted the NDPE policy only recently, and implementation is still in progress. While comparison of the various policies shows that some are more ambitious than others, they all establish the same goals of having independently-verified compliance, greater public transparency, and serious sanctions for “repeat offenders” of sustainability policies.

**Table 1 Major palm oil growers and refiners with NDPE policies**

Company name	Deadline for supplier compliance	Public disclosure of suppliers	Suspension of suppliers reported?
Apical Group <sup>4</sup>	End of 2016	No	Yes
Bunge <sup>5</sup>	None	No	Not yet
Cargill <sup>6</sup>	None	No	Yes
Golden Agri-Resources <sup>7</sup>	None	Yes	Yes
IOI Corp. <sup>8</sup>	None	Yes	Not yet
Kencana Agri <sup>9</sup>	None	No	Not yet
Kuala Lumpur Kepong <sup>10</sup>	None	No	Not yet
Musim Mas <sup>11</sup>	End of 2016	Yes	Yes
Nestlé <sup>12</sup>	None	No	Not yet
Procter & Gamble <sup>13</sup>	2020	No	Not yet
Unilever <sup>14</sup>	None	No	Yes
Wilmar <sup>15</sup>	End of 2015	Yes	Yes

Wilmar International was the first palm oil trader to publish a full list of its third party suppliers (CPO and PKO mills) in March 2015, and the initiative was followed by Musim Mas and IOI Corp. subsidiary Loders Crokiaan, and recently also Golden-Agri Resources. The disclosure enables civil society organizations to verify whether these suppliers are involved in activities that are deemed non-compliant with purchasing policies. Such evidence is regularly published in online sources, such as Mongabay.com, and otherwise complaints may be filed with the traders' through their grievance or whistleblower mechanisms.

Suppliers' accountability is not limited to the activities in plantation estates that directly supply CPO or PKO mills, whose supply base is usually fully planted at the time the mill is constructed. The supplier group, whom owns the mill, can also be held accountable for non-compliance in other regions, such as in remote forest areas, peatlands, or indigenous territory from where CPO or PKO cannot yet be procured. As such, even though most palm oil traded originates from Sumatra or Sabah, the purchasing policies can have impacts on growers' subsidiary activities in different regions, such as Papua or West Africa.

When suppliers are found to be non-compliant, the traders' procurement and sustainability teams typically engage the supplier to explain the purpose and impact of their NDPE policy. If the supplier develops land in contested (forest, peat, conflict) areas, it would be requested to issue a "stop-work order" until relevant (HCV, HCS) studies are completed and/or land conflicts are resolved. Supplier groups who fail to enforce such "stop-work orders" are at particularly great risk of seeing their trade with NDPE policy signatories suspended or ceased.

## 2 The 10 largest IDX-listed palm oil growers

There are 17 companies listed on the Indonesian Stock Exchange (IDX) whose predominant activities include the management of oil palm plantations and production of CPO/PKO. This study focuses on the 10 largest (Table 2). The revenue and CPO production of the seven companies that have not been part of this study were below IDR 1,500 billion and 150,000 tonnes in 2014 respectively.

**Table 2 The 10 largest IDX-listed palm oil companies**

Company name and stock exchange code	Plantation footprint for 2014 (tonnes of CPO production x 1,000)	Revenue for 2014 (IDR x billion)
PT Astra Agro Lestari (AALI)	1,740	16,300
PT Salim Ivomas Pratama (SIMP)	956	15,000
PT Sinar Mas Agro Resources and Technology (SMAR)	730	32,300
PT Dharma Satya Nusantara Group (DSNG)	391	4,900
PT Tunas Baru Lampung (TBLA)	330	6,300
PT Eagle High Plantations (BWPT)	329	2,300
PT Sampoerna Agro (SGRO)	321	3,200

Company name and stock exchange code	Plantation footprint for 2014 (tonnes of CPO production x 1,000)	Revenue for 2014 (IDR x billion)
PT Sawit Sumbermas Sarana (SSMS)	242	2,200
PT Bakrie Sumatera Plantations (UNSP)	217	2,600
PT Austindo Nusantara Jaya (ANJT)	184	1,900
<b>Total</b>	<b>5,440</b>	<b>87,000</b>

Palm oil production from Indonesia accounts for approximately 40% of the entire global trade. The crude palm oil and palm kernel oil production of the 10 IDX-listed plantation companies accounts for approximately 10% of global production.<sup>16</sup> Most Indonesian palm oil growers are either not listed, state-owned or listed on other exchanges.

The study focused on IDX-listed companies, because they are required to disclose any company whose purchases account for more than 10% of total revenue. Their customer base can be tracked down relatively easy, compared to other palm oil growers.

Total CPO production of the 10 IDX-listed companies can be considered as their plantation footprint. It is an indicator for the number of hectares from which they have been processing harvested Fresh Fruit Bunches (FFB), either from their own or third-party plantations. The total productive plantations harvested by the 10 largest companies amounted to approximately 1.4 million hectares in 2014.<sup>17</sup>

The total revenue of the 10 IDX-listed companies amounted to IDR 87,000 billion (USD 7 billion)<sup>18</sup> in 2014. This revenue includes sales of products from their downstream operations (refineries, oleochemical companies) and sales of other commodities (notably rubber and sugar).

### 3 Grower's largest customers

0 shows all identified trade links between the 10 IDX-listed companies and their customers. The links were mostly derived from the quarterly and annual reports of the companies, due to the obligation of Indonesia for listed companies to disclose which companies account for more than 10% of total revenue. Unidentified external customers, especially those of Salim Ivomas Pratama (SIMP), Sinar Mas Agro Resources and Technology (SMART) and Tunas Baru Lampung (TBLA) account for a significant portion of these companies' trade volume. This is mainly due to relatively large downstream operations and/or internal deliveries of these three companies. This makes it harder for companies buying more than 10% of the CPO from these companies to get on the (obligatory) list of companies whose purchases account for more than 10% of total revenue.

**Table 3 Identified trade figures 2014 between IDX-listed companies and their customers (IDR x billion)**

Customers	The 10 largest IDX-listed palm oil plantation companies										Total
	AAI	SIMP	SMART	DSNG	TBLA	BWPT	SGRO	SSMS	UNSP	ANJT	
Golden Agri-Resources	1,500			1,400		700	800	1,000			5,400
Wilmar	2,800			1,000		100		200	900	100	5,100
Musim Mas	3,500	600							400	200	4,700
Kuala Lumpur Kepong (KLK)	3,900										3,900
Apical Group	400						400	500			1,300
Inter-United Enterprises					1,000						1,000
Permata Hijau Group	900									100	1,000
PT Unilever Indonesia			1,000								1,000
BEST Group	900										900
Louis Dreyfus Commodities						600				200	800
Nestlé			700								700
PT Royal Industries Indonesia							600				600
Hayel Saeed Anam (HSA) Group										500	500
Other identified external customers					400	200	300				900
<b>Identified external customers</b>	<b>13,900</b>	<b>600</b>	<b>1,700</b>	<b>2,400</b>	<b>1,400</b>	<b>1,600</b>	<b>2,100</b>	<b>1,700</b>	<b>1,300</b>	<b>1,100</b>	<b>27,800</b>
Related party sales	0	4,300	22,500	0	1,900	0	0	100	0	0	28,800
Unidentified external customers	2,400	10,100	8,100	2,500	3,000	700	1,100	400	1,300	800	30,400
<b>Total revenue</b>	<b>16,300</b>	<b>15,000</b>	<b>32,300</b>	<b>4,900</b>	<b>6,300</b>	<b>2,300</b>	<b>3,200</b>	<b>2,200</b>	<b>2,600</b>	<b>1,900</b>	<b>87,000</b>
<b>Percentages</b>											
Identified external customers	85	4	5	49	22	70	66	77	50	58	32
Related party sales	0	29	70	0	30	0	0	5	0	0	33
Unidentified external customers	15	67	25	51	48	30	34	18	50	42	35
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Of total revenue generated in 2014 by the 10 IDX-companies, CRR traced 65% to the customer level (0). Golden Agri-Resources, Wilmar, Musim Mas and Kuala Lumpur Kepong were the largest external customers of IDX-listed companies, representing over two-thirds (68%) of revenue from identified external customers. The main purchases parties related to the 10 IDX-companies also came from Golden Agri-Resources companies buying from PT Sinar Mas Agro Resources and Technology. PT Salim Ivomas Pratama was a major supplier to companies in the Indofood Group, its parent company.

**Table 4 Identified buyers from IDX-listed companies**

Buyers	NDPE policy?	Purchase as an external customer (IDR x billion)	Purchase as a related party (IDR x billion)
Golden Agri-Resources	Yes	5,400	22,600
Wilmar	Yes	5,100	0
Musim Mas	Yes	4,700	0
Indofood <sup>19</sup>	No	0	4,300
Kuala Lumpur Kepong (KLK)	Yes	3,900	0
Sungai Budi Group <sup>20</sup>	No	0	1,900
Apical Group	Yes	1,300	0
Permata Hijau Group <sup>21</sup>	No	1,000	0
Inter-United Enterprises <sup>22</sup>	No	1,000	0
Unilever	Yes	1,000	0
BEST Group <sup>23</sup>	No	900	0
Louis Dreyfus Commodities <sup>24</sup>	No	800	0
Nestlé	Yes	700	0
PT Royal Industries Indonesia <sup>25</sup>	No	600	0
Hayel Saeed Anam (HSA) Group <sup>26</sup>	No	500	0
Other	n.a.	400 - yes; 500 - no	0
<b>Total</b>		<b>27,800</b>	<b>28,800</b>
<b>Applying NDPE policy</b>		<b>80.9%</b>	<b>78.5%</b>

A striking finding of this analysis is that buyers with NDPE policies generated over 80% of the top 10 largest IDX-listed palm oil growers' total revenue from identified third party customers, and 78.5% of revenue generated from related parties. Essentially, a large majority of the sales revenue of the sampled IDX-listed palm oil companies is subject to NDPE policies

In the next chapter, we present further details of each IDX-listed company group.

## 4 Risk exposure assessment for each IDX-listed company

### 4.1 PT Astra Agro Lestari (Astra)

#### 4.1.1 Astra's main customers

Astra Agro Lestari (Astra) is the second largest private palm oil company in terms of Crude Palm Oil (CPO) production within Indonesia.<sup>27</sup> In 2014, it produced 1,740,000 tonnes of CPO.<sup>28</sup>

Table 5 shows the results of calculations for Astra's biggest customers.<sup>29</sup> Musim Mas, Wilmar and Golden Agri-Resources are the main buyers of CPO from Astra. Kuala Lumpur Kepong (KLK) is another major CPO buyer from Astra. The recent partnership between these companies, through the Astra-KLK Pte Ltd. joint-venture – 51% owned by KLK – accounted for a 19% share of Astra's revenue in 2014.<sup>30</sup> Customers with NDPE policies account for 69% of Astra's total revenue.

**Table 5 Main customers of PT Astra Agro Lestari (IDR x billion)**

	2014	% 2014
Musim Mas	3,500	21
Astra-KLK	3,100	19
Wilmar	2,800	17
Golden Agri-Resources	1,500	9
BEST Group	900	6
Permata Hijau Group	900	6
KLK	800	5
Apical Group	400	3
Others	2,400	14
<b>Total revenue</b>	<b>16,300</b>	<b>100</b>

Sources: AALI, CPO Auction Result, <http://bit.ly/1Cy3y1W>  
AALI, Investor Bulletin January 2015, <http://bit.ly/1JF0FwF>  
Astra Agro Lestari, Annual Report 2014, page 190, <http://bit.ly/1wQU65u>

#### 4.1.2 Astra's sustainability policy

Although Astra dedicates a number of places within its plantation sites as High Conservation Value area,<sup>31</sup> it has no policy regarding the protection of peatlands or HCS forests, and it has adopted neither the labour principles of FPIC nor IPO's core conventions. Astra is by far the largest private palm oil company not to be a member of the Roundtable on Sustainable Palm Oil (RSPO).<sup>32</sup>

#### 4.1.3 Astra and the NDPE policy challenge

Of Astra's revenue 69% comes from customers that have adopted NDPE policies, and many traders and consumer companies require RSPO membership as a prerequisite for partnership. This puts Astra at risk



of losing much of its commercial base, which could have a serious negative impact on the company's bottom line.

Astra was recently publicly criticized for its weak sustainability policy and its alleged impacts such as forest loss, peatland drainage and conversion of endangered species habitat. Several NGOs, especially the US-based NGO Forest Heroes, started campaigning activities.<sup>33</sup>

In response to its exposure, the company announced on 11 June 2015 that it had introduced an immediate moratorium whereby it will stop all land conversion. It committed to ensure that there will be no clearance of any natural forest either by the Astra or any of its contractors across all its operations in Indonesia. "Consistent with the principles of no deforestation, respect for community rights and the conservation of peatlands, AAL is now in the process of formulating a detailed sustainability policy which will include the need for carrying out High Conservation Value (HCV) and High Carbon Stock (HCS) assessments prior to any future expansion."<sup>34</sup>

## 4.2 PT Salim Ivomas Pratama (SIMP)

### 4.2.1 SIMP's main customers

PT Salim Ivomas Pratama (SIMP) is the direct parent of PT PP London Sumatra Indonesia (LSIP), which is also listed on the Indonesian Stock Exchange. SIMP (including LSIP) produced 956,000 tonnes of CPO in 2014.<sup>35</sup> SIMP is the third largest private palm oil company in terms of Crude Palm Oil (CPO) production within Indonesia.<sup>36</sup>

SIMP's direct parent company is Indofood Agri Resources Ltd (IndoAgri), which is listed on the Singapore Stock Exchange. SIMP, LSIP and IndoAgri are all part of the Indofood Group, which is Indonesia's largest food company. The Hong Kong-listed First Pacific Company Limited, which is controlled by Mr. Anthoni Salim, has a 50.1% stake in Indofood and 60.5% stake in IndoAgri. Salim also has stakes in other businesses than First Pacific, some of which are also related to the palm oil plantation business.<sup>37</sup>

SIMP's annual report shows the same revenue and oil palm business as IndoAgri's annual report. IndoAgri had a revenue of IDR 15.0 trillion (~ USD 1.2 billion) in 2014.<sup>38</sup> Oil palm is its dominant crop, followed by sugar cane, rubber and others.<sup>39</sup>

In 2014, IDR 12 trillion in revenue was derived from SIMP's sales of cooking oils, margarine and shortening, followed by sales of its sugar, rubber and coconut operations (Table 6).<sup>40</sup>

**Table 6 Main customers of PT Salim Ivomas Pratama (IDR x billion)**

	2014	% 2014
PT Indofood CBP Sukses Makmur (ICBP, purchases are meant for manufacturing consumer branded products by ICBP)	1.8	12
PT Indomarco Adi Prima (Distribution)	1.4	9
Musim Mas Group	0.6	4

	2014	% 2014
PT Indomarco Primatama (Retail company, 10,593 Indomaret minimarkets in Indonesia.) <sup>41</sup>	0.4	3
PT Indolakto (Dairy)	0.2	1
Shanghai Resources International Trading Co (Trading company owned by Mr. Anthoni Salim) <sup>42</sup>	0.2	1
PT Inti Cakrawala Citra (12 Indogrosir wholesale centers in main cities) <sup>43</sup>	0.2	1
PT Indofood Fritolay Makmur (Snack foods. 51% owned by ICBP, 49% by PepsiCo)	0.1	1
Others	10.1	68
<b>Total revenue</b>	<b>15.0</b>	<b>100</b>

Only 32 percent of SIMP's revenue was traced to customers.

Sources: Salim Ivomas Pratama, Financial statement 31/12/2014, <http://bit.ly/1xT5PDMP>; PT PP London Sumatra Indonesia, Financial statement 31/12/2014, page 85, <http://bit.ly/1BH0MkR>  
Indofood CBP, Annual report 2014, <http://bit.ly/1Jv5nzA>. Indofood, Annual report 2014, <http://bit.ly/1PB3uC1>

CPO (and palm kernel) customers generated almost IDR 3 trillion (20 percent) of IndoAgri's revenue in 2014.<sup>44</sup> IndoAgri's CPO customers in 2014 were the main traders/processors: Musim Mas, Wilmar and IOI. Musim Mas purchased IDR 566 billion worth of CPO and/or palm kernel from IndoAgri's subsidiary PT PP London Sumatra Indonesia (Lonsum) in 2014.<sup>45</sup> The lists of mills supplying Wilmar and IOI show that IndoAgri's subsidiaries PT Salim Ivomas Pratama Tbk (SIMP) and Lonsum delivered CPO and/or palm kernel oil to Wilmar and IOI from at least ten mills in 2014.<sup>46</sup>

IndoAgri sold IDR 4.3 trillion (29 percent) worth to related parties in 2014. These are companies within the Indofood group, or within the wider influence of Anthoni Salim.<sup>47</sup> Procter & Gamble and PT Unilever Indonesia are likely also large (indirect) customers of IndoAgri, considering their large trade purchases from Indofood CBP Sukses Makmur in 2013 and 2014.<sup>48</sup> However, it is not clear whether these purchases relate to palm oil. The majority of palm oil used by Unilever Indonesia is for margarine (Blue Band brand), ice cream (among other Wall's), soaps and home care products (such as Pepsodent tooth paste).<sup>49</sup>

Some joint ventures of First Pacific and Indofood are interesting in the context of NDPE policy. In March 2015, Wilmar and First Pacific - the parent company of Indofood - completed a 50-50 acquisition of Goodman Fielder, a leading food company across Australia, New Zealand and Asia Pacific.<sup>50</sup> PT Indofood Sukses Makmur has a 50/50 joint venture with Nestlé: PT Nestlé Indofood Citarasa Indonesia.<sup>51</sup> PT Indofood CBP Sukses Makmur Tbk (ICBP) has a 51/49 joint venture on snack foods with PepsiCo.<sup>52</sup>

#### 4.2.2 SIMP's sustainability policy

In its 2013 Sustainability Report, IndoAgri lists the protection of primary forests, peatland and High Conservation Value (HCV) areas as one of its sustainability principles. Furthermore, IndoAgri states that

it respects the concept of Free, Prior and Informed Consent (FPIC) for communities on new developments.<sup>53</sup>

IndoAgri has not yet taken a stance on High Carbon Stock (HCS) areas. In addition, the company has made no specific statements on compliance with the ILO core conventions, though it has made statements with regard to prohibition of all forms of child or forced labour, freedom of association and the elimination of discrimination.<sup>54</sup>

IndoAgri’s certified sustainable palm oil (CSPO) production stood at 332,000 tonnes at the end of 2014, or 35% of its total CPO production.<sup>55</sup> The present certified mills and supply bases are all located in Sumatra. So far no certification assessments have started for IndoAgri’s Kalimantan operations.<sup>56</sup>

#### 4.2.3 *SIMP and the NDPE policy challenge*

It is estimated that SIMP’s revenue covers customers with a NDPE policy in the range of 20 to 30 percent. The group is an important player in Indonesia’s domestic consumer goods market, where sustainability concerns are still in their infancy. However, SIMP trades with NDPE policy signatories Wilmar and IOI. Furthermore, First Pacific and Indofood have joint ventures with Wilmar, Nestlé and PepsiCo whilst Procter & Gamble and PT Unilever Indonesia are likely palm oil customers of Indofood.

### 4.3 PT Sinar Mas Agro Resources and Technology (SMART)

#### 4.3.1 *SMART’s main customers*

SMART is part of Singapore-based Golden Agri-Resources (GAR). With an area of 470,000 hectares, including plasma estate, planted with oil palm, GAR is by far the largest private palm oil plantation company in Indonesia.<sup>57</sup> SMART manages 139,000 hectares of GAR’s total land bank. In 2013, SMART produced 730,000 tonnes of CPO<sup>58</sup> - which, using average 2014 prices, means the company had a revenue of approximately IDR 6 billion.<sup>59</sup>

SMART’s revenue is derived mainly from downstream activities. Its CPO is processed into value-added bulk, industrial and branded products through its own refineries, with a total capacity of 2.3 million tonnes per annum. Its palm kernel crushing plants have an annual capacity of 480 thousand tonnes, producing higher-value palm kernel oil and palm kernel meal. SMART also distributes, markets and exports palm-based consumer products. In addition to bulk and industrial oil, SMART also markets its refined products under several brands, such as Filma and Kunci Mas.<sup>60</sup>

Most of SMART’s revenue is generated by related parties that are incorporated under Golden-Agri Resources. As Table 7 shows, only 30% is generated by external customers. No external customers generate more than IDR 3,200 billion of SMART’s revenue, otherwise SMART would have to mention them in its quarterly reports.

**Table 7 Main customers of PT SMART (IDR x billion)**

	2013	2014	% 2013	% 2014

	2013	2014	% 2013	% 2014
Related parties	16,472	22,532	69	70
External customers	7,463	9,809	31	30
<b>Total revenue</b>	<b>23,935</b>	<b>32,341</b>	<b>100</b>	<b>100</b>

Source: PT SMART, Financial statement 31/12/2014, pages 87 and 93, <http://bit.ly/1N5rvDf>

Some information on SMART's main external customers was traced by reviewing the lists of trade receivables in its 2014 quarterly reports.<sup>61</sup> Table 8 shows the results of our estimates, based on SMART's average share of total trade receivables from third parties for each quarter. Unilever and Nestlé turn out be SMART's largest external customers, assuming the receivables they owe SMART represents revenue generated from third parties.

**Table 8 Estimates for SMART's main external customers (IDR x billion)**

	Estimated revenue generated for SMART in 2014	SMART's % of trade receivables from third parties during 2014
PT Unilever Indonesia	1,000	10.7
Nestlé Thai, Indonesia and Pakistan	700	7.1
PT Sumi Asih <sup>62</sup>	500	5.3
Agri Resindo Holdings Pte Ltd.	400	4.1
Marubeni Corporation-Tokyo	300	2.9
Others	6,900	69.9
<b>Total revenue external customers</b>	<b>9,800</b>	<b>100.0</b>

Source: SMART, Announcements to Indonesian Stock Exchange, Quarterly reports 2014, <http://bit.ly/1zCAW6t>

#### 4.3.2 SMART's sustainability policy

As a subsidiary of Golden Agri-Resources, SMART is subject to GAR's NDPE policy.<sup>63</sup> GAR has not set a deadline for compliance by its suppliers.

In February 2010, GAR decided not to develop on any peatland regardless of depth, although the Government of Indonesia allows planting on peatland less than 3 metres deep.<sup>64</sup> GAR currently co-chairs the Indonesian HCV Task Force, which was formed to explore means for effectively securing HCV areas in oil palm development regions in Indonesia in line with RSPO Principles and Criteria (P&C), and to explore options for reforming local and national laws and procedures for securing HCV areas and accommodating the RSPO P&C.<sup>65</sup>

SMART has been an RSPO member since 29 January 2005. It expects to achieve RSPO certification for 100% of its estates by 2015<sup>66</sup>, as does GAR.<sup>67</sup> However, GAR’s palm oil operations established after 30 June 2010 will be part of a separate time-bound plan.<sup>68</sup>

#### 4.3.3 *SMART and the NDPE policy challenge*

SMART has an NDPE policy itself. Its policy may attract customers like Unilever and Nestlé that have also adopted the NDPE policy. On the other hand, lack of progress in implementing its NDPE policy may result in pressure from those same customers. Unilever and Nestlé, both of which have suspended trade with GAR/SMART in 2010, generated an estimated 5% (30% of 17.8%) of PT SMART’s revenue in 2014. In May 2015, The Forest Trust suspended its partnership with GAR following confirmation of several breaches of PT SMART’s Forest Conservation Policy (FCP).<sup>69</sup> Although TFT does not trade in palm oil, its decision may well affect purchasing decisions by its other members, which include Nestlé, Unilever, Mars and others. In response, GAR issued a statement in which it re-commits to leading our industry’s sustainability efforts, as the first Indonesian oil palm company to commit to zero deforestation.<sup>70</sup>

## 4.4 PT Dharma Satya Nusantara Group (DSNG)

### 4.4.1 *DSNG’s main customers*

DSNG’s CPO production amounted to 391,000 tonnes in 2014.<sup>71</sup> In its presentation of results for 2014, DSNG states: “Our customers are primarily Indonesian CPO refineries located in Kalimantan and Java, close to DSN’s operations. Regular customers include SMART (GAR), Wilmar, Kuala Lumpur Kepong, Musim Mas and Dermaga Kencana Indonesia (50/50 joint-venture Kencana Agri/Louis Dreyfus Commodities). The company expects Astra’s new refinery on Sulawesi Island to become a customer in the near future as well.”<sup>72</sup>

Table 9 shows DSNG’s main customers, with revenue from PT Binasawit Abadi Pratama until 30/9/2014 and 30/9/2013 added.<sup>73</sup>

**Table 9 Main customers of PT Dharma Satya Nusantara Group (IDR x billion)**

	2013	2014	% 2013	% 2014
Golden Agri-Resources	1,464	1413	38	29
Wilmar International	872	988	23	20
Others	1,506	2,497	39	51
<b>Total revenue</b>	<b>3,842</b>	<b>4,898</b>	<b>100</b>	<b>100</b>

Source: Dharma Satya Nusantara Group, Financial statement 31/12/2014, <http://bit.ly/1EXR27O>; DSNG, Financial statement 30/9/2014, 29 October 2014, <http://bit.ly/1zCAW6t>

### 4.4.2 *DSNG’s sustainability policy*

In a recent presentation for investors DSNG stated: “We have set aside 6,600 hectares of land, or an area roughly equivalent to 10% of our total planted area, for conservation purposes.”<sup>74</sup> No statements regarding HCS, peat, FPIC/ILO could be found on the company’s website or in its 2014 annual report.

DSNG has been an RSPO member since 4 December 2012. The company plans to have all of its estates certified by 2015, and associated smallholders and independently sourced FFB by 2021.<sup>75</sup>

#### 4.4.3 *DSNG and the NDPE policy challenge*

Wilmar International and Golden Agri-Resources generated at least 49% of DSNG’s revenue in 2014. DSNG also supplied to Musim Mas and Kencana Agri, companies that also have an NDPE policy. Our estimate is that at least 50% of DSNG’s revenue is generated by companies with an NDPE policy.

## 4.5 PT Tunas Baru Lampung (TBLA)

### 4.5.1 *TBLA’s main customers*

TBLA is part of the Sungai Budi Group. Palm plantation and related downstream products accounted for 85% of TBLA’s revenue in 2014, the remainder coming from sugar activities. TBLA produced approximately 330,000 tonnes of CPO in 2014.<sup>76</sup> It has a palm oil refining capacity of 960,000 tonnes annually, and also produces soaps and margarine.<sup>77</sup> Its main cooking oil trade name is Rose Brand.

TBLA’s main customer is PT Sungai Budi, which is an affiliate of TBLA (see Table 10).<sup>78</sup> Inter-United Enterprises, a trading company based in Singapore, is its second largest customer accounting for 16% of revenue.<sup>79</sup> As of 30 September 2014, trade receivables from ED & F Man<sup>80</sup> and Bunge amounted to IDR 188 and 178 billion, respectively.

**Table 10 Main customers of PT Tunas Baru Lampung (IDR x billion)**

	2013	2014	% 2013	% 2014
Related parties (mostly PT Sungai Budi)	1,169	1,890	32	30
Cargill	891	-	24	-
Inter-United Enterprises	482	1,040	13	16
ED & F Man	-	188	-	3
Bunge	-	178	-	3
Others	1,163	3,042	31	48
<b>Total revenue</b>	<b>3,705</b>	<b>6,338</b>	<b>100</b>	<b>100</b>

Source: Tunas Baru Lampung, Financial statement 31/12/2014, pages 87, 88 and 99,  
<http://bit.ly/1ab4pcp>

### 4.5.2 *TBLA’s sustainability policy*

No statements regarding HCV, HCS, peat, fires, FPIC and ILO could be found on the company's website and in its 2013 annual report.<sup>81</sup>

TBLA has been an RSPO member since 23 July 2006. It expects to achieve RSPO certification for 100% of its estates by 2021.<sup>82</sup> So far, one of its mills and supply bases has already been certified under the RSPO scheme.<sup>83</sup>

#### 4.5.3 TBLA and the NDPE policy challenge

TBLA does not conduct significant business with NDPE policy signatories. From the customers traced, only Bunge has an NDPE policy.

## 4.6 PT Eagle High Plantations (BWPT)

### 4.6.1 BWPT's main customers

PT Eagle High Plantations was established in December 2014 after the reverse takeover by Rajawali Corporation, which acquired the holdings and the stock exchange listing of BW Plantation. As of March 2015, PT Rajawali Capita owned 65.5% of shares in PT Eagle High Plantations.<sup>84</sup>

Table 11 below shows BWPT's main customers in 2014 and 2013. In 2014, Golden Agri-Resources was the main customer of the newly expanded company, accounting for at least 29% of its revenue. The second largest customer was Louis Dreyfus, considering the 18% it bought directly, and 19% through its 50/50 joint venture with Kencana Agri, PT Dermaga Kencana Indonesia (PT DKI). Louis Dreyfus has an agreement with Kencana Agri that it will buy 100% of products derived from the trading and refinery company PT DKI.<sup>85</sup>

**Table 11 Main customers of PT Eagle High Plantations (IDR x billion)**

	2013	2014	% 2013	% 2014
Golden Agri-Resources	467	653	27	29
Kencana Agri / Louis Dreyfus	330	423	19	19
Louis Dreyfus	442	411	26	18
Wilmar International	321	92	19	4
Others	171	685	10	30
<b>Total revenue</b>	<b>1,731</b>	<b>2,264</b>	<b>100</b>	<b>100</b>

Source: Eagle High Plantations, Financial statement 31/12/2014, page 107, <http://bit.ly/1xleN6z>; PT BW Plantation and Its Subsidiaries, Preliminary Offering Circular, 5 November 2014.

Customers accounting for some 30% of BWPT's revenue in 2014, remain unidentified, though trade receivables as of 31/12/2014 reveal some other buyers: Wilmar's subsidiary PT Multimas Nabati Asahan, Indofood and the Apical Group.<sup>86</sup> The Wings Group is another of BWPT's buyers, considering advance

payments amounting to IDR 211 billion by its subsidiary, PT Karya Indah Alam Sejahtera as of 31/12/2014.<sup>87</sup>

#### 4.6.2 *BWPT's sustainability policy*

No statements regarding HCS, peat and FPIC/IPO could be found either on the expanded company's website<sup>88</sup> or in its financial statement dated 31/12/2014. BW Plantation, the company prior to expansion, claimed to have carried out High Conservation Value assessments for all of its plantations.<sup>89</sup> The Green Eagle group, prior to the expansion, had stated that its policy on peat going forward was to plant only on mineral soil.<sup>90</sup> Neither statement, however, reflects the current position of the entire company.

BW Plantation has been an RSPO member since 21 March 2008. No Annual Communication of Progress reports could be found. The preliminary offering circular of November 2014 mentions that BW Plantation was seeking to secure RSPO certification for all of its oil palm plantations by 2018.<sup>91</sup> Green Eagle Holdings became a member more recently. Its membership is now in the name of PT Eagle High Plantations.<sup>92</sup> The certification body, Mutuagung Lestari, announced on 11 March 2015 that it would conduct preliminary assessments on three estates and one mill in Central Kalimantan.<sup>93</sup>

#### 4.6.3 *BWPT and the NDPE policy challenge*

At least 52% of BWPT's revenue in 2014 was generated by signatories to the NDPE policy.<sup>94</sup>

### 4.7 PT Sampoerna Agro (SGRO)

#### 4.7.1 *SGRO's main customers*

SGRO's CPO production amounted to 321,000 tonnes in 2014, while the average price for the CPO it sold amounted to IDR 8,351 per kg.<sup>95</sup> This puts the figure for SGRO's CPO revenue at IDR 2.7 billion, or 83% of its total revenue for 2014.

Table 12 below shows SGRO's main customers, based on its financial statement dated 31/12/2014.<sup>96</sup> Up to then, Sampoerna Agro's main customers were Golden Agri-Resources (25%), PT Royal Industries Indonesia (18%) and the Apical Group (12%). Revenues from Wilmar have decreased substantially compared to 2013 and now account for only 2 percent of total revenue. There was no trade with related parties during 2013 and 2014. The lists of mills supplying to Musim Mas and IOI show 2014 deliveries from 5 and 3 SGRO mills respectively.<sup>97</sup>

**Table 12 Main customers of PT Sampoerna Agro (IDR x billion)**

	2013	2014	% 2013	% 2014
Golden Agri-Resources	406	796	16	25
PT Royal Industries Indonesia	247	583	10	18
Apical Group	165	398	6	12



	2013	2014	% 2013	% 2014
PT Wahana Citra Nabati	103	250	4	8
Wilmar International	367	71	14	2
Others	1,273	1,144	50	35
<b>Total revenue</b>	<b>2,561</b>	<b>3,242</b>	<b>100</b>	<b>100</b>

Source: Sampoerna Agro, Financial statement 31/12/2014, page 84, <http://bit.ly/1xt4VgB>;  
Sampoerna Agro, Financial statement 30/9/2014, <http://bit.ly/1zCAW6t>

#### 4.7.2 *SGRO's sustainability policy*

SGRO's sustainability report for 2013, included in its 2013 annual report, states: "The Company identifies areas that have high conservation value (HCV) before undertaking land clearing."<sup>98</sup> With regard to social issues the company states: "Therefore, pursuant to its internal policies, the Company neither employs under-age minors nor carries out forced labour practices." Employees at SGRO have access to labour unions, while agreements between labour unions and management are outlined in collective labour agreements (CLA).<sup>99</sup> No statements regarding HCS, peat or FPIC could be found on the company's website or in its 2013 annual report.

SGRO has been an RSPO member since 9 January 2007. It expects to achieve RSPO certification for 100% of its estates by 2017 and for 100% of its associated smallholders and out-growers by 2020.<sup>100</sup>

#### 4.7.3 *SGRO and the NDPE policy challenge*

Our estimate is that around 50% of SGRO's revenue is generated by signatories to the NDPE policy. Golden Agri-Resources, the Apical Group and Wilmar International accounted for already 39% of SGRO's revenue in 2014.

### 4.8 PT Sawit Sumbermas Sarana (SSMS)

#### 4.8.1 *SSMS's main customers*

SSMS's CPO production amounted to 242,000 tonnes in 2014.<sup>101</sup> Its customer base has changed in 2014, compared to 2013. In 2014, Wilmar has largely stopped buying from the company, while Golden Agri-Resources (GAR) and the Apical Group have increased their purchases. As Table 13 below shows, GAR currently accounts for almost half of SSMS's revenue, while Apical Group purchases account for a further twenty-five percent.<sup>102</sup>

**Table 13 Main customers of PT Sawit Sumbermas Sarana (IDR x billion)**

	2013	2014	% 2013	% 2014
Golden Agri-Resources	518	1,026	26	47
Apical Group	39	535	2	25

	2013	2014	% 2013	% 2014
Wilmar	995	177	51	8
Related party: PT Tanjung Sawit Abadi	285	51	15	2
Others	125	393	6	18
<b>Total revenue</b>	<b>1,962</b>	<b>2,182</b>	<b>100</b>	<b>100</b>

Source: SSMS, Quarterly reports and annual report 2013, <http://bit.ly/1zCAW6t>

#### 4.8.2 *SSMS's sustainability policy*

In an investor presentation dated March 2015, SSMS lists several commitments with regard to sustainability: no burning; no planting on High Conservation Value (HCV) areas; a zero waste policy; HCV assessments; and conservation area development.<sup>103</sup> However, SSMS has no policies on peatland, High Carbon Stock (HCS) areas, the principle of Free, Prior and Informed Consent (FPIC) for communities, or core conventions of the ILO.

SSMS has been a member of the RSPO since 17 April 2007. One of its mills and supply bases is certified, and a second mill has been assessed recently. SSMS expects two more mills and supply bases to be certified by 2016. No commitment is known with regard to RSPO certification for two other recently acquired plantation companies.<sup>104</sup>

On 8 June 2015 the UK-based NGO the Environmental Investigation Agency (EIA) and its Indonesian partner JPIK Kalteng lodged a formal complaint with the RSPO against SSMS and its subsidiary PT Sawit Mandiri Lestari (PT SML). EIA argued, after a field investigation, that the required HCV Assessment and Social and Environmental Impact Assessment (SEIA) for PT SML were seriously flawed and affected communities did not have opportunity to participate in them. The total amount of forests scheduled for clearance comprises 10,100 ha, a known orangutan habitat.<sup>105</sup> In the beginning of June 2015 the NGO Greenomics Indonesia reported that SSMS had continued clearing of forested peatlands and orangutan habitat between November 2014 and May 2015.<sup>106</sup>

#### 4.8.3 *SSMS and the NDPE policy challenge*

Companies that have an NDPE policy account for 80 percent of SSMS's revenue.

Following the RSPO-complaint filed by EIA, Golden Agri-Resources published its decision to suspend "all new purchases [from SSMS] until these allegations have been thoroughly investigated."<sup>107</sup> Wilmar International had already severely scaled back purchases from SSMS in early 2014, leaving NDPE policy signatory Apical to decide whether it will enforce its policy on its supplier or that it will fill the sale gap left by SSMS' former main buyers.

## 4.9 PT Bakrie Sumatera Plantations (UNSP)

### 4.9.1 *UNSP's main customers*

UNSP's CPO production amounted to an estimated 217,000 tons in 2014.<sup>108</sup> Wilmar and Musim Mas are UNSP's main customers. Together they account for approximately half of its total revenue.

**Table 14 Main customers of PT Bakrie Sumatera Plantations (IDR x billion)**

	2013	2014	% 2013	% 2014
Wilmar	520	934	25	35
Musim Mas	288	421	14	16
Others	1,268	1,282	61	49
<b>Total revenue</b>	<b>2,076</b>	<b>2,637</b>	<b>100</b>	<b>100</b>

Source: Bakrie Sumatera Plantations, Financial statement 31/12/2014, page 98,  
<http://bit.ly/1ain9H5>

#### 4.9.2 *UNSP's sustainability policy*

UNSP sets aside High Conservation Value (HCV) areas.<sup>109</sup> No statements regarding HCS, peat or FPIC/IPO could be found on the company's website or in its 2013 annual report.

UNSP has been a member of the RSPO since 22 May 2007. It expects to achieve RSPO certification for 100% of its own, and associated smallholder and out-grower estates by 2015.<sup>110</sup>

#### 4.9.3 *UNSP and the NDPE policy challenge*

Wilmar and Musim Mas, both signatories to the NDPE policy, account for more than 51% of UNSP's revenue.

### 4.10 PT Austindo Nusantara Jaya (ANJT)

#### 4.10.1 *ANJT's main customers*

ANJT's CPO production amounted to 184,000 tonnes in 2014.<sup>111</sup> As Table 15 below shows, its main customers were the Hayel Saeed Anam Group and Musim Mas, accounting for 26% and 12% of net revenue respectively.<sup>112</sup>

**Table 15 Main customers of PT Austindo Nusantara Jaya (IDR x billion)**

	2013	2014	% 2013	% 2014
Hayel Saeed Anam (HSA) Group	231	486	14	26
Musim Mas	166	238	10	12
Louis Dreyfus Commodities	29	157	2	8
Permata Hijau Group	202	102	12	5
FELDA IFFCO/Tabung Haji	219	81	13	4

	<b>2013</b>	<b>2014</b>	<b>% 2013</b>	<b>% 2014</b>
Wilmar	135	51	8	3
Others	703	787	42	42
<b>Total revenue</b>	<b>1,685</b>	<b>1,902</b>	<b>100</b>	<b>100</b>

Source: Austindo Nusantara Jaya, Quarterly report 2014, <http://bit.ly/1HPzxt4>

In the first quarter of 2015 Golden Agri-Resources surfaced as a main customer of ANJT, covering 43 percent of revenue over the three months. The Apical group followed with 11 percent.<sup>113</sup> GAR's purchases were suspended in Q2, however.

#### 4.10.2 *ANJT's sustainability policy*

ANJT claims it conducts High Conservation Value (HCV) area assessments regularly, and implements the RSPO's New Planting Procedures (NPP).<sup>114</sup> No statements regarding HCS, peat or FPIC/ILO could be found on the company's website or in its 2013 annual report.

ANJT has been a RSPO member since 26 February 2007. It expects to achieve RSPO certification for 100% of its estates by 2019, and for 100% of its associated smallholders and outgrowers by 2018.<sup>115</sup>

#### 4.10.3 *ANJT and the NDPE policy challenge*

At least 15% of ANJT's revenue in 2014 was generated from NDPE signatories. Customers accounting for 42% of its revenue remain unidentified, while customers without an NDPE policy make up the remaining 43%. For this report it was estimated that 20 to 40% of ANJT's revenue in 2014 was generated from NDPE signatories.

ANJT's practices in West Papua have been criticized for their clearance of intact forest landscapes.<sup>116</sup> In April 2015, Wilmar suspended with immediate effect trade with ANJT, a decision followed by GAR in May.<sup>117</sup>

## 5 Assessment of business risk exposure

### 5.1 Risk assessment results

Table 16 presents CRR’s summary business risk assessment for each of the largest 10 IDX-listed palm oil growers (see below for methodology):

**Table 16**      **IDX-listed palm oil growers’ risk exposure due to NDPE purchasing policies**

IDX-listed palm oil grower	Overall risk exposure	Assessment results		
		Grower policy versus NDPE policy	RSPO progress (membership and time-bound estate certification plan)	NDPE challenge (% of customers with an NDPE policy)
PT Sinar Mas Agro Resources and Technology (SMART)	Medium	Full NDPE policy. Substandard compliance	2015	< 10%
PT Astra Agro Lestari (AALI)	High	Some commitment on HCV. None on peat, HCS, FPIC, ILO	Non member	69%
PT Salim Ivomas Pratama (SIMP)	Medium	Says no to peat. Some commitment on HCV. None on HCS, FPIC and ILO	2016	20%-30%
PT Tunas Baru Lampung (TBLA)	Medium	None on HCV, peat, HCS, FPIC, ILO	2021	< 10%
PT Dharma Satya Nusantara Group (DSNG)	High	Some commitment on HCV. None on peat, HCS, FPIC, ILO	2015	> 50%
PT Sampoerna Agro (SGRO)	High	Some commitment on HCV and ILO. None on peat, HCS, FPIC	2017	~50%
PT Bakrie Sumatera Plantations (UNSP)	High	Some commitment on HCV. None on peat, HCS, FPIC, ILO	2015	> 50%
PT Eagle High Plantations (BWPT)	High	Enlarged company has made no commitments on HCV, peat, HCS, FPIC, ILO	Just starting	> 50%
PT Sawit Sumbermas Sarana (SSMS)	High	Some commitment on HCV. None to peat, HCS, FPIC, ILO	No date, but progress	80%
PT Austindo Nusantara Jaya (ANJT)	Medium	Some commitment on HCV. None to peat, HCS, FPIC, ILO	2019	~20%-40%

CRR’s main findings:

- Nine out of ten largest IDX-listed growers’ commitments to sustainable practices are not up to par with buyer/traders’ “No Deforestation, No Peat, No Exploitation” (NDPE) purchasing policies. Seven out of the ten sell 50% or more CPO/PKO to buyers whom have adopted such policies;
- Two (SSMS and ANJT) growers have recently seen their business suspended over sustainability concerns. Two other growers (SMART and Astra) were recently forced by market parties to (re) affirm their commitment to high sustainability standards.

## 5.2 Can IDX-listed growers avert NDPE policies?

There is growing evidence that major palm oil buyers are prepared to diminish, suspend or cancel trade with suppliers that are suspected or proven to be non-compliant with sustainable purchasing policies. We expect the finance community to follow suit, whilst government regulations and certification schemes are less likely to hold growers accountable for practices that are not accepted in the market place. This industry transformation is largely driven by personal commitments by major palm oil trading companies' top management, even when such commitments were the result of civil society campaigns. As a result, growers will have to respond to this dramatic industry transformation. Growers have the option to work towards NDPE policy compliance, or to redirect their sales to alternative markets, which are quickly diminishing.

When growers opt to comply with their buyers NDPE policies, direct costs involved are manageable, although no "green premiums" should be expected – although buyers may grant growers preferential treatment. The main cost that may affect some growers would involve the opportunity cost of foregoing development of legally awarded landbanks with HCV, HCS, or peatland. Additionally, growers may have to absorb losses due to previous investments incurred (payment for permits, land compensation expenses). The opportunity cost incurred will vary greatly among growers.

Growers that would choose to avoid buyers with NDPE policies by targeting markets with lower sustainability standards will face considerable challenges. In the more remote areas of Indonesia, growers' CPO output would have to be shipped out, and the required port facilities may not be available. Even when CPO is sent to markets with low sustainability standards, the final retailer may be a subsidiary of companies that have committed to NDPE policies (e.g. Unilever in India, Nestlé in China). With efforts to make palm oil traceable to the source, growers will encounter increasing difficulty to access new overseas markets.

Most such growers would opt to access Indonesia's biofuel market, which is the current government's priority target for redirecting fossil fuel subsidies. The main player in this market is the state-owned company Pertamina, which has no real sustainability policy on palm oil procurement. Given the commitment of the current Indonesian government to put an end to deforestation and peatland conversion, we expect that sustainability criteria will inevitably be introduced in Indonesia's domestic biofuel market as well.

The main game for growers with weak sustainability commitments would be to attempt to stall and clear as much land as possible, putting them in non-compliance with traders that have NDPE policies. We believe that this approach may have dominated various IDX-listed companies' business plans until now. However, it is clear that this strategy cannot be sustained for long the commercial palm oil trade moves forward toward greater levels of transparency and sustainability.

## Methodology

### *Assessment of company policy versus NDPE policy*

The sustainability policies of IDX-listed palm oil companies were assessed by looking at their commitments with regard to climate change, biodiversity and social issues. For climate change, the existence of policies to not clear carbon-rich peatlands for oil palm cultivation was the main criterion, while the main criterion for biodiversity was the protection of High Conservation Value (HCV) areas. For both climate change and biodiversity, the protection of High Carbon Stock (HCS) areas was another important criterion.

For social issues, there were two main criteria. The first was the recognition of local communities' right to give or withhold their Free, Prior and Informed Consent (FPIC) to any new developments on their lands. The second was the recognition of the International Labour Organization (ILO) of the United Nations' fundamental rights with regard to labor. These rights are laid down in eight conventions dealing with: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.<sup>118</sup>

Many companies claim to protect High Conservation Value (HCV) areas in their annual reports; however, they rarely provide evidence of the location and amount of land that are being protected to preserve ecological, cultural and social values. For the purpose of this assessment, this often led to categorizing a company as having "some commitment on HCV."

Ultimately, company assessments were based on four main indicators, with one point given for each of the following: HCV protection, peatland protection, HCS protection, and upholding FPIC/ILO rights. A total score of zero or one point would result in the RED category; two or three points in ORANGE; and four points in GREEN.

### *Assessment of RSPO progress*

For rankings on RSPO progress, two criteria were used: a company's membership in the RSPO, and its time-bound plan to achieve 100% certification for its own estates. Non-membership and 100% certification after 2020 scored RED (0 points), RSPO membership and 100% certification between 2016 and 2019 scored ORANGE (1 point), while 100% certification by 2015 scored GREEN (two points).

### *Assessment of NDPE challenge*

The risks that some IDX-listed companies might face from their buyers with NDPE policies were evaluated on the extent to which these customers have applied and enforced the NDPE policy.

Indonesia's Ministry of Finance requires that IDX-listed companies disclose, in their quarterly and annual reports, the customers that have generated more than 10% of their revenue.<sup>119</sup> Such data provides insight into the customer base of IDX-listed companies, though there are some limitations. Some IDX-listed companies have relatively large downstream operations and/or internal deliveries. This makes it harder for companies buying more than 10% of the CPO from these companies to get on the list of companies whose purchases account for more than 10% of total revenue. Another limitation is that

many IDX-listed companies only report on sales of more than 10% of their revenue to subsidiaries of their customers. GAR and Wilmar, for instance, have many subsidiaries in Indonesia. When IDX-listed companies report on their total sales to GAR and Wilmar, the companies would appear more often in the disclosure of customers generating more than 10% of revenue. Due to these limitations, the regulation by the Ministry of Finance does not require full “disclosure of materiality.”

Table 17 shows subsidiaries of the largest customers of the IDX-listed companies. These subsidiaries were listed in the quarterly and annual reports of the IDX-listed companies, whenever the subsidiary covered more than 10% of the company’s revenue.

**Table 17 Subsidiaries of the customers of the IDX-listed companies**

<b>Group</b>	<b>Subsidiary</b>
Apical Group	PT Sari Dumai Sejati
	PT Asianagro Agungjaya
Golden Agri-Resources	PT Sinar Mas Agro Resources and Technology
	PT Binasawit Abadi Pratama
	PT Sumber Indah Perkasa
Hayel Saeed Anam (HSA) Group	PT Pacific Palmindo Industri
Musim Mas	PT Intibenua Perkasatama
	PT Musim Mas
	PT Indo Karya Internusa
Permata Hijau Group	PT Nubika Jaya
Wilmar	PT Wilmar Nabati Indonesia
	PT Sinar Alam Permai
	PT Multimas Nabati Asahan
	PT Wilmar Cahaya Indonesia
	PT Usaha Indah Persada

Sources: Quarterly and annual reports IDX-listed companies.

In some cases there were other ways to trace IDX-listed companies’ customers. These included the auction results of Astra, trade receivables, and publicly disclosed lists of mills supplying Wilmar, IOI and Musim Mas.

If more than 40% of its revenue is sourced from customers with an NDPE policy, a company is placed in the RED category (0 points), while revenues between 20% and 40% scored ORANGE (2 points), and less than 20% would score GREEN (4 points).

*No assessment on practices*



This assessment looked only at policy statements and not at practices on the ground. Practices on the ground may contrast with policy statements, and also lead to business risks. One exception has been made to the rule of not looking at practices on the ground. On 15 April 2015 several NGOs sent out a press release stating that there remain some major issues with regard to the implementation of Golden Agri-Resources' NDPE policy.<sup>120</sup> Therefore, Golden Agri-Resources only received two points for its company policy, instead of the possible 4 points companies with a NDPE policy could receive.

*Assessment of overall risk exposure*

The overall risk exposure was also categorized as RED (high risk), ORANGE (medium risk) and GREEN (low risk). Table 18 below shows how the overall risk exposure was calculated.

**Table 18 Calculation of overall risk exposure**

Assessments	Maximum score (points)	Red, Orange, Green
Grower policy versus NDPE policy	4	4 = Green; 2 or 3 = Orange; 0 or 1 = Red
RSPO progress	2	2 = Green; 1 = Orange; 0 = Red
NDPE challenge (% of customers with an NDPE policy)	4	4 = Green; 2 = Orange; 0 = Red
<b>Overall risk exposure</b>	<b>10</b>	<b>9 or 10 = Green; 4 – 8 = Orange; 0 - 3 = Red</b>

## Glossary

Abbreviation	Explanation
CO <sub>2</sub>	Carbon dioxide
CPO	Crude Palm Oil
FFB	Fresh Fruit Bunches
FPIC	Free, Prior and Informed Consent
HCS	High Carbon Stock. The current industry HCS-standard defines High Density, Medium Density, Low Density and Regenerating Forests, and excludes oil palm from these forest types. The categories Scrub and Cleared/open land are considered low carbon stock and potentially suitable for oil palm plantation development. The standard was developed by Golden Agri-Resources (GAR), The Forest Trust (TFT) and Greenpeace. <sup>121</sup>
HCV	High Conservation Value. HCV does not stop short at the protection of species and ecosystems. The RSPO has identified and defined six categories of HCV area. <sup>122</sup> HCV areas also include critical ecosystem services for water catchment and erosion control, sites fundamental for satisfying the basic necessities of local communities or indigenous peoples, and sites with a high cultural value.
IDR	Indonesian Rupiah
ILO	International Labour Organization of the United Nations
ISPO	Indonesian Sustainable Palm Oil System
NDPE	No Deforestation, No Peat, No Exploitation
PKO	Palm Kernel Oil
RSPO	Roundtable on Sustainable Palm Oil
USD	United States Dollar

## Colophon

This report was authored by Albert ten Kate, Eric Wakker, Rimousky Menkveld, Jan Willem van Gelder, Ben Cushing, and Joel Finkelstein.

Chain Reaction Research  
1320 19<sup>th</sup> Street NW  
Washington, DC, 20036  
United States  
Website: [www.chainreactionresearch.com](http://www.chainreactionresearch.com)  
Email: [cushing@climateadvisers.com](mailto:cushing@climateadvisers.com)

## Disclaimer

This report and the information herein is derived from selected public sources. Chain Reaction Research is an unincorporated project of Climate Advisers, Profundo and Aidenvironment (individually and together, the "Sponsors"). The Sponsors believe the information in this report comes from reliable sources, but they do not guarantee the accuracy or completeness of this information, which is subject to change without notice, and nothing in this document shall be construed as such a guarantee. The statements reflect the current judgment of the authors of the relevant articles or features, and do not necessarily reflect the opinion of the Sponsors. The Sponsors disclaim any liability, joint or severable, arising from use of this document and its contents. Nothing herein shall constitute or be construed as an offering of financial instruments or as investment advice or recommendations by the Sponsors of an investment or other strategy (e.g., whether or not to "buy", "sell", or "hold" an investment). Employees of the Sponsors may hold positions in the companies, projects or investments covered by this report. No aspect of this report is based on the consideration of an investor or potential investor's individual circumstances. You should determine on your own whether you agree with the content of this document and any information or data provided by the Sponsors.

## References

- 1 Unilever, Leading market transformation in palm oil, <http://bit.ly/1AHHFgU>
- 2 United Nations, International Labour Organization, Conventions and Recommendations, <http://bit.ly/1FiYJYd>, as viewed on 3 April 2015.
- 3 WWF-World Wide Fund for Nature, 2013 Palm Oil Buyers Scorecard, <http://bit.ly/1kOnEI7>, November 2013.
- 4 Apical Group, Sustainability Policy, September 2014, <http://bit.ly/1AHO0qE>  
Apical Group, Asian Agri and Apical Team Up with TFT to Enhance Supply Chain Traceability, 16 June 2015, <http://bit.ly/1CeXalh>
- 5 Bunge, Bunge Global Palm Oil Sourcing Policy, October 2014, <http://bit.ly/1rShhPS>
- 6 Cargill, Cargill Policy on Sustainable Palm Oil, July 2014, <http://bit.ly/1au3HrB>
- 7 Golden Agri-Resources Ltd, presentation, Full Year 2013 Results Performance, 28 February 2014, page 15, <http://bit.ly/1vZomgt>  
Golden Agri-Resources Ltd, The Forest Trust (TFT) and Greenpeace, presentation, High Carbon Stock Forest Conservation, 12 February 2014, <http://bit.ly/1W0vZC>  
Golden Agri-Resources, GAR sustainability dashboard, <http://bit.ly/1DsN1er>, as viewed on 3 April 2015.
- 8 IOI Loders Croklaan, Sustainable Sourcing, <http://bit.ly/1au005b>  
IOI Loders Croklaan and IOI Corporation, Mutual Responsibility Statement, 12 January 2015, <http://bit.ly/1au005b>  
IOI Loders Croklaan, List of mills, <http://bit.ly/1yKEoXy>
- 9 Kencana Agri, Kencana Agri Limited Environmental Sustainability Policy, 19 January 2015, <http://bit.ly/1FaeyOU>
- 10 Kuala Lumpur Kepong, Sustainability Policy, December 2014/January 2015, <http://bit.ly/1SqHmvj>
- 11 Musim Mas Group, Musim Mas Ups The Ante on Sustainability, 4 December 2014, <http://bit.ly/1AEiJCN>  
Musim Mas Group: Sustainability Policy, December 2014, <http://bit.ly/14Jalqk>  
Musim Mas Group, Mapping supply chain: a preliminary list of CPO suppliers, <http://bit.ly/1M1VDfST>  
Musim Mas, Joint Statement – Musim Mas and PT Pati Sari, 14 November 2014, <http://bit.ly/1fiXmBr>  
Musim Mas, Fixing PT Pati Sari’s supply chain, January 2015, <http://bit.ly/1LgWyKH>
- 12 Nestlé, Nestlé committed to traceable sustainable palm oil to ensure no-deforestation, <http://bit.ly/1krneJV>, September 2013.
- 13 Procter & Gamble, "Our commitment to no deforestation in our palm supply chain is unequivocal", <http://bit.ly/Q8lavn>, 8 April 2014.  
Procter & Gamble, Palm Oil Commitment, <http://bit.ly/1dYYvqg>
- 14 Unilever, "100% of Palm Oil bought will be traceable to known sources by end 2014", <http://bit.ly/QmBcRY>, 12 November 2013.  
Unilever, Sustainable Palm Oil Sourcing Policy, <http://bit.ly/1dp0sSv>, November 2013.
- 15 Wilmar, news release, Wilmar International Announces Policy to Protect Forests and Communities, <http://bit.ly/1OviVF>, 5 December 2013.  
Wilmar, No Deforestation, No Peat, No Exploitation Policy, <http://bit.ly/1hDCOBB>, 5 December 2013.  
Wilmar International, Dashboard, <http://bit.ly/15gcDgR>, as viewed on 3 April 2015.
- 16 United States Department of Agriculture, Foreign Agricultural Service, Oil Seeds: World Markets and Trade, April 2015, table 19, <http://1.usa.gov/1AO202i>
- 17 CIFOR, FACT FILE – Indonesia world leader in palm oil production, 8 July 2013, <http://bit.ly/1R1Fplw>
- 18 The US Dollar to Indonesian Rupiah exchange rate on 31 December 2014 was as follows: 1 USD = 12,417.0275 IDR.  
Source: Exchange Rates UK, <http://bit.ly/1Hi4NmH>

- 19 Indofood Agri Resources Ltd, Our business, <http://bit.ly/1NITZxQ>  
PT Salim Ivomas Pratama Tbk, Membership RSPO, <http://bit.ly/19Rxt6>  
PT PP London Sumatra Indonesia Tbk, Membership RSPO, <http://bit.ly/1xMVwAF>
- 20 PT Tunas Baru Lampung Tbk, Company, <http://bit.ly/1DxqzNi>  
PT Budi Starch & Sweetener Tbk, Company In Brief, <http://bit.ly/1E5SJne>
- 21 Permata Hijau Group, Home, <http://bit.ly/1CpvzCT>, as viewed on 4 April 2015.  
Permata Hijau Group, Certification, <http://bit.ly/1D3fVlv>, as viewed on 4 April 2015.
- 22 Bloomberg, Company profile Inter-United Enterprises Pte Ltd, <http://bloom.bg/1HdML6n>
- 23 BEST Group (Berkah Emas Sumber Terang), About Best Group, <http://bit.ly/1ldxpyP>, as viewed on 4 April 2015.
- 24 Louis Dreyfus Commodities, Sustainability report 2013, <http://bit.ly/1y5WvfP>  
Louis Dreyfus Commodities Asia, RSPO membership, <http://bit.ly/1yKHESK>  
Louis Dreyfus Commodities Asia, Annual Communication of Progress RSPO 2013/2014, <http://bit.ly/1yKHKtH>
- 25 Royal Industries Indonesia, About US, <http://bit.ly/1J42kLB>, as viewed on 4 April 2015.
- 26 Hayel Saeed Anam (HSA) Group, About HSA, <http://bit.ly/1BZGC5C>, as viewed on 4 April 2015.  
Hayel Saeed Anam (HSA) Group, Indonesian Companies, <http://bit.ly/1GTF5os>, as viewed on 4 April 2015.
- 27 The SGX-listed Golden Agri-Resources (GAR) produced 2.39 million tonnes of CPO in 2014. GAR cultivates 472,800 hectares of oil palm plantations in Indonesia, including plasma smallholders. Golden Agri-Resources, Annual report 2014, pages 1 and 8, <http://bit.ly/1JU7n15>  
Astra Agro Lestari produced 1.74 million tonnes of CPO in 2014. Astra Agro Lestari, Annual report 2014, March 2015, page 7, <http://bit.ly/1s6Zm1T>  
As of 31 December 2014 Wilmar International managed a planted area of 166,800 ha in Indonesia (excluding smallholders), so it is assumed that Wilmar produced less CPO in Indonesia compared to IndoAgri with its oil palm planted area of 246,000 ha (excluding smallholders). Wilmar International, Annual report 2014, page 34, <http://bit.ly/1P9p0vi>
- 28 Astra Agro Lestari, Annual report 2014, page 7, <http://bit.ly/1wQU65u>
- 29 Astra makes the results of its CPO-auctions, which take place every day from Monday to Friday (except for Indonesian national holidays), available on its website.<sup>29</sup> This provides a clear overview to link most of Astra's CPO sales volume to individual customers. The companies' shares of Astra's revenue were calculated using two assumptions: first, that they accounted for the part of Astra's CPO sales that could not be linked to a CPO-buyer, in the same proportions as their shares of CPO purchases that could be traced; and second, that the companies bought palm kernel oil from Astra in the same proportions as their shares of CPO purchases.
- 30 Astra Agro Lestari, Investor Bulletin January 2015 (unaudited), <http://bit.ly/1JF0FwF>  
Astra Agro Lestari, website Consolidated financial statements 31 December 2014 and 2013, 25 February 2015, <http://bit.ly/1JRyuOF>
- 31 Astra Agro Lestari, Biodiversity, <http://bit.ly/1JqYJG8>  
Astra Agro Lestari, Sustainability report 2014, <http://bit.ly/1G26l0m>  
Astra Agro Lestari, Sustainability report 2011, May 2012, appendix, <http://bit.ly/1yKlgja>
- 32 Jakarta Globe, RSPO Wants to Add More Members From Indonesia, 29 January 2014, <http://bit.ly/1OBpNFe>
- 33 Aidenvironment, commissioned by Rainforest Foundation Norway, Forest Heroes, SumOfUs, KKI Warsi and Yayasan Merah Putih (YMP), Sustainability assessment of Astra Agro Lestari/ Penilaian kesinambungan Astra Agro Lestari, May 2015, <http://bit.ly/PrPO2t>  
Forest Heroes, She's Not a Fan, <http://bit.ly/1LePBcY>  
Forest Heroes, Forest Heroes drone footage: Astra's forest destruction in Indonesia, <http://bit.ly/1AGpW9D>  
SumOfUs, The Sumatran Elephant is under threat from.... Pizza Hut?, <http://bit.ly/1ljVhfs>  
Rainforest Foundation Norway, Luxury hotel chain is destroying the rainforest, 21 May 2015, <http://bit.ly/1GshXmp>

- The Independent, Jardine Matheson subsidiary accused of threatening at-risk species by cutting down swathes of rainforest for palm oil plantations, 17 May 2015, <http://ind.pn/1FriQaU>  
The Independent, Victory for campaigners as palm oil company vows to stop felling rainforest, 13 June 2015, <http://ind.pn/1eguiu5>
- 34 Astra Agro Lestari, Astra Agro Lestari takes a major step towards IPOP, 11 June 2015, <http://bit.ly/1ffUJjW>
- 35 Indofood Agri Resources Ltd., Presentation of FY2014 Results, 27 February 2015, <http://bit.ly/1yeaG2w>
- 36 The SGX-listed Golden Agri-Resources (GAR) produced 2.39 million tonnes of CPO in 2014. GAR cultivates 472,800 hectares of oil palm plantations in Indonesia, including plasma smallholders. Golden Agri-Resources, Annual report 2014, pages 1 and 8, <http://bit.ly/1JU7n15>  
Astra Agro Lestari produced 1.74 million tonnes of CPO in 2014. Astra Agro Lestari, Annual report 2014, March 2015, page 7, <http://bit.ly/1s6Zm1T>  
As of 31 December 2014 Wilmar International managed a planted area of 166,800 ha in Indonesia (excluding smallholders), so it is assumed that Wilmar produced less CPO in Indonesia compared to IndoAgri with its oil palm planted area of 246,000 ha (excluding smallholders). Wilmar International, Annual report 2014, page 34, <http://bit.ly/1P9p0vi>
- 37 Hong Kong Stock Exchange, First Pacific Co. Ltd., Complete list of substantial shareholders, <http://bit.ly/1a2fc8C>, as viewed on 28 April 2015.  
Indofood Agri Resources, Annual report 2014, 10 April 2015, page 5, <http://bit.ly/1aBzZjU>. PT Indofood CBP Sukses Makmur Tbk, Annual report 2014, page 14, <http://bit.ly/1Jv5nzA>  
First Pacific Company Limited, Corporate Profile, <http://bit.ly/1QsC3vv>  
First Pacific Company Limited, Business Structure, <http://bit.ly/1HCcghR>
- 38 Indofood Agri Resources Ltd., Annual report 2014, page 145, 10 April 2015, <http://bit.ly/1HC6pYb>  
In its annual report 2014 PT Indofood Sukses Makmur Tbk (Indofood) states that the agribusiness revenue amounted to IDR 14.7 billion, including inter-segment sales (to Indofood CBP Sukses Makmur Tbk) of IDR 2.0 trillion. PT Salim Ivomas Pratama Tbk reports a total revenue of IDR 15.0 billion, of which PT Indofood CBP Sukses Makmur took into account IDR 1.8 billion and other related parties IDR 2.5 billion. PT Salim Ivomas Pratama Tbk., Annual report 2014, April 2015, <http://bit.ly/1I7oEWd>
- 39 The SGX-listed Golden Agri-Resources (GAR) produced 2.39 million tonnes of CPO in 2014. GAR cultivates 472,800 hectares of oil palm plantations in Indonesia, including plasma smallholders. Golden Agri-Resources, Annual report 2014, pages 1 and 8, <http://bit.ly/1JU7n15>  
Astra Agro Lestari produced 1.74 million tonnes of CPO in 2014. Astra Agro Lestari, Annual report 2014, March 2015, page 7, <http://bit.ly/1s6Zm1T>  
As of 31 December 2014 Wilmar International managed a planted area of 166,800 ha in Indonesia (excluding smallholders), so it is assumed that Wilmar produced less CPO in Indonesia compared to IndoAgri with its oil palm planted area of 246,000 ha (excluding smallholders). Wilmar International, Annual report 2014, page 34, <http://bit.ly/1P9p0vi>
- 40 Salim Ivomas Pratama, Financial statement 31/12/2014, <http://bit.ly/1xT5PDM>
- 41 PT Indoritel Makmur Internasional Tbk, Company Update June 2013, page 62, <http://bit.ly/1JHA5IW>  
PT Indoritel Makmur Internasional Tbk., Annual report 2014, 30 April 2015, <http://bit.ly/1EVlsxj>
- 42 First Pacific Company Limited, Continuing connected transactions, 9 December 2013, <http://bit.ly/1Je9uwu>
- 43 First Pacific Company Limited, Continuing connected transactions, 9 May 2014, <http://bit.ly/1GN0iBP>  
Indogrosir, Sekilas Tentang Indogrosir, <http://bit.ly/1QTbqQx>.
- 44 Calculation: 362,000 tonnes of CPO x average price of IDR 8,228 per kg makes IDR 2.8 trillion. Indofood Agri Resources Ltd., Presentation of FY2014 Results, 27 February 2015, <http://bit.ly/1yeaG2w>  
Indofood Agri Resources Ltd., Annual report 2014, 10 April 2015, <http://bit.ly/1HC6pYb>
- 45 PT PP London Sumatra Indonesia Tbk, Financial Statements 31/12/2014, page 85, <http://bit.ly/1zgHTKV>

- 46 Wilmar International, Dashboard, <http://bit.ly/15gcDgR>, as viewed on 3 April 2015.  
IOI Loders Croklaan, List of mills, <http://bit.ly/1yKEoXy>
- 47 PT Salim Ivomas Pratama Tbk, Financial Statements 31/12/2014, page 98, <http://bit.ly/1I7oEWd>
- 48 PT Indofood CBP Sukses Makmur Tbk, Consolidated Financial Statements as of 31/12/2014, page 58, <http://bit.ly/1Jv5nzA>
- 49 PT Unilever Indonesia Tbk, Annual report 2014, pages 39, 163, 227 and 235, <http://bit.ly/1blrA4b>
- 50 First Pacific, Further update in relation to proposal by First Pacific and Wilmar to acquire the entire issued share capital of Goodman Fielder, 17 March 2015, <http://bit.ly/1CYAKNI>  
Goodman Fielder, Who we are, <http://bit.ly/1GOPqBN>
- 51 First Pacific Company Limited, press release, Indofood Nestlé joint venture, 24 February 2005, <http://bit.ly/1FqD26N>  
PT Nestlé Indofood Citarasa Indonesia, Products, <http://bit.ly/1Ctu7jf>
- 52 Indofood CBP Sukses Makmur Tbk, Annual report 2014, pages 31, 60 and 157, <http://bit.ly/1Jv5nzA>  
Indofood, Snack foods, <http://bit.ly/1drEXkT>  
PT Indofood Sukses Makmur Tbk, Annual report 2014, page 17, <http://bit.ly/1PB3uC1>
- 53 Indofood Agri Resources Ltd., Sustainability report 2013, page 37, <http://bit.ly/1c7Lelz>
- 54 Indofood Agri Resources Ltd., Annual report 2014, 10 April 2015, pages 40-41, <http://bit.ly/1HC6pYb>
- 55 Indofood Agri Resources Ltd., Presentation of FY2014 Results, 27 February 2015, <http://bit.ly/1yeaG2w>
- 56 RSPO, Principles & Criteria assessment progress, <http://bit.ly/1leEdwr>, as viewed on 5 May 2015.
- 57 Golden Agri-Resources Ltd, Company Presentation, November 2014, page 8, <http://bit.ly/1ylzPBBy>
- 58 PT SMART, Operational information, <http://bit.ly/1FIdEiR>
- 59 Astra Agro Lestari, Investor Bulletin January 2015, <http://bit.ly/1JF0FwF>
- 60 SMART, Annual Report 2013, page 1, <http://bit.ly/1F9gKpO>
- 61 SMART, Announcements Indonesian stock exchange, quarterly reports 2014, <http://bit.ly/1zCAW6t>
- 62 PT Sumi Asih, Introduction, <http://bit.ly/1CV1HSu>
- 63 Golden Agri-Resources Ltd, presentation, Full Year 2013 Results Performance, 28 February 2014, page 15, <http://bit.ly/1vZomgt>  
Golden Agri-Resources Ltd, The Forest Trust (TFT) and Greenpeace, presentation “High Carbon Stock Forest Conservation, 12 February 2014, <http://bit.ly/1IW0vZC>  
Golden Agri-Resources, GAR sustainability dashboard, <http://bit.ly/1DsN1er>, as viewed on 3 April 2015.
- 64 SMART, Annual Report 2013, page 61, <http://bit.ly/1F9gKpO>
- 65 SMART, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1a5H4Zv>
- 66 SMART, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1a5H4Zv>
- 67 GAR, Annual Communication of Progress 2013-2014, <http://bit.ly/1Oa11CG>
- 68 SMART, Annual Report 2013, page 58, <http://bit.ly/1F9gKpO>  
PT SMART, RSPO, <http://bit.ly/1IBFk66>
- 69 TFT suspend PT SMART partnership, 19 May 2015, <http://bit.ly/1Gi6g82>
- 70 Response to The Forest Trust statement on 19 May 2015, 20 May 2015, <http://bit.ly/1JWnejx>
- 71 DSNG, 2014 Full Year Results Presentation, 2 February 2015, <http://bit.ly/1GwCSjE>
- 72 DSNG, 2014 Full Year Results Presentation, 2 February 2015, <http://bit.ly/1GwCSjE>

- 73 In its financial statement dated 31/12/2014, DSNG reports two external companies: PT Wilmar Nabati Indonesia (Wilmar) and PT Sinar Mas Agro Resources and Technology (Golden Agri-Resources) generating more than 10% of its revenue. However, PT Binasawit Abadi Pratama (Golden Agri-Resources) is not mentioned despite DSNG's financial statement for 30/9/2014 stating the company had already generated more than 10% (IDR 676 billion) of DSNG's entire 2014 revenue.<sup>73</sup> Similarly, PT Binasawit Abadi Pratama had generated IDR 315 billion in revenue as of 30/9/2013, but does not appear in the financial statement for 31/12/2013.
- 74 DSNG, 2014 Full Year Results Presentation, 2 February 2015, <http://bit.ly/1GwCSjE>
- 75 DSNG, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1P2BN5u>
- 76 Saham WS, TBLA CPO production to be 10% higher than target, 18 December 2014, <http://bit.ly/1cdWlJr>
- 77 TBLA, Investor Presentation, November 2014, <http://bit.ly/1HRN9Eg>  
Tunas Baru Lampung, Financial statement 31/12/2014, pages 87, 88 and 99, <http://bit.ly/1ab4pcp>
- 78 No information regarding TBLA trade receivables from Cargill could be found for 2014. Sales to Cargill represented less than 10% of TBLA's revenue in 2014, considerably lower than the 24% in 2013.
- 79 TBLA, Announcements Indonesian stock exchange, quarterly reports 2014, <http://bit.ly/1zCAW6t>  
Some information on TBLA's main external customers was traced by reviewing the lists of trade receivables in its 2014 quarterly reports.
- 80 ED & F Man, About us, <http://bit.ly/1C5JO0A>
- 81 TBLA, Annual report 2013, <http://bit.ly/1EmUi1V>
- 82 TBLA, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1Pn0tsP>
- 83 RSPO, P&C assessment progress, <http://bit.ly/1PoqWDa>
- 84 Eagle High Plantation, Laporan Bulanan Registrasi Pemegang Efek [BWPT], 12 March 2015, <http://bit.ly/1IAA2lz>
- 85 Kencana Agri, Annual report 2013, <http://bit.ly/1E6Ntko>
- 86 Eagle High Plantations, Financial statement 31/12/2014, page 59, <http://bit.ly/1xleN6z>  
For Wilmar International, figures were only available up until 30/6/2014, but total sales to its subsidiary, PT Wilmar Nabati Indonesia, were apparently below 10% of BWPT's revenue for 2014. BWPT's CPO production amounted to 329,000 tonnes in 2014.
- 87 Eagle High Plantations, Financial statement 31/12/2014, page 93, <http://bit.ly/1xleN6z>
- 88 Eagle High Plantations, <http://bit.ly/1Dt3VtT>
- 89 PT BW Plantation and Its Subsidiaries, Preliminary Offering Circular, 5 November 2014.
- 90 PT BW Plantation and Its Subsidiaries, Preliminary Offering Circular, 5 November 2014.
- 91 PT BW Plantation and Its Subsidiaries, Preliminary Offering Circular, 5 November 2014.
- 92 Eagle High Plantations, RSPO membership, <http://bit.ly/1IMOrkl>
- 93 PT Mutuagung Lestari, Notification RSPO Initial Certification Assessment, 11 March 2015, <http://bit.ly/1lvAZEG>
- 94 Deliveries to Kencana Agri / Louis Dreyfus (19% of revenue) were calculated as full NDPE policy as Kencana Agri's policy requires its joint venture with Louis Dreyfus to comply with its NDPE policy.
- 95 Sampoerna Agro, Newsletter March 2015, 30 March 2015, <http://bit.ly/1JvR8HW>
- 96 Though not appearing in this financial statement, PT Wahana Citra Nabati has also been added to the table because it generated revenue up until 30/9/2013 and 30/9/2014.
- 97 IOI Loders Croklaan, List of mills, <http://bit.ly/1yKEoXy>  
Musim Mas Group, Mapping supply chain: a preliminary list of CPO suppliers, <http://bit.ly/1M1VdfST>



- 98 SGRO, Annual report 2013, page 139, <http://bit.ly/1BW9ls2>
- 99 SGRO, Annual report 2013, pages 143 and 144, <http://bit.ly/1BW9ls2>
- 100 SGRO, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1D1tST3>
- 101 Including its recently acquired plantations PT TSA and PT SMU. Source: Sawit Sumbermas Sarana, Investor Presentation, 12 March 2015, <http://bit.ly/1HN5GIB>
- 102 SSMS, Quarterly reports and annual report 2013, <http://bit.ly/1zCAW6t>
- 103 Sawit Sumbermas Sarana, Investor Presentation, 12 March 2015, <http://bit.ly/1HN5GIB>
- 104 SSMS, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1NWahmV>  
 MUTU Certification International, Notification of Initial Assessment Selangkun POM of PT Sawit Sumbermas Sarana, October 2014, <http://bit.ly/1KqvDZX>  
 MUTU Certification International, Certification Sulung Palm Oil Mil and its supply base (PT Sawit Sumbermas Sarana), 19 March 2013, <http://bit.ly/1NdnIAB>  
 Sawit Sumbermas Sarana, Investor Presentation, 12 March 2015, <http://bit.ly/1HN5GIB>
- 105 Environmental Investigation Agency, Ex timber crook's palm oil firm threatens orangutan habitat, 8 June 2015, <http://bit.ly/1dJpDjm>  
 Vimeo, EIA releases footage of indigenous forest threatened by palm oil firm, 10 June 2015, <http://bit.ly/1IjM8Ug>  
 RSPO, "PT Sawit Mandiri Lestari, New Planting Procedures Public Notification", 12 March 2015, <http://bit.ly/1Ehmbm8>  
 UNEP World Conservation Monitoring Centre, "World Atlas of Great Apes and their Conservation", <http://bit.ly/1lbGEQ2>, 2005.  
 IUCN/SSC Conservation Breeding Specialist Group, Orangutan Population and Habitat Viability Assessment: Final Report", August 2004, page 192, <http://bit.ly/1iFJcnJ>
- 106 Greenomics Indonesia, IPOP signatories are the biggest buyers of palm oil, June 2015, <http://bit.ly/1GMeaw>
- 107 Mongabay, Oil palm company accused of violating RSPO, IPOP standards in Indonesia, 11 June 2015, <http://bit.ly/1Gd5CIX>
- 108 Estimate based on extrapolation CPO production until 30/9/2014.  
 UNSP, Materi Public Expose Des-2014, 5 December 2015, <http://bit.ly/1zCAW6t>
- 109 UNSP, Annual Report 2013, pages 148 and 149, <http://bit.ly/1wZzMiV>
- 110 UNSP, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1NdXX6x>
- 111 ANJT, Investor Newsletter 01-2015, 26 February 2015, <http://bit.ly/1HcCnKP>
- 112 ANJT's sales to Wilmar and Louis Dreyfus may have been larger than those shown below, but still below 10% of ANJT's 2014 net revenue, as no details were provided for these companies for the fourth quarter of 2014.
- 113 ANJT, 1Q report 2015, <http://bit.ly/1zCAW6t>
- 114 RSPO, New Planting Procedures Public Notifications, <http://bit.ly/1cjfsBG>
- 115 ANJT, RSPO membership and Annual Communication of Progress 2013-2014, <http://bit.ly/1FEKGNv>
- 116 Greenomics Indonesia, report Busy Years Ahead until 2017, 21 July 2014, <http://bit.ly/1OkjzLw>
- 117 Mongabay, GAR/Wilmar punish palm oil supplier for clearing rainforest in New Guinea, 28 May 2015, <http://bit.ly/1K27z0L>  
 Greenomics Indonesia, Golden Agri-Resources, the biggest buyer of CPO produced by a company that is relentlessly clearing HCS forests in Papua, 20 May 2015, <http://bit.ly/1K27z0L>
- 118 United Nations, International Labour Organization, Conventions and Recommendations, <http://bit.ly/1FiYJYd>, as viewed on 3 April 2015.

- 119 Ministry of Finance Republic of Indonesia, Capital Market and Financial Institutions Supervisory Board (Bapepam), Presentation and disclosure of financial statements of the issuer or public company, 25 June 2012, <http://bit.ly/1lyCLF1>
- 120 Forest Peoples Programme, Rainforest Action Network, TuK Indonesia, Bruno Manser Fund, Friends of the Earth US, Friends of Siberian Forests, Fern, Facing Finance, Urgewald, Banktrack, Briefing to banks and potential investors on the ongoing risks and outstanding social conflicts in the palm oil agribusiness sector: Golden Agri-Resources (GAR) Bond Offering, 15 April 2015, <http://bit.ly/1E64o5o>  
Golden Agri-Resources, Response to press release by NGOs issued on 15 April 2015, 16 April 2015, <http://bit.ly/1K1MxgL>
- 121 Wilmar, No Deforestation, No Peat, No Exploitation policy, <http://bit.ly/1hDCOBB>, 5 December 2013.  
Golden Agri-Resources, presentation High Carbon Stock Forest Conservation, <http://bit.ly/1W0vZC>, 12 February 2014.  
Greenpeace, The HCS Approach: No Deforestation in practice, <http://bit.ly/1FMFFDd>, 10 March 2014.
- 122 RSPO, Principles and Criteria for the Production of Sustainable Palm Oil, 25 April 2013, available at <http://bit.ly/1tosTWh>