



# The Chain: Felda Global Ventures Allegedly Defying Government of Indonesia Peatland Laws, Company Disagrees

Palm Oil • Southeast Asia

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As of April 28, it appears that Felda Global Ventures' (FGV) management has yet to acknowledge the company's possible risk exposure to Government of Indonesia's administrative sanctions and buyers' suspensions over continued

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September 2020

August 2020

July 2020

June 2020

May 2020

April 2020

March 2020

report felda global ventures (fgv), not its credentials activity, immediate cash flow impacts.

### FGV's Deforestation Risks Continue to Present

In 2015, in Landak District, FGV's subsidiary PT Citra Niaga Perkasa, cleared a 240 hectares (ha) [High Conservation Value forest](#) on deep peatland greater than three meters. FGV previously [bought](#) PT Citra Niaga Perkasa in 2012 for USD 10.6 million.

More recently, on April 12, 2017, Chain Reaction Research-partner Aidenvironment commissioned a drone fly-over [video](#) of FGV's neighbouring subsidiary PT Temila Agro Abadi's concession. FGV previously [bought](#) PT Temila Agro Abadi in 2013 for estimated USD 4.2 million. Then on April 18, 2017 Chain Reaction Research [published](#) a research note showing deforestation from the drone video allegedly demonstrating deforestation activities by FGV's subsidiary PT Temila Agro Abadi.

The image below in Figures 1 and 2 show that in 2017, FGV subsidiary PT Temila Agro Abadi has cleared a total of 390 ha of peatland. This included High Conservation Value forests.

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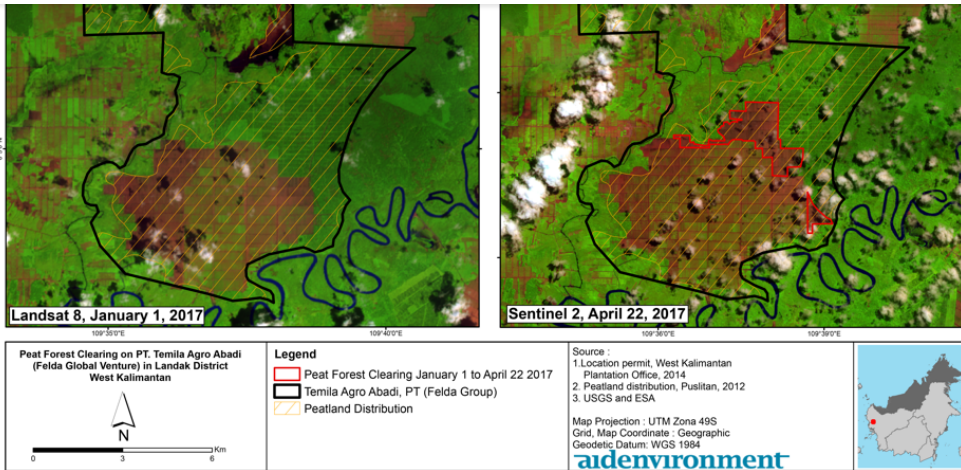


Figure 1: FGV subsidiary PT Temila Agro Abadi allegedly clearing peatland January 1, 2017 to April 22, 2017. Source: Aidenvironment.

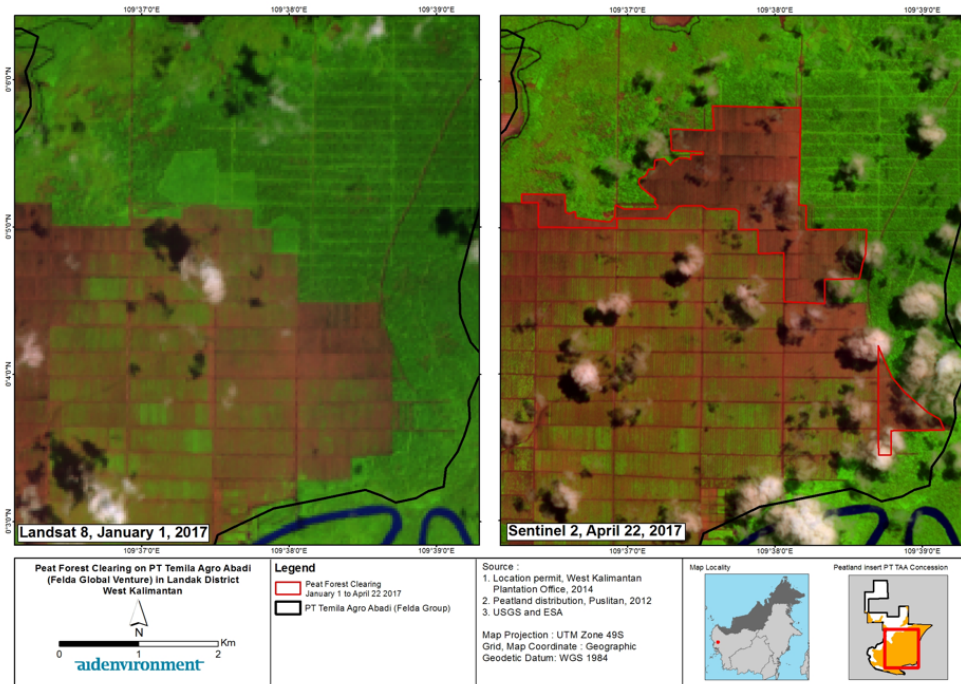


Figure 2: FGV subsidiary PT Temila Agro Abadi allegedly clearing possible peatland January 1, 2017 to April 22, 2017 (zoom). Source: Aidenvironment.

PT Temila Agro Abadi still has 1,550 ha of peatland forest remaining its concession. As shown below in Figure 3, PT Temila Agro Abadi continues to clear its remaining peatland. But FGV stated that RSPO and the Indonesian

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“[The] Board of FGV wishes to clarify that FGV has procured all necessary approvals from the relevant authorities in Indonesia in respect of the development of PT TAA’s land which commenced in late 2014. Further, FGV has complied with Roundtable on Sustainable Palm Oil (RSPO) New Planting Procedure (NPP) 2010. FGV is in the process of appointing [a] third party assessor to conduct a verification exercise on the said articles.”



*Figure 3: Peat forest slated for conversion by FGV subsidiary PT Temila Agro Abadi. Source: Aidenvironment*

Nonetheless, the assertion that FGV was granted legal authority to deforest appears to contradict Indonesian Government Regulation No. 57/2016. This possible legal violation is supported by the recent satellite images from April 22, 2017 demonstrating recent deforestation of its subsidiary’s concession, as shown above in Figures 1 and 2.

### **Does FGV’s Deforestation Violate its Own Board of Director’s Policy?**

On August 25, 2016, FGV’s Board of Directors and new CEO and Group President Zakaria Bin Arshad issued its [new sustainability policy](#). It states that the company has committed to provide accurate, factual, and balanced

deforestation practices described above in figures 1, 2, and 3. FGV's

sustainability policy states:

6.7: The Group shall not perform any development in areas rich in biodiversity or that are under protection e.g. primary forests, wildlife reserves and wetlands. The Group has appropriate action plans in place which are in line with international guidelines and established practices to guide the operations near these areas and to continually improve the Group's practices. The Group pledges to no conversion of HCV areas, peat soil, and/or areas with High Carbon Stock ("HCS") and implementation of Best Management Practices for existing peat land estates. The Group shall perform a HCV assessment through which it will develop management and monitoring plans. In addition, the Group will ensure that the operations do not pose a threat to wildlife and establish programmes to enhance and enrich habitats of endangered species.

### Does FGV's Deforestation Violate Indonesia's Peatland Laws?

President Jokowi affirmed by law his policy of no-peat development when signing Government Regulation No. 57 on December 2, 2016. The regulation, known as '*PP Gambut*,' amends an earlier regulation (No. 71/2014) concerning the protection and management of peatlands ecosystems. The new regulation declares a ban on all new peat development in Indonesia until appropriate action plans are in place. Failure to comply will result in administrative sanctions as per article 40 paragraph (3) of the earlier regulation. These sanctions include:

- Stop-work orders
- Permit suspension
- Permit cancellations
- Requirements to restore the land

During a meeting between Chain Reaction Research-partner Aidenvironment and FGV and its advisors in Jakarta on April 22, Aidenvironment suggested that

FGV's legal advisor stated that President Jokowi's peat moratorium would not apply to FGV because the government had previously issued permits to clear the peat. A similar argument was cited in an article published by [The Edge](#).

Defiance of Indonesian law may trigger the Ministry of Environment and Forestry to commence investigations, as in other previous instances. FGV's buyers may also intervene by suspending purchases. Various buyers have previously committed to end trading with companies that violate their procurement policies.

### Does FGV's Deforestation Violate Roundtable on Sustainable Palm Oil Policies?

Before [FGV's USD 3.1 billion](#) June 2012 IPO, FGV set a goal to become the world's largest palm oil company with a targeted land bank of over one million ha. Its [IPO prospectus](#) asked FGV to provide a certification plan in accordance with [RSPO criteria](#). Despite several acquisitions, FGV did not reach either goal.

RSPO standards require members to avoid extensive planting on peat and to uphold strict no-development policies on High Conservation Value areas.

On May 2, 2016, FGV [withdrew](#) its Roundtable of Sustainable Palm Oil (RSPO) principles and criteria certificates from 58 complexes spread across Malaysia. It announced the Group might [spend](#) USD 8 to USD 10 million over a three-year period to recertify its mills to RSPO.

FGV is a member of RSPO.

Aidenvironment's Eric Wakker was informed by FGV insiders that FGV's allegedly management did issue an internal stop-work order during the week of April 24 while stating publicly that it stood by its rights to clear more peat forest.

It is unknown how RSPO will respond.

### Malaysian Mega-Merger Possible Controlling 1.2 Million Hectares, Much of it in Indonesia

leased for 99-years at an estimated discount rate of 9.47 percent.

The [Star Online](#) also stated that FGV would also like to see a new shareholder. The article suggested that this new investment vehicle could be lead Wilmar International Ltd co-founder Martua Sitorus.

The non-publicly listed plantation assets owned by Sitorus and his immediate family members have minimal visible exposure within the public and international investment community. Sometimes referred to as ‘Gandasawit Utama’ (GSU), according to Aidenvironment, the Sitorus family has controlling stakes or management control in over two dozen of plantation entities. These stakes are estimated at over 360,000 hectares of land throughout Indonesia. One study has found that members of the GSU group are [reportedly](#) involved in clearance of large tracts of peatland.

In December 2016, Federal Land Development Authority of Malaysia acquired a 37 percent stake in PT Eagle High Plantations Tbk (EHP) for USD 505.4 million.

A possible coalition comprised of Federal Land Development Authority of Malaysia, FGV, GSU and EHP, jointly controlling over 1.2 million hectares, would represent a huge development in the plantation industry. Given the environmental record of its members, it is not known if they could access the certified sustainable palm oil markets, such as in the European Union.

 [Deforestation, Indonesia, Palm Oil, RSPO](#)

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