

**Wilmar's palm oil products
continue to be associated with**

deforestation



Clearance of HCV and HCS forests continued after Wilmar declared supplier's operation "closed for monitoring"

BACKGROUND

On 22 September 2014, Greenomics Indonesia published a report revealing that PT CSC, a subsidiary of Malaysian-based Genting Plantations that operates in West Kalimantan, was engaged in the clearance of HCV and HCS forests. Given that Genting Plantations is a major supplier of Wilmar in Indonesia, the sourcing of CPO from Genting Plantations is, of course, in contravention of Wilmar's zero deforestation policy, under which Wilmar has declared its commitment to cleaning up its supply chain from deforestation.

As can be seen from the "Grievance Update" on Wilmar's online dashboard, the findings of the said Greenomics report led to a meeting between Wilmar and Genting Plantations on **2 October 2014**. During the meeting, Genting committed itself to halting the clearance of HCS forest until the completion of HCS studies.

A further meeting was conducted on **2 March 2015**, when it was stated that two Genting Plantations palm oil concessions, PT CSC and PT PSM, had completed their HCS studies. It was also stated that Genting Plantations had committed itself to not developing palm oil plantations in HCS areas.

These HCS areas were based on the HCS assessments conducted by the assessor (*AidEnvironment*) employed by Genting to conduct the HCS studies. Subsequently, Wilmar stated in its Grievance Update that the operations of the two Genting subsidiaries had been "closed for monitoring".

It is important to ascertain the precise meaning of "closed for monitoring," given that the palm oil plantation development work being conducted by one Genting Plantations subsidiary (PT CSC) clearly constitutes evidence that the company is clearing HCV and HCS forest areas.

These land-clearing operations have occurred despite the imposition of "closed for monitoring" status by Wilmar on the Genting Plantations subsidiary. Based on the third quarter 2015 report on Wilmar's Indonesian operations, as of 30 September 2015, Genting Plantations was the second largest supplier of Wilmar.

The sourcing of palm oil products from Genting Plantations up to 30 September 2015 clearly constitutes a violation of IPOP, to which Wilmar is a signatory. This violation is a serious one, given that Wilmar continues to source palm oil products from Genting Plantations, which is involved in the clearance of HCS and HCV forests.

This Greenomics report presents evidence of the land-clearing operations conducted by the Genting Plantations subsidiary and simultaneously questions Wilmar as regards the precise meaning of its "closed for monitoring" status, as stated in its Grievance Update.

We also present a number of conclusions and recommendations in order to help strengthen the Wilmar monitoring system as part of its efforts to clean up its supply chain from deforestation.

The Google Earth image taken on 8 September 2015 shows that part of this forest cover had been cleared.



110°43'2.80"E 1°14'48.02"S

METHODOLOGY

The report uses USGS Landsat 8 images to identify landcover changes on PT CSC's concession located in West Kalimantan Province. In addition, Google Earth images are used to show the changes in landcover that have occurred on the concession of this Genting Plantations subsidiary. The identification of PT CSC's HCV areas is based on the "New Planting Procedure" document submitted by the company to RSPO.

WILMAR'S "CLOSED FOR MONITORING" STATUS CLEARLY NOT EFFECTIVE

Wilmar's palm oil products continue to be associated with the destruction of HCV and HCS forests.

Based on Wilmar's Zero Deforestation Policy and IPOP, the company should now discontinue its dealings with Genting Plantations, which has been shown to still be clearing HCV and HCS forests – even after Wilmar declared PT CSC's operation as being "closed for monitoring."

This report highlights the importance of independent monitoring. In reality, Wilmar should be grateful to Greenomics as the report shows that the imposition of "closed for monitoring" status by Wilmar on PT CSC, a Genting Plantations subsidiary, is in reality ineffective in ensuring that Wilmar's supply chain is free from deforestation.

This is because, as it turns out, Wilmar is incapable of detecting violations in the form of continuing deforestation subsequent to the imposition of "closed for monitoring" status.

Clearance of HCV forest (*delineated in black*) and HCS forest after 18 November 2014.



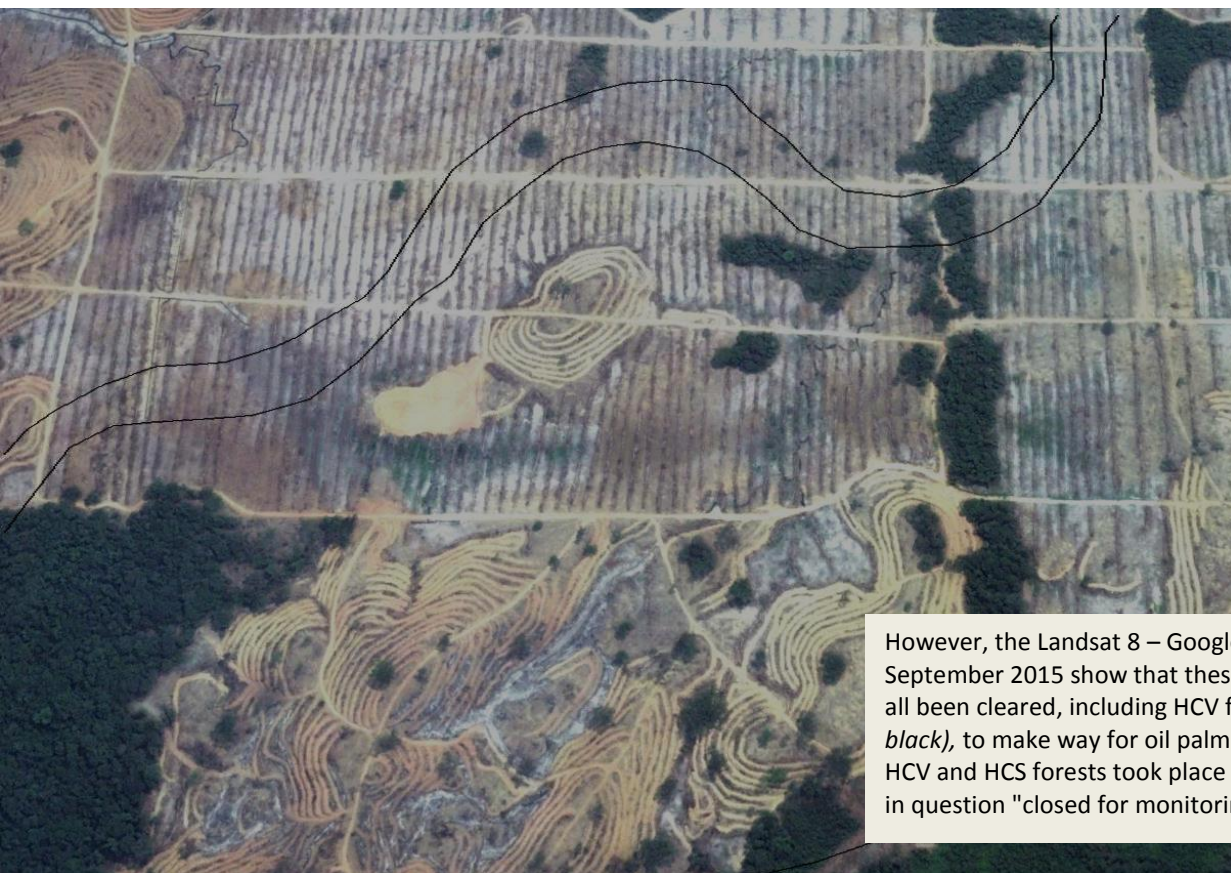
110°47'7.66"E 1°10'57.40"S

We now present evidence showing how HCV and HCS forests were being cleared by one of the Wilmar's largest suppliers:



Based on the Google Earth image dated 31 July 2014, it is clear that forest cover is still evenly well spread in this block. This forest cover clearly comes within the HCS forest category. As of the last week of March 2015, this forest area had yet to be opened up.

110°44'12.61"E 1°11'44.32"S



However, the Landsat 8 – Google Earth image taken on 8 September 2015 show that these HCS forest areas had almost all been cleared, including HCV forest areas (*delineated in black*), to make way for oil palm plantations. This clearance of HCV and HCS forests took place after Wilmar declared the areas in question "closed for monitoring" in its Grievance Update.

The Google Earth image taken on 31 July 2014 shows that the distribution of forest cover is still good, including, of course, HCS forests. As of the end of March 2015, no forest clearance had occurred, as shown by the Landsat 8 image dated 26 March 2015.



110°41'52.13"E 1°14'48.21"S

However, the Google Earth image taken on 5 September 2015 clearly shows that these HCS forest areas had been leveled for oil palm development. HCV forest areas – as delineated in black – had also been cleared. It needs to be reiterated that such clearance took place after Wilmar had imposed "closed for monitoring" status on the Genting Plantations subsidiary in its Grievance Update.



The Google Earth image taken on 31 July 2014 clearly shows good forest cover that should be categorized as HCS forest. Based on the Landsat 8 images, clearing of this forest block by PT CSC did not commence until 26 March 2015.

However, a study of the Google Earth image taken on 8 September 2015 reveals that this block of HCS forest had been completely cleared. This clearance took place after the area in question had been declared "closed for monitoring" by Wilmar.

110°43'26.13"E 1°17'6.53"S





Genting Plantations needs to study the permit of Forest Area Relinquishment issued by the Minister of Forestry to PT CSC at the end of June 2011. In the permit, it is clearly stated that PT CSC is prohibited from felling trees for 100 meters on each side of watercourses.

The reality that is shown by this Google Earth image dated 8 September 2015 is that PT CSC has cleared both sides of watercourses. PT CSC has not only violated RSPO and IPOP, but also Indonesian forestry law.

The evidence presented above makes it increasingly relevant to question the definition of "closed for monitoring" as regards the operation of PT CSC, given that the company's destruction of HCV and HCS forests has continued apace subsequent to the imposition of "closed for monitoring" status.

It should be noted again that one of the commitments given as part of the IPOP is for IPOP signatories to commit themselves to allowing independent monitoring.

This means that if an IPOP signatory objects to independent monitoring by a third party in respect of IPOP compliance, this will clearly indicate a lack of commitment to IPOP.

AidEnvironment, a consulting firm that advises Genting Plantations in identifying "go and no-go areas" for land-clearing operations, needs to explain the continuing clearance of HCV and HCS forest areas by the Genting Plantations subsidiary. It also needs to explain the extent to which the violations committed by the Genting Plantations subsidiary were in furtherance of the advice provided by AidEnvironment.

RSPO should issue a stern warning to the Genting Plantations as regards the clearing of HCV areas. Such clearance clearly contravenes RSPO's New Planting Procedure. Furthermore, the Genting Plantations subsidiary has also been clearing forest on both sides of watercourses, which is clearly at odds with Indonesian forestry law.

CONCLUSIONS

- The imposition of "closed for monitoring" status on PT CSC lacks a clear and measurable basis. As a result, even after the imposition of such status, PT CSC continued to clear HCV and HCS forests.
- The evidence presented in this report confirms that Wilmar failed to conduct tight monitoring in connection with its efforts to clean up its supply chain from deforestation.
- As a result of Wilmar's failure to detect violations of its zero deforestation policy and IPOP through an effective monitoring system in respect of its suppliers, the company has no option but to accept that its palm oil products continue to be associated with deforestation.

RECOMMENDATIONS

- Wilmar needs to strengthen its supply chain monitoring system and make public the criteria used in enforcing "closed for monitoring" status on its suppliers.
- Wilmar should promptly respond to the findings presented in this report in line with its zero deforestation policy and IPOP obligations.
- Wilmar needs to ensure that its monitoring system is capable of quickly detecting violations committed by its suppliers, so that its efforts to clean up its supply chain from deforestation do not always come too late.

This reality makes it even more imperative to question the definition of "closed for monitoring," as stated by Wilmar in its Grievance Update.



110°44'17.91"E 1°17'37.71"S

IPOP-OBSERVER – an initiative by Greenomics Indonesia to identify the extent to which IPOP is being implemented in Indonesia – uses the results of spatial monitoring, field observations and legal analysis to question the extent of the role played by IPOP signatories in providing solutions to their suppliers in their efforts to fulfill one of the objectives of IPOP, namely, to find solutions for sustainable palm oil that is deforestation free. The main purpose of IPOP-OBSERVER is to share lessons learned from the implementation of IPOP.

For further discussion please contact:

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