

HSBC and the Palm Oil Sector in South East Asia: towards accountability



Forest Peoples
Programme

Forest Peoples Programme
with Profundo

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This document has been elaborated as part of a long term commitment by the Forest Peoples Programme to promote the observation of human rights and accountability in the palm oil sector. Previous studies on this theme include:

Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane, **Promised Land: Palm Oil and Land Acquisition in Indonesia – Implications for Local Communities and Indigenous Peoples**. Forest Peoples Programme, Sawit Watch, HuMA and ICRAF, Bogor, 2006 (also available in Bahasa Indonesia).

Marcus Colchester and Norman Jiwan, **Ghosts on our own land: oil palm smallholders in Indonesia and the Roundtable on Sustainable Palm Oil**. Forest Peoples Programme and SawitWatch, Bogor, 2006 (also available in Bahasa Indonesia).

Marcus Colchester, Wee Aik Pang, Wong Meng Chuo and Thomas Jalong, **Land is Life: Land Rights and Palm Oil Development in Sarawak**. Forest Peoples Programme and SawitWatch, Bogor, 2007 (also available in Bahasa Melayu).

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Cover photograph: About two thirds of oil palm developments in Indonesia encroach directly on natural forests. Most of these areas are also the customary lands of indigenous peoples (West Sumatra)

Photograph: Marcus Colchester

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Introduction

More than 28 million tonnes of palm oil are produced annually worldwide and used in food, cosmetics and biodiesel.¹ Over 80% of this production comes from South East Asia, the majority from two countries, Malaysia and Indonesia. Huge tracts of rainforest in these countries are being destroyed in the name of palm oil and this is having a very detrimental effect both on the environment and on forest peoples.

Public concern about these impacts has led to calls on palm oil companies to reform the way they deal in the commodity. Yet global demand for edible oils and biofuels is still increasing and government plans still target huge areas of forested lands for conversion to further estates.² NGOs like Greenpeace have called for a moratorium on oil palm expansion,³ and this has led the world's largest palm oil processing and product company, Unilever, to commit publicly to only buy certified palm oil by 2015.⁴

Unilever is pinning its hopes on the Roundtable on Sustainable Palm Oil (RSPO), an industry-led consortium of palm oil producers, processors, refiners, retailers and financiers, which also includes a number of social and environmental NGOs. Since its foundation in 2004, the RSPO has developed: a standard for sustainable palm oil against which plantations and mills can be 'certified'; a mechanism to ensure a reliable 'chain of custody' so buyers can be assured that what they buy rewards responsible production; a certification protocol that sets out the rules and procedures for certification; a code of conduct for members, that commits them to promote the RSPO and; a complaints mechanism which aggrieved parties can appeal to in the case of violations.

RSPO is a voluntary mechanism which companies ascribe to as part of their own policies of corporate social responsibility and in the expectation that compliance with the standard will assure them market access or preferential pricing.⁵ The first company to be certified under the RSPO standard only got approval this year,⁶ and the first shipment of so-called 'sustainable palm oil' is due to reach Europe in November 2008. However, it remains very unclear whether the bold transformation by the industry, that full compliance with the RSPO standard would entail, can be achieved without stronger incentives.

Bank-rolling the sector

Palm oil companies need capital to start up and expand their operations. Among the prominent banks involved in the palm oil sector are the World Bank's private sector arm, the International Finance Corporation (IFC),⁷ and the Hong Kong and Shanghai Bank (HSBC); both are members of the RSPO. HSBC seeks to be among 'the world's leading brands in sustainability' and is proud of having received a prize in 2007 as one of the 'top five global companies for accountability'.⁸ It is

¹ Roundtable on Sustainable Palm Oil website www.rspo.org/About_Sustainable_Palm_Oil.aspx

² Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane, 2006, *Promised Land: Palm Oil and Land Acquisition in Indonesia – Implications for Local Communities and Indigenous Peoples*. Forest Peoples Programme, Sawit Watch, HuMA and ICRAF, Bogor; Marcus Colchester and Norman Jiwan, 2006, *Ghosts on our own land: oil palm smallholders in Indonesia and the Roundtable on Sustainable Palm Oil*. Forest Peoples Programme and SawitWatch, Bogor; Marcus Colchester, Wee Aik Pang, Wong Meng Chuo and Thomas Jalong, 2007, *Land is Life: Land Rights and Palm Oil Development in Sarawak*. Forest Peoples Programme and SawitWatch, Bogor.

³ www.greenpeace.org/seasia/en/news/greenpeace-urges-palm-oil-prod

⁴ www.unilever.co.uk/ourcompany/newsandmedia/pressreleases/2008/commitment-sustainable-palmoil.asp

⁵ See references note 2.

⁶ www.rspo.org/resource_centre/United_Plantations_Berhad_RSPO_ASSESS_o8_1_ENG_1.pdf

⁷ Forest Peoples Programme and SawitWatch along with 17 other NGOs including local groups in Indonesia have also been concerned about IFC's support for non-compliant oil palm companies. See: www.forestpeoples.org/documents/ifi_igo/ifc_wilmar_update_novo8_eng.shtml

⁸ HSBC, 2008, 2007 Sustainability Report: HSBC Holdings plc, London.

also a member of the RSPO's Executive Board and as such is a standard bearer for both the RSPO and the palm oil sector.

Since 2006, Forest Peoples Programme has been in a constructive but not always easy dialogue with HSBC as we have sought to establish what standards HSBC uses to guide its involvement in the sector, what procedures it uses to assess companies' compliance with the HSBC standard, which palm oil companies it provides financial services to and which companies it excludes. We have also wanted to understand how affected communities can know if companies they are in conflict with are HSBC's clients and, if so, what forms of redress HSBC offers to aggrieved parties.

The very first principle of the RSPO's standard, which all RSPO members seek to uphold, is 'a commitment to transparency'. However, it transpires that, on grounds of commercial confidentiality, HSBC cannot inform third parties, even those with legitimate interests such as affected communities, which palm oil companies are among its clients. While it has adopted and recently updated a policy on forests and forest products, which references palm oil and the RSPO, it cannot reveal how it has assessed any particular company against this standard. It offers affected communities no mechanism for redress and, as we note below, aspects of the HSBC standard fall significantly below that of the RSPO.

Towards accountability

Given this lack of transparency and in order to shed light on the extent of HSBC's involvement in the palm oil sector, we thus commissioned the economic research organisation, Profundo, to investigate HSBC's involvement in the palm oil sector in South East Asia. It turns out that, although HSBC says it cannot reveal the names of its clients, it is possible to piece together a good idea of HSBC's palm oil interests through sleuthing the internet and press archives. The findings from Profundo and the sources it used to build up this picture are set out in some detail in the following chapters and the endnotes.

The report thus lists and analyzes the 17 major business groups which, according to these other sources, HSBC has provided financial services to in the South East Asian oil palm sector since 2003. It turns out that HSBC acts as a principal banker for 15 of the 17 palm oil business groups listed in the report.

The findings make clear that HSBC is indeed a key player in the palm oil sector and that, depending on its internal policies and procedures, it could play an important role in directing its investments in ways that encourage greater corporate social and environmental responsibility and discourage malpractice.

HSBC's policy

HSBC is one of the few major banks that has an explicit policy on forests and forest products. It sets out its policy in a three-page public summary titled **Forest Land and Forest Products Sector Policy**, which was finally published in September 2008. The policy updates a previous set of 'Guidelines' issued in 2004. Under the policy, HSBC prohibits illegal logging and only accepts 'low impact logging' when operations are in high conservation value forests. The policy upholds the 'Equator Principles', which are based on IFC's performance standards. It encourages client companies to obtain independent certification to demonstrate that their operations are legal and sustainable, which includes safeguarding the customary rights of indigenous peoples. HSBC will not finance the conversion of High Conservation Value Forests to plantations.

HSBC also notes that it will not finance plantations that have been converted from natural forest after 2004 ('unless they are independently certified or confirmed as not having impacted adversely on HCVF'). HSBC also notes that it 'has a preference for clients who seek certification under' the RSPO and that it has a 'cautious approach to business proposals' involving land use on peatlands.⁹

The 3-page public summary is, however, **not** the HSBC's policy. The full policy is set out in lengthy documents which 'include detailed implementation procedures and banking terminology'.¹⁰ This document is not made publicly available.

Application of the policy

Every year HSBC's 310,000 bank staff make some 72 million lending decisions. While only a small proportion of these decisions relate to forests and palm oil, the figures make clear that HSBC faces a tough challenge applying its policy systematically across its lending portfolio. There are relatively few staff in the regional centres and head office in London who have express responsibility to see that the policy is applied.

HSBC is in a gradual process of applying its policy across the forestry and plantations sectors. It has prioritised applying its policy to logging companies. HSBC's approach is to encourage companies to progressively reform their performance, so it gives its clients five years to demonstrate that they are making progress towards meeting the HSBC policy. It announced in 2008 that after 2009, it will 'exit its relationship' with any clients that are making no progress towards compliance.¹¹ Independent sources suggest that HSBC terminated its relationship with Samling Timbers as a result of NGO pressure and the lack of progress by Samling to resolve problems with its operations in Sarawak and Guyana.¹²

With respect to palm oil, HSBC has explained that it has been waiting for the RSPO standard to become operational before systematically applying the HSBC policy to this sector.

Assessing compliance and encouraging reform

The operational procedures which HSBC uses to assess companies' compliance with its policy are not in the public domain. In reviewing the way HSBC has assessed companies for listing on the stock exchange, Forest Peoples Programme has noted some serious shortcomings. Consultants reviewing company performance appear not to have used HSBC's policy as a yardstick.

In an attempt to assure the public that it does assess client compliance, HSBC has announced that it will publish summaries of its periodic assessments. However, these summaries do not name the companies reviewed, do not explain in any detail the procedures used to make the assessments and only provide statistical summaries of the percentage of clients and of HSBC's business which are meeting HSBC's standards.

⁹ HSBC, September 2008, Forest Land and Forest Products Sector Policy, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_summary.pdf, page 1

¹⁰ HSBC, September 2008, Forest Land and Forest Products Sector Policy: Frequently asked questions, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_faq.pdf

¹¹ HSBC, September 2008, Forest Land and Forest Products Sector Policy: Frequently asked questions, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_faq.pdf

¹² www.forestpeoples.org/documents/prv_sector/bases/prv_banks.shtml#hsbc

Comparison with RSPO policy

There are some marked differences between the RSPO standard and the HSBC policy. While HSBC says that it uses the Forest Stewardship Council (FSC) and RSPO standards as benchmarks for the certification of companies that HSBC invests in, its own policy is actually quite a lot weaker than both.

The most obvious discrepancy is that HSBC's policy does not require commitment to 'free, prior and informed consent' (FPIC), which refers to the right of indigenous peoples to give or withhold their free, prior and informed consent to activities that will affect their rights to their lands, territories and other resources including their intellectual property and cultural heritage. Instead HSBC requires 'free, prior and informed consultation', as a way of achieving 'broad community support'. This remains an ambiguous and unsatisfactory process for indigenous peoples, since a project that may have damaging impacts on a community can still go ahead even without the community's consent.

Forest Peoples Programme is concerned that HSBC in updating its policy chose to align itself to the World Bank's outdated approach rather than the approach of the FSC and RSPO. International law is unambiguous that indigenous peoples do have the right to FPIC. FPIC has been accepted by the European Bank for Reconstruction and Development and was strongly re-affirmed by the United Nation's adoption of the UN Declaration on the Rights of Indigenous Peoples in September 2007. The World Bank has itself now stated that it will be 'revisit' its policy on indigenous peoples with a view to bringing it into line with international human rights law.

Apparent violations of HSBC's policy

Forest Peoples Programme has not yet been able to investigate the actual performance of all the palm oil companies that turn out to be clients of the HSBC. Yet we are greatly concerned to note there are many third party reports which allege serious violations of human rights norms and the RSPO's standards by HSBC client companies.

Such violations include:

- client companies embroiled in conflicts over lands and forests with the Penan communities in Sarawak regarding the establishment of oil palm plantations on community lands¹³
- long standing conflicts between client companies and communities in North Sumatra which have led to the imprisonment of villagers and restrictions being placed on people's movements, which have in turn prevented children from getting to school and villagers from going to market or their farmland
- the takeover of community lands in West Kalimantan undermining community food security
- repeated allegations that client companies in several parts of Indonesia are clearing forests and areas of high conservation value.

Nearly all of the 17 business groups which are HSBC's clients have announced plans to expand their palm oil operations. Unless their practices change, these operations will inevitably destroy more forest, wildlife and peoples' homes.

¹³ Sahabat Alam Malaysia/ Friends of the Earth, 2008, Malaysian palm oil – green gold or green wash? A commentary on the sustainability claims of Malaysia's palm oil lobby, with a special focus on the State of Sarawak: Social Justice, Forests and Agrofuels, Milieudefensie, Sahabat Alam Malaysia, FoE-EWNI, FoE-Europe and FoE-International, Amsterdam, Penang, London and Brussels. Pages 38-39. www.foei.org/en/publications/agrofuels/agrofuels

Recommendations for HSBC

We call on HSBC to use their reputation, credibility and influence as having ‘a long-standing commitment to sustainable development’¹⁴ and their position on the RSPO executive board to put pressure on its client companies in the palm oil sector to end the violations of forest peoples’ rights and to behave more responsibly towards the environment.

As stated in its policy, HSBC should exit from relationships with such companies, accordingly exerting financial pressure on businesses to change their activities. Such action would uphold HSBC’s policy on forest land and forest products and strengthen their integrity on the executive board of the Roundtable for Sustainable Palm Oil. Conversely, the apparent failures in the application of HSBC’s policies puts in doubt the extent to which HSBC is committed to the effective implementation of their forest policy and how suitable the bank is to be a board member of the Roundtable for Sustainable Palm Oil.

Specifically we recommend that HSBC:

- carefully revises its policy to bring it into line with the RSPO standard
- includes an explicit requirement for clients to respect indigenous peoples’ rights to free, prior and informed consent
- publishes the full policy and the operational procedures it uses to assess company compliance
- requires client palm oil companies to openly endorse principle 1 of the RSPO - a commitment to transparency - and thus waive HSBC’s legal obligations to respect client confidentiality
- adopts a participatory process for assessing client company compliance with the HSBC policy
- develops a mechanism for the redress of grievances of affected communities, either by adopting an independent ombudsman approach or acceding to the proposed conflict resolution mechanism, which NGOs are calling on the RSPO to develop.

We believe that such a reformed approach would do much to restore credibility in HSBC’s commitment to the RSPO and provide incentives for its clients to reform their practice.

¹⁴ HSBC, September 2008, Forest Land and Forest Products Sector Policy, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_summary.pdf, page 1

Pendahuluan

Lebih dari 28 juta ton minyak sawit diproduksi setiap tahunnya diseluruh dunia dan digunakan dalam produk makanan, kosmetik dan biodiesel.¹⁵ Lebih dari 80% produksi tersebut berasal dari Asia Tenggara, sebagian besar dari 2 negara, Malaysia dan Indonesia. Banyak jejak menunjukkan hutan basah tropis dirusak atas nama minyak sawit dan hal ini memiliki dampak merusak tidak hanya terhadap lingkungan tetapi juga terhadap masyarakat yang tinggal di hutan.

Perhatian publik mengenai berbagai dampak tersebut telah menghasilkan berbagai desakan terhadap perusahaan perkebunan kelapa sawit untuk merubah cara mereka dalam mengurus komoditas tersebut. Walaupun demikian permintaan akan lemak nabati dan biofuel masih terus meningkat dan rencana pemerintah masih menargetkan tanah-tanah berhutan yang sangat luas untuk konversi untuk perkebunan.¹⁶ Ornop seperti Greenpeace telah mendesak berhentinya sementara ekspansi kelapa sawit,¹⁷ dan kampanye tersebut telah mendorong perusahaan produk dan pengolah minyak sawit terbesar di dunia, Unilever, secara terbuka berjanji hanya akan membeli minyak sawit bersertifikat sampai 2015.¹⁸

Unilever menyandarkan harapan besarnya kepada Roundtable on Sustainable Palm Oil (RSPO), sebuah konsorsium yang dipimpin oleh industri dari produsen, pengolah, penyuling, pengecer dan lembaga keuangan, yang juga melibatkan beberapa Ornop sosial dan lingkungan. Sejak pembentukannya di tahun 2004, RSPO telah mengembangkan satu standar untuk minyak sawit berkelanjutan untuk perkebunan dan pabrik dapat 'disertifikatkan'; suatu tata-cara untuk memastikan penelusuran (chain of custody) yang dipercaya sehingga pembeli dapat memastikan apa yang mereka beli mendapat penghargaan produksi yang bertanggung jawab; satu tata-cara sertifikasi yang menetapkan aturan dan tata-laksana untuk sertifikasi; tata aturan untuk para anggota, yang mengikat mereka untuk mendorong RSPO dan satu tata-cara keberatan yang membantu pihak-pihak yang dirugikan dapat menyampaikan keberatan mereka bila terjadi pelanggaran.

RSPO merupakan sebuah mekanisme sukarela dimana perusahaan yang terdaftar sebagai bagian dari kebijakan-kebijakan tanggung jawab sosial mereka dan dengan harapan bahwa pemenuhan terhadap standar akan meyakinkan mereka akses pasar atau harga khusus.¹⁹ Perusahaan pertama disertifikat dengan menggunakan standar RSPO telah mendapat pengesahan tahun ini,²⁰ dan pengapalan pertama yang dinamakan 'minyak sawit berkelanjutan' diharapkan tiba di Eropa bulan November 2008. Walaupun begitu, masih belum jelas apakah transformasi utuh oleh industri, kepatuhan menyeluruh atas standar RSPO akan serta-merta dicapai, dapat dicapai tanpa insentif yang kuat.

¹⁵ Roundtable on Sustainable Palm Oil website www.rspo.org/About_Sustainable_Palm_Oil.aspx

¹⁶ Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane, 2006, *Promised Land: Palm Oil and Land Acquisition in Indonesia – Implications for Local Communities and Indigenous Peoples*. Forest Peoples Programme, Sawit Watch, HuMA and ICRAF, Bogor; Marcus Colchester and Norman Jiwan, 2006, *Ghosts on our own land: oil palm smallholders in Indonesia and the Roundtable on Sustainable Palm Oil*. Forest Peoples Programme and SawitWatch, Bogor; Marcus Colchester, Wee Aik Pang, Wong Meng Chuo and Thomas Jalong, 2007, *Land is Life: Land Rights and Palm Oil Development in Sarawak*. Forest Peoples Programme and SawitWatch, Bogor.

¹⁷ www.greenpeace.org/seasia/en/news/greenpeace-urges-palm-oil-prod

¹⁸ www.unilever.co.uk/ourcompany/newsandmedia/pressreleases/2008/commitment-sustainable-palmoil.asp

¹⁹ See references note 2.

²⁰ www.rspo.org/resource_centre/United_Plantations_Berhad_RSPO_ASSESS_08_1_ENG_1.pdf

Bank-penyandang sektor sawit

Perusahaan kelapa sawit memerlukan modal untuk memulai dan memperluas operasi mereka. Diantara bank-bank penting yang terlibat dalam sektor minyak sawit adalah Bank Dunia untuk cabang sektor swasta, **International Finance Corporation (IFC)**,²¹ dan **Hong Kong and Shanghai Bank (HSBC)**; kedua bank tersebut adalah RSPO. HSBC, bercita-cita menjadi diantara 'merek terdepan dunia dalam keberlanjutan' dan bangga mendapatkan penghargaan 2007 sebagai salah satu dari 'lima perusahaan global untuk akuntabilitas'.²² HSBC juga anggota Badan Pengurus RSPO dan sebagai pengurus pasti mengemban standar bagi RSPO dan sektor minyak sawit.

Sejak 2006, Forest Peoples Programme telah secara konstruktif walaupun tidak selalu dengan mudah berbicara dengan karena kami sedang mengupayakan untuk mengembangkan standar apa yang digunakan HSBC untuk memandu keterlibatannya dalam sektor ini, prosedur apa saja yang digunakan dalam menilai kepatuhan perusahaan terhadap standar HSBC, kepada perusahaan kelapa sawit mana mereka memberikan uang dan sebaliknya perusahaan mana yang tidak layak. Kami juga telah lama ingin memahami bagaimana masyarakat terkena dampak dapat tahu kalau perusahaan yang berkonflik dengan mereka adalah klien HSBC dan, jika ya, apa bentuk penyelesaian yang ditawarkan oleh HSBC kepada pihak yang dirugikan.

Prinsip paling pertama standar RSPO bahwa semua berusaha untuk berpegang pada 'komitmen terhadap transparansi'. Namun, prinsip tersebut bisa berubah karena alasan rahasia dagang, HSBC tidak dapat memberitahukan kepada pihak ketiga, walaupun dengan kepentingan yang absah misalnya masyarakat terkena dampak, yang mana perusahaan kelapa sawit merupakan diantara klien-klien bank HSBC. Sementara itu telah dirumuskan dan diperbarui satu kebijakan tentang hutan dan produk hutan, dengan beberapa rujukan minyak sawit dan RSPO, belum dapat diungkapkan bagaimana HSBC menilai perusahaan tertentu dengan menggunakan standar itu. Standar tersebut tidak menawarkan masyarakat terkena dampak mekanisme untuk penanganan masalah dan, sebagaimana kami temukan dibawah ini, beberapa aspek standar HSBC jatuh kentara jauh dibawah standar RSPO.

Menuju tanggung-gugat

Karena kurang transparansi dan agar meletakkan kejelasan tentang sejauh mana keterlibatan HSBC dalam sektor minyak sawit, oleh karena itu kami menunjukan organisasi penelitian ekonomi, Profundo, untuk investigasi keterlibatan HSBC dalam sektor minyak sawit di Asia Tenggara. Walaupun HSBC mengatakan bahwa mereka tidak dapat menyingkap nama-nama klien mereka, akhirnya terungkap dengan sendirinya, tentu saja mungkin dilakukan dengan mengumpulkan berbagai pemikiran penting mengenai kepentingan minyak sawit HSBC melalui berbagai arsip internet dan pers. Berbagai temuan dari Profundo dan sumber-sumber yang digunakannya untuk menyusun gambar ini dipaparkan secara rinci dalam bab-bab dan catatan kaki bagian berikut laporan ini.

Laporan ini kemudian menyusun daftar dan menganalisa 17 kelompok bisnis utama yang menurut sumber-sumber pada laporan ini, HSBC telah memberikan jasa keuangan kepada sektor minyak sawit di Asia Tenggara sejak 2003. Semakin jelas bahwa HSBC bertindak sebagai bank penyandang utama untuk 15 dari 17 kelompok bisnis minyak sawit terdaftar dalam laporan ini.

²¹ Forest Peoples Programme and Sawit Watch along with 17 other NGOs including local groups in Indonesia have also been concerned about IFC's support for non-compliant oil palm companies. See: www.forestpeoples.org/documents/ifi_igo/ifc_wilmar_update_novo8_eng.shtml

²² HSBC, 2008, 2007 Sustainability Report: HSBC Holdings plc, London.

Beberapa temuan semakin memperjelas bahwa HSBC sesungguhnya satu pemain kunci dalam sektor minyak sawit dan tergantung pada berbagai kebijakan dan tata-laksana internal, sehingga HSBC bisa memainkan peran penting dalam mengarahkan berbagai investasinya dengan jalan mendorong tanggung jawab sosial dan lingkungan perusahaan secara luas dan membatasi penyimpangan.

Kebijakan HSBC

HSBC adalah salah satu dari beberapa bank utama yang memiliki kebijakan yang tegas mengenai hutan dan hasil hutan. HSBC menetapkan kebijakannya dalam 3 halaman ringkasan publik berjudul *Forest Land and Forest Products Sector Policy*, yang akhirnya diterbitkan bulan September 2008. Kebijakan memperbarui 'Pedoman' terdahulu yang diterbitkan tahun 2004. Dibawah kebijakan tersebut, HSBC melarang pembalakan ilegal dan hanya menerima 'pembalakan dampak rendah' dari hutan nilai konservasi tinggi. Kebijakan tersebut mendukung 'Equator Principles', berdasarkan standar kinerja IFC. Kebijakan tersebut mendorong perusahaan penerima dana untuk mendapatkan sertifikat independen untuk membuktikan bahwa operasi mereka syah secara hukum dan berkelanjutan, yang memasukan perlindungan hak-hak ulayat masyarakat adat. HSBC tidak akan mendanai konversi Hutan Nilai Konservasi Tinggi menjadi perkebunan.

HSBC juga memperhatikan bahwa tidak akan mendanai perkebunan yang telah mengkonversi hutan alam setelah 2004 ('kecuali perkebunan tersebut disertifikat secara independen atau dinyatakan sebagai kegiatan tidak berdampak buruk terhadap HCVF'). HSBC juga memperhatikan bahwa 'HSBC memiliki pilihan bagi para pelanggan yang mengupayakan sertifikasi dibawah' RSPO dan memiliki satu 'pendekatan cermat terhadap proposal bisnis' terlibat dalam pemanfaatan lahan dalam kawasan lahan gambut.²³

Walaupun demikian ringkasan publik 3 halaman bukan merupakan kebijakan HSBC. Kebijakan lengkap disusun dalam beberapa dokumen yang cukup panjang yang 'mencakup uraian rinci sejumlah prosedur implementasi dan terminologi perbankan'.²⁴ Dokumen ini tidak dibiarkan tersedia bagi umum.

Penerapan kebijakan

Setiap tahun 310,000 pegawai bank HSBC membuat sekitar 72 juta keputusan pinjaman. Kendatipun demikian hanya sedikit saja keputusan pinjaman terkait dengan hutan dan minyak sawit, jumlah tersebut menegaskan bahwa HSBC menghadapi tantangan yang berat dalam menerapkan kebijakannya sendiri secara sistematis terhadap semua **portfolio** pinjamannya. Relatif sedikit pegawai di pusat regional dan kantor pusat di London yang telah menyatakan tanggung jawab untuk memantau apakah kebijakan tersebut diterapkan.

HSBC dalam proses bertahap menerapkan kebijakannya mencakup seluruh sektor kehutanan dan perkebunan. HSBC telah memprioritaskan kebijakannya terhadap perusahaan-perusahaan pembalakan. Pendekatan HSBC adalah mendorong perusahaan untuk secara terus-menerus memperbaiki kinerja mereka, dengan memberikan klien 5 tahun untuk membuktikan bahwa mereka sedang membuat perkembangan mencapai kebijakan HSBC. Pada tahun 2008 HSBC mengumumkan bahwa setelah 2009, HSBC akan 'kalur dari hubungannya' dengan klien yang

²³ HSBC, September 2008, *Forest Land and Forest Products Sector Policy*, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_summary.pdf, page 1

²⁴ HSBC, September 2008, *Forest Land and Forest Products Sector Policy: Frequently asked questions*, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_faq.pdf

tidak membuat perkembangan menuju kepatuhan.²⁵ Berbagai sumber independen menyarankan HSBC membatalkan hubungannya dengan **Samling Timbers** sebagai akibat tekanan dari Ornop dan tidak ada perkembangan oleh **Samling** untuk menyelesaikan permasalahan dengan kegiatan-kegiatan mereka di Sarawak dan Guyana.²⁶

Berkaitan dengan industri minyak sawit, HSBC telah menjelaskan bahwa HSBC telah menunggu standar RSPO menjadi efektif pemberlakuan sebelum secara sistematis menerapkan kebijakan HSBC dalam sektor minyak sawit.

Penilaian kepatuhan dan mendorong perubahan

Tata-laksana operasional yang digunakan oleh HSBC untuk menilai kepatuhan perusahaan dengan kebijakan HSBC tidak terbuka dalam ranah publik. Dalam menilai bagaimana HSBC menilai perusahaan untuk memasukan dalam bursa efek, Forest Peoples Programme telah mencatat beberapa kekeliruan fatal. Para konsultan yang melakukan penilaian kinerja perusahaan muncul tidak menggunakan kebijakan HSBC sebagai satu patokan.

Dalam satu usaha untuk meyakinkan publik bahwa HSBC benar-benar menilai kepatuhan klien, HSBC telah mengumumkan akan menyampaikan ringkasan dari penilaian berkala yang dilakukan HSBC. Namun ringkasan-ringkasan tersebut tidak menyebut nama-nama perusahaan yang mereka nilai, tidak menjelaskan secara rinci tata-laksana yang digunakan untuk membuat penilaian dan hanya menyediakan ringkasan statistik atas persentase klien dan bisnis HSBC yang memenuhi standar-aturan HSBC.

Perbandingan dengan kebijakan RSPO

Ada beberapa bukti perbedaan antara standar RSPO dan kebijakan HSBC. HSBC mengatakan menggunakan Forest Stewardship Council (FSC) dan standar-aturan RSPO sebagai patokan untuk sertifikasi atas perusahaan dimana HSBC menanamkan modal, kebijakan HSBC sebenarnya lebih lemah dibanding keduanya.

Kelemahan yang paling gamblang adalah bahwa kebijakan HSBC tidak memerlukan komitmen terhadap 'keputusan bebas, didahulukan dan diinformasikan' (FPIC), yang mengacu pada hak masyarakat adat untuk memberi atau menolak memberikan 'keputusan bebas, didahulukan dan diinformasikan' terhadap berbagai kegiatan yang akan berdampak pada hak mereka atas tanah, wilayah dan sumber daya lainnya termasuk hak kekayaan intelektual dan warisan budaya. Sebaliknya HSBC mewajibkan 'konsultasi bebas, didahulukan dan diinformasikan', sebagai cara untuk mencapai 'dukungan masyarakat luas'. Hal yang masih belum jelas dan proses yang tidak memuaskan bagi masyarakat adat, karena proyek-proyek memiliki dampak merusak bagi masyarakat masih dapat jalan terus walaupun tanpa keputusan masyarakat.

Forest Peoples Programme sangat khawatir karena HSBC dalam kebijakan terbarunya memilih untuk mendukung pendekatan Bank Dunia yang sudah usang daripada menerapkan pendekatan FSC dan RSPO. Hukum internasional dengan tegas menyatakan bahwa masyarakat adat berhak atas FPIC. FPIC telah diterima oleh Bank Eropa untuk Rekonstruksi dan Pembangunan dan dipertegas kembali oleh pengesahan Deklarasi PBB tentang Hak-hak Masyarakat Adat bulan September 2007. Bank Dunia sendiri sekarang telah menyatakan akan 'meninjau-kembali'

²⁵ HSBC, September 2008, Forest Land and Forest Products Sector Policy: Frequently asked questions, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_faq.pdf

²⁶ www.forestpeoples.org/documents/priv_sector/bases/priv_banks.shtml#hsbc

kebijakannya mengenai masyarakat adat dengan pandangan untuk membawa kebijakan tersebut sesuai dengan hukum hak asasi manusia internasional.

Bukti berbagai pelanggaran atas kebijakan HSBC

Forest Peoples Programme belum dapat untuk meneliti kinerja aktual semua perusahaan perkebunan kelapa sawit yang menjadi klien-klien HSBC. Walaupun begitu kami sangat khawatir mendapatkan ada banyak laporan pihak ketiga yang menuding pelanggaran serius terhadap aturan hak asasi manusia dan standar-aturan RSPO oleh perusahaan klien HSBC.

Pelanggaran diantaranya termasuk:

- perusahaan klien terlibat dalam konflik atas tanah dan hutan dengan masyarakat Penan di Sarawak terkait pembangunan perkebunan kelapa sawit dalam tanah-tanah masyarakat²⁷
- konflik berkepanjangan antara perusahaan klien dan masyarakat di Sumatra Utara yang mengakibatkan pemenjaraan warga dan pembatasan ditempatkan untuk menghalangi gerakan masyarakat, yang kemudian menghalang anak-anak pergi sekolah dan warga desa untuk memasarkan atau mengolah lahan mereka
- pengambil-alihan tanah-tanah masyarakat di Kalimantan Barat mengancam ketahanan pangan masyarakat
- dugaan-pelanggaran oleh perusahaan-perusahaan klien di beberapa tempat di Indonesia adalah pembukaan hutan dan kawasan nilai konservasi tinggi.

Hampir semua dari 17 kelompok bisnis yang merupakan klien HSBC telah mengumumkan rencana-rencana perluasan kegiatan kelapa sawit mereka. Hanya dengan merubah praktek, kegiatan-kegiatan tersebut mungkin tidak akan merusak lebih banyak hutan, satwa-liar dan tempat tinggal masyarakat.

Rekomendasi bagi HSBC

Kami mendesak HSBC untuk menggunakan nama baik, kepercayaan dan pengaruh mereka sebagai 'satu janji jangka-panjang terhadap pembangunan berkelanjutan'²⁸ dan posisi mereka dalam Badan Pengurus RSPO untuk mengakhiri berbagai pelanggaran atas hak-hak masyarakat disekitar hutan dan bertindak lebih bertanggung jawab terhadap lingkungan.

Sebagaimana tertera dalam kebijakan mereka, HSBC harus keluar dari berbagai hubungan bisnis yang dengan perusahaan yang melanggar, kemudian segera memberikan tekanan financial terhadap para pengusaha untuk merubah kegiatan buruk mereka. Tindakan semacam ini akan mempertahankan kebijakan HSBC tentang hutan dan produk-produk hutan serta memperkuat integritas mereka dalam Badan Pengurus RSPO. Sebaliknya, bila terbukti kegagalan dalam penerapan berbagai kebijakan HSBC akan meningkatkan keraguan atas kebijakan mana HSBC berjanji sungguh-sungguh atas penerapan kebijakan hutan mereka dan apakah HSBC cukup layak menjadi salah satu anggota Badan Pengurus RSPO.

²⁷ Sahabat Alam Malaysia/ Friends of the Earth, 2008, Malaysian palm oil – green gold or green wash? A commentary on the sustainability claims of Malaysia's palm oil lobby, with a special focus on the State of Sarawak: Social Justice, Forests and Agrofuels, Milieudefensie, Sahabat Alam Malaysia, FoE-EWNI, FoE-Europe and FoE-International, Amsterdam, Penang, London and Brussels. Pages 38-39. www.foei.org/en/publications/agrofuels/agrofuels

²⁸ HSBC, September 2008, Forest Land and Forest Products Sector Policy, www.hsbc.com/1/PA_1_1_S5/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_summary.pdf, page 1

Secara khusus kami merekomendasikan agar HSBC:

- secara cermat memperbaiki kebijakannya sehingga sesuai dengan standar-aturan RSPO
- memasukan persyaratan secara tegas bagi para klien untuk menghargai hak masyarakat adat atas keputusan bebas, didahulukan dan diinformasikan
- menerbitkan kebijakan lengkap dan tata-laksana operasional yang digunakan HSBC untuk menilai kepatuhan perusahaan
- mewajibkan klien perusahaan perkebunan kelapa sawit untuk secara terbuka menerima prinsip 1 RSPO – satu komitmen terhadap transparansi – dan karena itu mengabaikan berbagai kewajiban hukum HSBC untuk menghargai kerahasiaan klien
- menerapkan satu proses **partisipatif** untuk menilai kepatuhan perusahaan klien dengan kebijakan HSBC
- mengembangkan tata-cara untuk memulihkan pelanggaran atas masyarakat terkena dampak, baik dengan menerapkan satu pendekatan perantara independen atau dengan menerima tata-cara resolusi konflik yang diusulkan, yang sedang didesak oleh NGO kepada RSPO untuk dibentuk.

Kami percaya bahwa perubahan pendekatan semacam itu akan banyak membantu memulihkan kredibilitas dalam komitmen HSBC terhadap RSPO dan memberikan insentif bagi perusahaan klien mereka untuk merubah praktek buruk mereka.

1. Albukhary Group

1.1 Short profile of the Albukhary Group

The Albukhary Group is one of the largest Malaysian business groups, headed by Albukhary Corporation Sdn. Bhd. The Group is active in mining, rice and sugar trading, transport, electricity, natural gas distribution, hotels, oil palm plantations, property development, sugar refining and the production of automotive glass. The group is controlled by Syed Mokhtar Albukhary, who was ranked with a personal fortune of US\$ 2 billion at the 7th place on Forbes' list of richest Malaysians in May 2007.²⁹



The oil palm plantation activities of the Albukhary Group are managed by Tradewinds Plantation Bhd., which resulted in February 2006 from the merger between Tradewinds (M) Bhd. and Johore Tenggara Oil Palm Bhd.

In 2006 Tradewinds Plantation realised an annual revenue of RM 361.1 million (£ 56.7 million), resulting - as a consequence of extraordinary profits made on the sale of some subsidiaries - in a net profit of RM 14.4 million (£ 2.3 million). The oil palm plantation activities accounted for all revenues.³⁰

1.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Tradewinds Plantation since early 2003:

- In April 2007 Tradewinds Plantation mentioned HSBC among its eight principal bankers.³¹

1.3 Oil palm plantation holdings

At the end of 2006 Tradewinds Plantation owned a total plantation land bank of 126,985 hectares in Malaysia, of which 41,013 hectares were in Peninsular Malaysia (Johor, Terengganu and Kelantan) and 85,972 hectares were in Sabah and Sarawak. In total, 80,416 hectares had been planted with oil palm. Another 8,906 hectares were in the course of being planted and replanted and a further 33,196 hectares were yet to be developed.³²

The following oil palm plantation and milling subsidiaries are owned by Tradewinds Plantation in Malaysia:³³

²⁹ Malaysia's 40 Richest, Justin Doebele, Forbes, 30 May 2007; Tycoon tells of lessons he learnt from mum, Deborah Loh, Putrajaya, 11 January 2008; Website Tradewinds Corporation (www.tradewindscorp.com), viewed in February 2008.

³⁰ Annual Report 2006, Tradewinds Plantation Bhd., Kuala Lumpur, April 2007.

³¹ Annual Report 2006, Tradewinds Plantation Bhd., Kuala Lumpur, April 2007.

³² Annual Report 2006, Tradewinds Plantation Bhd., Kuala Lumpur, April 2007.

³³ Annual Report 2006, Tradewinds Plantation Bhd., Kuala Lumpur, April 2007.

- Agromaju Sdn. Bhd.
- Amalan Pelita Pasai Sdn. Bhd.
- Amalan Penaga (M) Sdn. Bhd.
- Arah Bersama Sdn. Bhd.
- Bahtera Bahagia Sdn. Bhd.
- Barisan Tekad Sdn. Bhd.
- Binu Plantations Sdn. Bhd.
- Gugusan Induk Sdn. Bhd.
- Ibok Plantation Sdn. Bhd.
- Johore Tenggara Oil Palm Bhd.
- Kumpulan Kris Jati Sdn. Bhd.
- Ladang Chendana Sdn. Bhd.
- Ladang Mawar Sdn. Bhd.
- Ladang Permai Sdn. Bhd.
- Ladang Petri Tenggara Sdn. Bhd.
- Ladang Serasa Sdn. Bhd.
- Ladang Sungai Relai Sdn. Bhd.
- Lemasan Sdn. Bhd.
- M.P. Plantation Sdn. Bhd.
- Melur Gemilang Sdn. Bhd.
- Permodalan Pelangi Sdn. Bhd.
- Pertanian Johor Tenggara Sdn. Bhd.
- Quek Shin & Sons Pte. Ltd.
- Semai Segar Sdn. Bhd.
- Syarikat Ladang Sawit Cherul Sdn. Bhd.
- Tanah Semai Sdn. Bhd.
- Teon Choon Realty Company Sdn. Bhd.
- Trans Kenyalang Sdn. Bhd.
- Uni-Agro Plantations (Trengganu) Sdn. Bhd.

In Indonesia, Tradewinds Plantation has a land bank of about 6,000 ha on Bangka Island under a joint venture with an Indonesian party.³⁴

1.4 Expansion plans

The following information was found on recent expansion plans of Tradewinds Plantation:

- In April 2006 Tradewinds Plantation announced it was looking to expand its oil palm land bank in Indonesia, in an effort to reduce the group's cost in doing business. The planned initial investment would be about 20,000 hectares.³⁵

³⁴ Tradewinds to expand Indonesia oil palm land bank, Dalila Abu Bakar, Business Times, Kuala Lumpur, 27 April 2006.

³⁵ Tradewinds to expand Indonesia oil palm land bank, Dalila Abu Bakar, Business Times, Kuala Lumpur, 27 April 2006.

2. Anglo-Eastern Group

2.1 Short profile of the Anglo-Eastern Group

The Anglo-Eastern Group is a British investment group, owning oil palm, cocoa and rubber plantations in Malaysia and Indonesia. The holding company of the Group is Anglo-Eastern Plantations Plc., which is listed on the London stock exchange. The company is majority owned by Teik Huat Chan from Malaysia.

Anglo-Eastern Plantations realised a turnover of US\$ 79.1 million in 2006, of which around 97% is attributable to its oil palm interests. Net profit in that year amounted to US\$ 16.5 million.³⁶

2.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Anglo-Eastern Plantations since early 2003.

- In October 2000, HSBC Bank extended a five-year development loan of US\$ 10 million to Anglo-Eastern Plantations Plc. for the development of the oil palm plantations of its Indonesian subsidiaries PT Mitra Puding Mas and PT Alno Agro Utama. The loan was drawn down completely during 2002 and was repaid in 2005.³⁷
- In April 2007 Anglo-Eastern Plantations mentioned HSBC among its three principal bankers.³⁸

2.3 Oil palm plantation holdings

In Malaysia Anglo-Eastern Plantations owns one plantation in Cenderung with a land bank of 6,348 hectares, of which 3,715 hectares are planted with oil palm. In Indonesia, the Anglo-Eastern Group owns interests in several plantation companies in North Sumatra, Bengkulu and Riau with a total concession area of 38,414 hectares. The total planted acreage amounted to 30,214 hectares at the end of 2006, of which 29,680 hectares were planted with oil palm.³⁹ The company operates three CPO mills in Indonesia, which also process significant quantities of crop bought-in from outside growers. CPO production reached 156,285 tonnes in 2006.⁴⁰

Current Indonesian plantation subsidiaries of Anglo-Eastern Plantations are:⁴¹

- | | |
|--------------------------|---------------|
| • PT Alno Agro Utama | Bengkulu |
| • PT Anak Tasik | North Sumatra |
| • PT Bina Pitri Jaya | Riau |
| • PT Hijau Pryan Perdana | North Sumatra |
| • PT Mitra Puding Mas | Bengkulu |
| • PT Musam Utjing | North Sumatra |
| • PT Simpang Ampat | North Sumatra |
| • PT Tasik Raja | North Sumatra |

³⁶ Annual Report 2006, Anglo-Eastern Plantations Plc, London, April 2007.

³⁷ HSBC signs loan agreement, The Jakarta Post, Jakarta, 11 October 2000; Annual Report 2001, Anglo-Eastern Plantations Plc., London, April 2002; Annual Report 2005, Anglo-Eastern Plantations Plc, London, April 2006.

³⁸ Annual Report 2006, Anglo-Eastern Plantations Plc, London, April 2007.

³⁹ Annual Report 2006, Anglo-Eastern Plantations Plc, London, April 2007.

⁴⁰ Annual Report 2006, Anglo-Eastern Plantations Plc, London, April 2007.

⁴¹ Annual Report 2006, Anglo-Eastern Plantations Plc, London, April 2007.



Figure 1. Oil palm estates of the Anglo-Eastern Group

2.4 Expansion plans

In addition to its existing plantations, Anglo-Eastern Plantations has recently made the following acquisitions:

- In June 2007 Anglo-Eastern Plantations acquired PT Cahaya Pelita Andikha, an Indonesian company with a 4,469 ha palm oil estate in the province of North Sumatra. 2,750 ha of this land is planted. Acquisition costs were US\$ 6.4 million.⁴²
- As at December 2007, Anglo-Eastern Plantations signed two contracts worth US\$ 8.3 million for the acquisition of rights over a total of 33,000 ha of land. The acquisitions are PT Sawit Graha Manunggal in Central Kalimantan, which owns 26,000 hectares, and PT Bangka Malindo Lestari, which owns 7,000 ha on Bangka island. Development of these two lands will commence early 2008 while production is expected in 2012 and in 2015 the areas should be fully planted. Development costs of these two projects over the next five years are estimated at US\$ 60 million.⁴³

With these acquisitions Anglo-Eastern Plantations aims to expand its total planted area to 73,000 ha in the coming five years, compared to the present 38,000 ha.⁴⁴

⁴² Anglo-Eastern Plantations makes US\$6.4 million acquisition, Regulatory announcement Anglo-Eastern Plantations, London, 17 May 2007.

⁴³ Anglo-Eastern acquires 33,000 ha of land for \$8.3 million, Regulatory announcement Anglo-Eastern Plantations, London, 3 December 2007.

⁴⁴ Anglo-Eastern acquires 33,000 ha of land for \$8.3 million, Regulatory announcement Anglo-Eastern Plantations, London, 3 December 2007.

3. Astra Agro Group

3.1 Short profile of Astra Agro Group

The Astra Agro Group is a large Indonesian oil palm plantation group, headed by the holding company PT Astra Agro Lestari Tbk. In 2006 PT Astra Agro Lestari Tbk. realised net sales of Rp 3,800 billion (US\$ 403.5 million), resulting in a net income of Rp 787.3 billion (US\$ 83.6 million). Its oil palm activities accounted for 97% of total sales. The company has 18,846 permanent employees and 15,978 temporary workers.⁴⁵

PT Astra Agro Lestari Tbk. is listed on the stock exchanges of Jakarta and Surabaya. The dominant shareholder, owning 79.7% of its shares, is the Indonesian car producer PT Astra International Tbk., which is also active in financial services, heavy equipment, information technology, wood processing, electronics, consumer goods, chemicals, infrastructure, and other industries. The dominant shareholder (38%) of PT Astra International is the car trader Cycle & Carriage Ltd. from Singapore, which itself is controlled (53% of the shares) by the conglomerate Jardine Matheson from Hong Kong.⁴⁶

3.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of PT Astra Agro Lestari:

- In 2006 Astra Agro Lestari secured a short-term working capital facility from HSBC with a maximum amount of US\$ 11.8 million.⁴⁷

3.3 Oil palm plantation holdings

The Astra Agro Group owns 35 plantation subsidiaries within Kalimantan, Sumatra and Sulawesi. As at 2007 the total planted acreage at these plantations amounted to 228,065 hectares, of which 184,705 hectares are mature and planted (with oil palm) and the rest 43,360 hectares are still immature. Of this total area, 55,552 hectares are plasma plantations which are developed by the Astra Agro Group on behalf of smallholders. When these plantations are mature, they will be transferred to the smallholders but they will continue to supply Fresh Fruit Bunches (FFB) to the CPO mills of the Astra Agro Group.⁴⁸

The group operates 19 CPO mills with a total capacity of 865 tons of Fresh Fruit Bunches per hour. And by the end of 2007 the mill capacities will be expanded to 955 tons of FFB per hour. These mills produced 917,885 tons of CPO in 2006. One-third of the Group's CPO output is exported, mainly to India, Malaysia and Europe.

Part of the Group's CPO output is refined at its refinery in Sumatra, which has a capacity of 300 tons per day. The Astra Agro Group also operates a kernel crusher in Kalimantan which has a capacity of 450 tons per day.⁴⁹

⁴⁵ Website Astra Agro Lestari (www.astra-agro.co.id), Viewed in January 2008.

⁴⁶ Acquisitions: The Winner Is . . . : Singapore's Cycle & Carriage takes Astra, but the saga is only starting, Warren Caragata, Asiaweek, Hong Kong, 7 April 2000; Astra: Ready, Set...Sell!, Michael Shari and Sheri Prasso, Business Week, Los Angeles, 10 April 2000; Website Jardine Matheson Indonesia (www.jardine-matheson.co.id), Viewed in January 2008.

⁴⁷ Consolidated Statements 30 June 2006 and 2005, PT Astra Agro Lestari Tbk., Jakarta, July 2006.

⁴⁸ Website Astra Agro Lestari (www.astra-agro.co.id), Viewed in January 2008.

⁴⁹ Consolidated Statements 30 June 2007 and 2006, PT Astra Agro Lestari Tbk., Jakarta, July 2007.

At the end of June 2007, the company owned the following subsidiaries (including planted acreages):⁵⁰

• PT Agro Menararachmat	Central Kalimantan	6,036
• PT Bhadra Cemerlang	Central Kalimantan	2,694
• PT Bhadra Sukses	West Sulawesi	917
• PT Borneo Indah Marjaya	East Kalimantan	–
• PT Cakradenta Agung Pertiwi	South Kalimantan	2,195
• PT Cakung Permata Nusa	South Kalimantan	4,845
• PT Ciptanarada Lestari	Central Kalimantan	2,915
• PT Eka Dura Indonesia	Riau	9,551
• PT Gunung Sejahtera Dua Indah	Central Kalimantan	7,625
• PT Gunung Sejahtera Ibu Pertiwi	Central Kalimantan	6,176
• PT Gunung Sejahtera Puti Pesona	Central Kalimantan	8,358
• PT Gunung Sejahtera Raman Permai	Central Kalimantan	–
• PT Gunung Sejahtera Yoli Makmur	Central Kalimantan	4,316
• PT Karya Tanah Subur	Aceh	4,566
• PT Karyanusa Eka Daya	East Kalimantan	9,951
• PT Kimia Tirta Utama	Riau	5,522
• PT Lestari Tani Teladan	Central Sulawesi	5,259
• PT Letawa	West Sulawesi	7,145
• PT Mamuang	West Sulawesi	8,102
• PT Nirmala Agro Lestari	Central Kalimantan	3,382
• PT Pasangkayu	West Sulawesi	6,818
• PT Perkebunan Lembah Bhakti	Aceh	5,911
• PT Persadabina Nusantaraabadi	Central Kalimantan	2,035
• PT Sari Aditya Loka	Jambi	5,020
• PT Sari Lembah Subur	Riau	7,375
• PT Sawit Asahan Indah	Riau	5,414
• PT Simpati Tani Sentosa	East Kalimantan	–
• PT Subur Abadi Plantations	East Kalimantan	–
• PT Sukses Tani Nusasubur	East Kalimantan	5,372
• PT Sumber Kharisma	East Kalimantan	4,839
• PT Surya Cemerlang Permai	Central Sulawesi	–
• PT Surya Panen Subur	Riau	–
• PT Suryaindah Nusantarapagi	Central Kalimantan	5,938
• PT Suryaraya Lestari	West Sulawesi	1,065
• PT Tunggal Perkasa Plantations	Riau	13,977
• PT Waru Kaltim Plantation	East Kalimantan	6,327

⁵⁰ Consolidated Statements 30 June 2007 and 2006, PT Astra Agro Lestari Tbk., Jakarta, July 2007.

3.4 Expansion plans

The following information was found on recent expansion plans of PT Astra Agro Lestari:

- In October 2006 a small-scale bio-diesel plant of Astra Agro Lestari started commercial operations in Kumai (Central Kalimantan). The company plans to expand the factory's capacity in 2007 to 100,000 tons a year. This would need an investment of US\$ 20 million.⁵¹
- At the same time PT Astra Agro Lestari announced it plans to cultivate *Jatropha curcas* on 5,000 hectares of land in East Kalimantan in 2007 to engage in biofuel production. The plantation would be located on part of a 10,000 ha oil palm plantation bought by Astra Agro Lestari from PT Borneo Indah Marjaya recently. The company has decided to use *Jatropha curcas* to produce biofuel because it would be cheaper than using CPO. It also wanted to avoid the competition that existed between CPO used in food production and CPO as raw material to make biofuel.⁵²

⁵¹ Indonesian bio-diesel plant to start commercial operations, Antara, Jakarta, 12 October 2006.

⁵² Indonesia's Astra Agro Lestari to enter biofuel business, Antara, Jakarta, 12 October 2006.

4. BLD Group

4.1 Short profile of BLD Group

BLD Plantation Bhd. is a mid-sized Malaysian oil palm plantation company, which operates oil palm plantations and a cattle ranch in Sarawak. An oil palm refinery is under construction in Bintulu. The company is listed on the Bursa Malaysia, but is controlled by the Malaysian Lau family.

In 2006 the company realised an annual revenue of RM 134.2 million (£ 21.1 million), resulting in a net profit of RM 16.9 million (£ 2.7 million).⁵³

4.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of BLD Plantation since early 2003.

- In May 2007 BLD Plantation mentioned HSBC among its four principal bankers.⁵⁴

4.3 Oil palm plantation holdings

BLD Plantation and its subsidiaries own oil palm plantations with a total land bank of hectares, of which approximately 53,030 hectares are planted with oil palm.⁵⁵

BLD Plantation owns the following plantation subsidiaries:⁵⁶

- Bintulu Lumber Development
- BLD Resources
- Grand Mutual
- Niamas Istimewa

4.4 Expansion plans

Recently BLD Plantation announced the following expansion plans:

- Early 2007 BLD Plantation agreed to acquire a 49.90% equity interest in Wawasan Sedar Sdn. Bhd., a company principally engages in oil palm plantation, palm oil milling and sales of related products, as well as logs trading. The company has a planted acreage of 16,788 ha.⁵⁷

⁵³ Annual Report 2006, BLD Plantation Bhd., Kuching, May 2007.

⁵⁴ Annual Report 2006, BLD Plantation Bhd., Kuching, May 2007.

⁵⁵ Annual Report 2006, BLD Plantation Bhd., Kuching, May 2007.

⁵⁶ Annual Report 2006, BLD Plantation Bhd., Kuching, May 2007.

⁵⁷ Annual Report 2006, BLD Plantation Bhd., Kuching, May 2007.

5. Boon Siew Group

5.1 Short profile of the Boon Siew Group

The Boon Siew Group is a mid-sized Malaysian conglomerate from Penang, named after the late Tan Sri Dato' Loh Boon Siew. The Boon Siew Group is mainly active in property development and assembly and distribution of Honda motorcycles.⁵⁸ The Boon Siew Group is controlled by the Malaysian Loh family.⁵⁹

The main listed subsidiary of the Boon Siew Group is Oriental Holdings Berhad, which is mainly active in dealing and distributing automobiles in Malaysia, Singapore and Brunei. Other activities of Oriental Holdings include manufacture of automobile parts, plastic products, hotels, finance, property, trading and oil palm plantations.⁶⁰

In 2006 Oriental Holdings Bhd. realised an annual turnover of RM 3,959.7 million (£ 621.7 million) and a net profit of RM 334.1 million (US\$ 52.5 million). Of total turnover around 5% is attributable to Oriental Holdings' oil palm plantation holdings.⁶¹

5.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Oriental Holdings since early 2003:

- In June 2007 Oriental Holdings mentioned HSBC among its five principal bankers.⁶²

5.3 Oil palm plantation holdings

In Malaysia, Oriental Holdings owns 4,996 hectares of oil palm plantation concessions in Pahang and Negeri Sembilan. Oil palm plantation subsidiaries of Oriental Holdings in Malaysia are:⁶³

- Oriental Rubber & Palm Oil Sdn. Bhd.

In Indonesia, Oriental Holdings owns two oil palm plantation companies, with a total concession area of 21,806 hectares in South Sumatra:⁶⁴

- PT Gunung Maras Lestari Pulau Bangka (South Sumatra)
- PT Gunungsawit Binalestari Pulau Bangka (South Sumatra)

5.4 Expansion plans

Recently Oriental Holdings announced the following expansion plans:

- In March 2007, Oriental Holdings acquired a 90% stake in PT Bumi Sohit Sukses Pratoma, which owns approximately 14,000 hectares of plantation land on Bangka island in Indonesia. The development cost for this oil palm plantation over the next 4 to 5 years are estimated to be in the region of RM 300 million (£ 47.1 million).⁶⁵

⁵⁸ Website Boon Siew Group (www.bsg.com.my), Viewed in January 2008; Website Boon Siew (www.boonsiew.com.my), Viewed in January 2008

⁵⁹ The wealthiest of them all! Malaysian Business, Kuala Lumpur, 16 February 2002

⁶⁰ Annual Report 2006, Oriental Holdings Bhd., Penang, June 2007.

⁶¹ Annual Report 2006, Oriental Holdings Bhd., Penang, June 2007.

⁶² Annual Report 2006, Oriental Holdings Bhd., Penang, June 2007.

⁶³ Annual Report 2006, Oriental Holdings Bhd., Penang, June 2007.

⁶⁴ Annual Report 2006, Oriental Holdings Bhd., Penang, June 2007.

⁶⁵ Annual Report 2006, Oriental Holdings Bhd., Penang, June 2007.

6. Cargill Group

6.1 Short profile of the Cargill Group

The privately-owned American company Cargill is the largest commodity trader in the world. Cargill is an international provider of agriculture services, food ingredients and applications, fertilizer, salt and steel products and services, grain, oilseeds and other agricultural commodities, risk management and financial solutions. Cargill is headquartered in Minneapolis (Minnesota) and has 158,000 employees in 66 countries.

Cargill processes and markets oil palm products in Asia, Europe, and North America, and markets palm products in Africa and South America. The Cargill Group currently operates palm oil refineries in Malaysia, India, Germany, Belgium, Russia, the Netherlands and the United States.

In the fiscal year 2006/2007, Cargill realised annual sales with a total value of US\$ 88.3 billion, resulting in a net profit of US\$ 2.3 billion.⁶⁶

6.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Cargill since early 2003:

- In April 2006 Cargill made its second issuance on the European capital market. The 4.375% seven-year bond issuance had a value of € 750 million and was managed by three banks including HSBC.⁶⁷

6.3 Oil palm plantation holdings

Cargill today owns and operates five palm plantations (three in PNG and two in Indonesia) through its business unit CTP Holdings. This holding company is 70% owned by Cargill and 30% by Temasek Holdings (Singapore).⁶⁸ Together, these five plantations cover nearly 56,000 hectares.⁶⁹

In Indonesia CTP Holdings owns the following oil palm plantation subsidiaries, with a total concession area of about 52,400 hectares:⁷⁰

- | | | |
|----------------------------|-----------------|-----------|
| • PT Hindoli | South Sumatra | 27,000 ha |
| • PT Harapan Sawit Lestari | West Kalimantan | 25,400 ha |

Cargill also operates in Indonesia as trader and exporter of palm oil and palm kernel oil produced by other plantations. Operating a storage tank program in Belawan and Dumai, it collects palm oil direct from both large and small plantations. The annual CPO volume exported by Cargill is around 700,000 tonnes.⁷¹

⁶⁶ Website Cargill (www.cargill.com), Viewed in January 2008

⁶⁷ Bonds - Cargill Inc., Euroweek - Issue: 951, London, 28 April 2006.

⁶⁸ Business Profile of CTP Holdings Pte Ltd., Accounting and Corporate Regulatory Authority (ACRA), Singapore, 26 September 2005

⁶⁹ Website Cargill (www.cargill.com), Viewed in January 2008

⁷⁰ CDC enters oil palm sector, The Jakarta Post, Jakarta, 21 August 1999; CDC injects another US\$32m into the Indonesian oil palm industry, Press Release CDC Group Plc., London, 23 August 1999; The dispute between the indigenous community and PT Harapan Sawit Lestari, oil palm plantation Manis Mata, Ketapang district, West Kalimantan, Report by Walhi Kalbar & Down to Earth, Palangkaraya / London, September 2000; Annual Report 2000, CDC Group Plc., London, March 2001.

⁷¹ Brochure Cargill Indonesia, Cargill Inc., Minneapolis, January 2003.

In Papua New Guinea CTP Holdings owns three oil palm plantation companies, with a total concession area of 23,421 hectares. Additionally, smallholder estates with a total size of 17,167 hectares are managed. The three companies are:⁷²

- Higaturu Oil Palms Popondetta
- Milne Bay Estates Alotau
- Poliamba Ltd. Kavieng

6.4 Expansion plans

No information was found on expansion plans of the Cargill Group in the oil palm plantation sector.

6.5 Social and environmental issues

The following information was found on social and environmental issues in which the oil palm plantation subsidiaries of the Cargill Group are involved:

- Long before the acquisition by Cargill, PT Harapan Sawit Lestari in the Manis Mata area of West Kalimantan was involved in a strong conflict with the local community. A report written by Wakhi Kalbar and Down to Earth in September 2000, summarized it as follows: “The dispute is complex and tied up with the interactions between the local government and the company. The company made full use of the close relationship between the village administration and the local police and military during the Suharto era to force the indigenous community to hand over their private and communally held fields, agro-forestry gardens and forest lands. The result for many local people has been years of resentment about their mistreatment plus increased hardship as they can no longer produce their own food. The advent of a new pro-reform government in Jakarta has brought no change to Manis Mata. PT HSL continues to refuse to recognise the local community’s land rights.”⁷³

⁷² Environmental and Social Handbook, Pacific Rim Palm Oil, Singapore, September 2002.

⁷³ The dispute between the indigenous community and PT Harapan Sawit Lestari, oil palm plantation Manis Mata, Ketapang district, West Kalimantan, Report by Walhi Kalbar & Down to Earth, Palangkaraya / London, September 2000.

7. Delloyd Group

7.1 Short profile of the Delloyd Group

Delloyd Group is a diversified Malaysian business group, active in the production of automotive parts, distribution of motor vehicles, oil palm plantations and other activities. The company is listed on the Bursa Malaysia but is controlled by the Malaysian Chung and Tee families.

In 2006 the company realised an annual revenue of RM 190.0 million (£ 29.8 million), resulting in a net profit of RM 9.4 million (£ 1.5 million). The oil palm plantation activities accounted for 6% of total revenue.⁷⁴

7.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Delloyd Ventures since early 2003:

- In April 2007 Delloyd Ventures mentioned HSBC among its four principal bankers.⁷⁵

7.3 Oil palm plantation holdings

In Malaysia Delloyd Plantation, a subsidiary of Delloyd Ventures, owns an oil palm plantation with a planted acreage of 1,449 hectares in Kuala Selangor (Selangor).

In Indonesia the company in July 2006 acquired a 60% stake in PT Rebinmas Jaya, which owns three oil palm plantations on Belitung island with a planted acreage of 15,871 hectares. The plantations are called Parit Gunung, Darul Makmur and Air Ruak. Another stake of 35% in PT Rebinmas Jaya was bought by the Tee family which controls Delloyd Ventures.⁷⁶

7.4 Expansion plans

No information was found on expansion plans of the Delloyd Group in the oil palm plantation sector.

⁷⁴ Annual Report 2006, Delloyd Ventures Bhd., Klang, April 2007.

⁷⁵ Annual Report 2006, Delloyd Ventures Bhd., Klang, April 2007.

⁷⁶ Announcement to the Bursa Malaysia, Delloyd Ventures, Klang, 19 January 2005; Annual Report 2006, Delloyd Ventures Bhd., Klang, April 2007.

8. Hap Seng Group

8.1 Short profile of the Hap Seng Group

The Hap Seng Group is a diversified Malaysian business group headed by Hap Seng Consolidated Bhd. The group is active in plantations, property investment and development, credit financing, trading of fertilizers, automotive, building materials and petroleum, as well as stone quarries. Hap Seng Consolidated is listed on the Bursa Malaysia but is controlled by Lau Gek Poh and his family.⁷⁷

Since November 2007 its plantation division, Hap Seng Plantations Holdings Bhd., was listed separately on the Bursa Malaysia.⁷⁸

In 2006-2007 Hap Seng Consolidated realised an annual revenue of RM 1,730.8 million (£ 271.7 million), resulting in a net profit of RM 106.2 million (£ 16.7 million). The oil palm plantation activities accounted for 6% of total revenue.⁷⁹

8.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Hap Seng since early 2003:

- In July 2007 Hap Seng mentioned HSBC among its three principal bankers.⁸⁰

8.3 Oil palm plantation holdings

In Malaysia Hap Seng Plantations Holdings owns 16 oil palm plantations with a total land bank of 37,630 hectares in Tawau and Kinabatangan districts in Sabah. The planted acreage amounts 32,781 hectares and 1,549 hectares are still available for planting. The company owns four CPO mills, which produced 162,145 tonnes of CPO in the year 2006/2007.⁸¹

The following plantation subsidiaries are owned by Hap Seng Plantations:⁸²

- Jeroco Plantations
- Hap Seng Plantations (River Estates)

8.4 Expansion plans

The following information was found on expansion plans of Hap Seng Plantations:

- In December 2001 the head of East Kutai district in East Kalimantan, Awang Faroek Ishak, announced that the Hap Seng Group eyed East Kutai to open 50,000 hectares of oil palm plantation. He added that the district authority planned to build a 200 km- Sangkulirang-Wahau road for access to the plantation, which is located close to Maloi port.⁸³ Since then, no further announcement on this plan was found.

⁷⁷ Annual Report 2007, Hap Seng Consolidated Bhd., Petaling Jaya, July 2007.

⁷⁸ Hap Seng plantations listed on the main board, Press release Hap Seng Plantations Bhd., Kuala Lumpur, 16 November 2007.

⁷⁹ Annual Report 2007, Hap Seng Consolidated Bhd., Petaling Jaya, July 2007.

⁸⁰ Annual Report 2007, Hap Seng Consolidated Bhd., Petaling Jaya, July 2007.

⁸¹ Prospectus, Hap Seng Plantations Holdings Bhd., Petaling Jaya, 22 October 2007.

⁸² Annual Report 2007, Hap Seng Consolidated Bhd., Petaling Jaya, July 2007.

⁸³ Malaysian company eyes investment in Indonesian oil palm, Antara, Jakarta, 20 December 2001.

9. IJM Group

9.1 Short profile of the IJM Group

The IJM Group is a diversified Malaysian oil palm plantation group headed by IJM Corporation Bhd. The Group is active in construction, property development, industries, oil palm plantations, toll concessions, port operations and international ventures.⁸⁴

The oil palm plantation activities of the IJM Group are managed by IJM Plantations, which is listed on the Bursa Malaysia. IJM Corporation holds 50.3% of the shares of IJM Plantations.

In the fiscal year ending at the end of March 2007, IJM Plantations realised an annual revenue of RM 271.6 million (£ 42.6 million), resulting in a net profit of RM 44.0 million (£ 6.9 million). The oil palm plantation activities accounted for the complete revenue.⁸⁵

9.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of IJM Plantations since early 2003:

- In July 2007 IJM Plantations mentioned HSBC among its four principal bankers.⁸⁶

9.3 Oil palm plantation holdings

In March 2007 IJM Plantations owned a land bank of 29,807 hectares in Sabah, of which 25,421 hectares were planted with oil palm. 16,031 hectares of the total planted area are located in the Sugut region, and the remaining 9,390 hectares in the Sandakan region in Sabah. The company owns three CPO mills, which produced 144,095 tons of CPO in 2006-2007, and a kernel crushing plant.⁸⁷

The following plantation and milling subsidiaries are owned by IJM Plantations:⁸⁸

- Akrab Perkasa Sdn. Bhd.
- Ampas Maju Sdn. Bhd.
- Berakan Maju Sdn. Bhd.
- Desa Talisai Palm Oil Mill Sdn. Bhd.
- Desa Talisai Sdn. Bhd.
- Excellent Challenger (M) Sdn. Bhd.
- Gapas Mewah Sdn. Bhd.
- Golden Grip Sdn. Bhd.
- IJM Edible Oils Sdn. Bhd.
- Kulim Mewah Sdn. Bhd.
- Laserline Sdn. Bhd.

⁸⁴ Website IJM Corporation (www.ijm.com), Viewed in February 2008.

⁸⁵ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

⁸⁶ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

⁸⁷ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

⁸⁸ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

- Rakanan Jaya Sdn. Bhd.
- Rantajasa Sdn. Bhd.
- Sabang Mills Sdn. Bhd
- Sijas Plantations Sdn. Bhd.
- Sri Kilau Sdn. Bhd.



Figure 2. Location of IJM Plantations' oil palm plantations

9.4 Expansion plans

As most of the Group's land bank is cultivated and suitable land availability at acceptable price in Sabah is virtually getting scarce, IJM Plantations intends to expand its operation to Indonesia. The following information was found on acquisitions following this objective:

- In November 2006, IJM Plantations acquired PT Primabahagia Permai. This company owns an oil palm concession area of 11,200 hectares in Bulungan (East Kalimantan).⁸⁹
- In June 2007, IJM Plantations acquired PT Zarhasih Kaltim Perkasa and PT Sinergi Agro Industri. These companies own oil palm concession areas of approximately 10,000 and 11,434 hectares respectively located in Kutai Timur (East Kalimantan).⁹⁰

IJM Plantations plans to cultivate about 4,000 hectares with oil palms in the initial two years before scaling up the planting.⁹¹

⁸⁹ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

⁹⁰ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

⁹¹ Annual Report 2007, IJM Plantations Bhd., Sandakan, July 2007.

10. Kretam Group

10.1 Short profile of the Kretam Group

The Kretam Group is a small Malaysian oil palm plantation group headed by Kretam Holdings Bhd. Until recently, the company was also active in stock broking and property development, but these activities were discontinued in 2006.⁹²

In 2006-2007 Kretam Holdings realised an annual revenue of RM 75.4 million (£ 11.8 million), resulting in a net profit of RM 4.4 million (£ 0.7 million). The oil palm plantation activities accounted the entire revenue of continuing operations.⁹³

10.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Kretam Holdings since early 2003:

- In April 2007 Kretam Holdings mentioned HSBC among its five principal bankers.⁹⁴

10.3 Oil palm plantation holdings

Kretam Holdings owns a total land bank of 20,766 hectares in Sandakan and Tawau regions in Sabah, of which 14,583 hectares were planted at the end of 2006. CPO production amounted to 35,914 ton in 2006.⁹⁵

The following oil palm plantation and milling subsidiaries are owned by Kretam Holdings:⁹⁶

- Kretam Management Sdn. Bhd.
- Syarikat Kretam Mill Sdn. Bhd.
- Syarikat Kretam Plantations Sdn. Bhd.
- Winpalm Development Sdn. Bhd.

10.4 Expansion plans

No information was found on recent expansion plans of Kretam Holdings.

⁹² Annual Report 2006, Kretam Holdings Bhd., Sandakan, April 2007.

⁹³ Annual Report 2006, Kretam Holdings Bhd., Sandakan, April 2007.

⁹⁴ Annual Report 2006, Kretam Holdings Bhd., Sandakan, April 2007.

⁹⁵ Annual Report 2006, Kretam Holdings Bhd., Sandakan, April 2007.

⁹⁶ Annual Report 2006, Kretam Holdings Bhd., Sandakan, April 2007.

11. Kuala Lumpur Kepong Group

11.1 Short profile of the Kuala Lumpur Kepong Group

The Kuala Lumpur Kepong (KLK) Group is a 100 year-old Malaysian multinational company involved in plantations, manufacturing, retailing and property development. Rubber and oil palm plantations remain KLK's core business. However, the KLK Group in the 1990s expanded downstream into resource-based manufacturing including cocoa processing, rubber products, the manufacture of fatty acids, glycerine, derivatives and specialty oleo-chemicals. With Malaysian joint-venture partners, KLK has vegetable oil operations in Pakistan and the People's Republic of China. The group has also ventured into property development. Since the acquisition of Crabtree & Evelyn in 1996, the KLK Group is involved in the manufacturing and retailing of personal care products, toiletries, home fragrances and fine foods worldwide. The KLK Group is controlled by the Malaysian Lee family.⁹⁷

In the year ending at the end of September 2007, Kuala Lumpur Kepong realised an annual turnover of RM 5,067.6 million (£ 795.6 million) and a net profit of RM 694.2 million (£ 109.0 million). Its oil palm plantation activities contributed 46% to the total annual revenue.⁹⁸

11.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Kuala Lumpur Kepong since early 2003:

- In December 2007 Kuala Lumpur Kepong mentioned HSBC among its six principal bankers.⁹⁹

11.3 Oil palm plantation holdings

Kuala Lumpur Kepong is amongst the top plantation companies in Malaysia. Over the past two years, KLK has been expanding its land bank strongly - especially in Indonesia. At the end of September 2007 KLK owned a total plantation land bank of 203,322 hectares, spread as follows: 64,256 hectares in Peninsular Malaysia, 40,274 hectares in Sabah (Kinabatangan, Lahad Datu and Tawau regions) and 98,792 hectares in Indonesia.

Total planted acreage of the Kuala Lumpur Kepong Group in Malaysia and Indonesia amounted to 134,981 hectares with oil palm and 19,584 ha with rubber at the end of September 2007. The plantable reserve amounted to 38,391 ha, mostly in Indonesia.

The KLK group owns eleven CPO mills and two palm oil refineries.¹⁰⁰

11.4 Expansion plans

In the past two years, KLK has expanded its land bank in Indonesia with 59,644 hectares by the following acquisitions:

⁹⁷ Website Kuala Lumpur Kepong Group (www.klk.com.my), Viewed in January 2008.

⁹⁸ Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

⁹⁹ Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

¹⁰⁰ Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

- In March 2006 Kuala Lumpur Kepong acquired a 95% share in PT Jabontara Eka Karsa, which owns an oil palm concession for approximately 14,086 ha in Berau (East Kalimantan).¹⁰¹
- In June 2006 Kuala Lumpur Kepong agreed to acquire 90% of PT Mulia Agro Permai, which has a concession for approximately 9,056 ha in Sampit (Central Kalimantan).¹⁰²
- In April 2007 Kuala Lumpur Kepong acquired PT Hutan Hijau Mas, which has a concession of 7,710 ha in Berau (East Kalimantan).¹⁰³
- In June 2007, Kuala Lumpur Kepong acquired PT Karya Makmur and PT Menteng Jaya Sawit Perdana. These two companies hold concessions for 20,526 hectares of plantation land in Kotawaringin Timur (Central Kalimantan).¹⁰⁴
- In August 2007, the company acquired a 92% stake in PT Malindomas Perkebunan which holds approximately 8,266 ha of plantation land in Berau, East Kalimantan. 3,800 ha. has already been planted, the rest will be planted in the next two years.¹⁰⁵

The KLK Group now owns the following oil palm plantation subsidiaries in Indonesia:¹⁰⁶

• PT Adei Plantation & Industri	Riau	29,359 ha
• PT Hutan Hijau Mas	Berau, East Kalimantan	7,710 ha
• PT Jabontara Eka Karsa	Berau, East Kalimantan	14,086 ha
• PT Karya Makmur Abadi	Kotawaringin Timur, Central Kalimantan	13,127 ha
• PT Menteng Jaya Sawit	Kotawaringin Timur, Central Kalimantan	7,399 ha
• PT Mulia Agro Permai	Sampit, Central Kalimantan	9,056 ha
• PT Parit Sembada	Belitung island	3,990 ha
• PT Steelindo Wahana Perkasa	Belitung island	14,065 ha

In Malaysia the KLK Group owns the following oil palm plantation subsidiaries:¹⁰⁷

• Axe Why Zed Sdn Bhd	Sabah
• Bandar Merchants Sdn Bhd	Sabah
• Bornion Estate Sdn Bhd	Sabah
• Gocoa Sdn Bhd	Sabah
• Golden Peak Development Sdn Bhd	Sabah
• Golden Sphere Sdn Bhd	Sabah
• Golden Yield Sdn Bhd	Sabah
• Gunong Pertanian Sdn Bhd	West-Malaysia
• K.H. Syndicate Ltd	West-Malaysia

¹⁰¹ Announcement to the Bursa Malaysia, Kuala Lumpur Kepong Bhd., Ipoh, 11 January 2006; Announcement to the Bursa Malaysia, Kuala Lumpur Kepong Bhd., Ipoh, 27 March 2006

¹⁰² Announcement to the Bursa Malaysia, Kuala Lumpur Kepong Bhd., Ipoh, 14 June 2006.

¹⁰³ Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

¹⁰⁴ Announcement to the Bursa Malaysia, Kuala Lumpur Kepong Bhd., Ipoh, 2 February 2007; Announcement to the Bursa Malaysia, Kuala Lumpur Kepong Bhd., Ipoh, 13 June 2007; Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

¹⁰⁵ Announcement to the Bursa Malaysia, Kuala Lumpur Kepong Bhd., Ipoh, 29 August 2007.

¹⁰⁶ Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

¹⁰⁷ Annual Report 2007, Kuala Lumpur Kepong Bhd., Ipoh, December 2007.

• Kalumpang Estates Sdn Bhd	Sabah
• KL-Kepong (Sabah) Sdn Bhd	Sabah
• KL-Kepong Edible Oils Sdn Bhd	West-Malaysia
• KL-Kepong Plantation Holdings Sdn Bhd	West-Malaysia
• Kulumpang Development Corporation Sdn Bhd	Sabah
• Ladang Finari Sdn Bhd	Sabah
• Ladang Sumundu (Sabah) Sdn Bhd	Sabah
• Leluasa Untung Sdn Bhd	Sabah
• Masawit Plantation Sdn Bhd	Sabah
• Parit Perak Plantations Sdn Bhd	Sabah
• Pinji Horticulture Sdn Bhd	Sabah
• Richinstock Sawmill Sdn Bhd	Sabah
• Segar Usaha Sdn Bhd	Sabah
• Selit Plantations (Sabah) Sdn Bhd	Sabah
• Sunshine Plantation Sdn Bhd	Sabah
• Sy Kho Trading Plantation Sdn Bhd	Sabah
• Syarikat Budibumi Sdn Bhd	Sabah
• Syarikat Swee Keong (Sabah) Sdn Bhd	Sabah
• Taiko Plantations Sdn Bhd	West-Malaysia
• The Kuala Pertang Syndicate Ltd	West-Malaysia
• The Shanghai Kelantan Rubber Estates (1925) Ltd	West-Malaysia
• Uni-Agro Multi Plantations Sdn Bhd	West-Malaysia

11.5 Social and environmental issues

The following information was found on social and environmental issues in which the oil palm plantation holdings of the KLK Group are involved:

- PT Adei Plantation & Industri, which operates two oil palm plantations in Riau, has been convicted for open-burning practices committed in 2000. These practices were a clear violation of the Indonesian law. Some 1,500 hectares of forest had been burned as a result of the company's land-clearing activities. The Indonesian High Court ordered the company to pay a fine of Rp 100 million (about US\$ 10,000) and ordered an eight-month jail term. A civil lawsuit from the government was dropped in 2003 when PT Adei Plantation & Industri agreed to pay US\$ 1.1 million in settlement money. The money would be used to finance reforestation programmes.¹⁰⁸

¹⁰⁸ Malaysian-Indonesian firm convicted of open burning, Deborah Loh & Koh Lay Chin, *New Straits Times*, waar, 12 June 2002; Malaysian plantation firm to pay 1.1 million dlrs over Indonesia haze, AFP, 1 May 2003

12. Kwantas Group

12.1 Short profile of the Kwantas Group

The Kwantas Group is a mid-sized Malaysian oil palm plantation group headed by Kwantas Corporation Bhd. The group is active in oil palm plantations, edible oil refining and oleochemicals in Malaysia and China. The company also started to produce biomass energy. Kwantas Corporation is listed on the Bursa Malaysia but is controlled by the Kwan Ngen family.¹⁰⁹

In 2006-2007 Kwantas Corporation realised an annual revenue of RM 1,950.0 million (£ 306.2 million), resulting in a net profit of RM 94.0 million (£ 14.8 million). The oil palm plantation activities accounted for 99% of total revenue.¹¹⁰

12.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Kwantas since early 2003:

- In November 2007 Kwantas Corporation mentioned HSBC among its twelve principal bankers.¹¹¹

12.3 Oil palm plantation holdings

In Malaysia Kwantas Corporation at the end of June 2007 owned oil palm plantation holdings with a total land bank of 36,977 hectares. About 17,545 hectares are located in Kinabatangan region in Sabah and 19,432 hectares is located in Mukah and Ulu Balingian regions in Sarawak. The planted acreage amounts 14,678 hectares, while 22,299 hectares - mainly in Sarawak - are still available for planting. The company produced 130,423 tonnes of CPO in the year 2006/2007.¹¹²

The following plantation subsidiaries are owned by Kwantas Corporation:¹¹³

- Aman Bersatu Sdn. Bhd.
- Benar Bersatu Sdn. Bhd.
- Green Ace Resources Sdn. Bhd.
- Haranky Sdn. Bhd.
- Kwantas Land Development Sdn. Bhd.
- Kwantas Oil Sdn. Bhd.
- Kwantas Oleo Sdn. Bhd.
- Kwantas Plantations Sdn. Bhd.
- Miracle Harvest Sdn. Bhd.

¹⁰⁹ Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

¹¹⁰ Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

¹¹¹ Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

¹¹² Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

¹¹³ Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

12.4 Expansion plans

The following information was found on expansion plans of Kwantas Corporation:

- During 2006 Kwantas acquired 19,432 hectares of plantation land in Mukah and Ulu Balingian regions in Sarawak. This land is still unplanted and will be developed over the next five years.¹¹⁴
- In November 2007 Kwantas announced its intention to expand its land bank to approximately 200,000 hectares through the acquisition of suitable plantation land in Kalimantan, Indonesia.¹¹⁵

¹¹⁴ Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

¹¹⁵ Annual Report 2007, Kwantas Corporation., Lahad Datu, November 2007.

13. Mentiga Group

13.1 Short profile of the Mentiga Group

The Mentiga Group is a small Malaysian business group headed by Mentiga Corporation Bhd. The group is active in timber extraction and oil palm plantation development.¹¹⁶

In 2006 Mentiga Corporation realised an annual revenue of RM 13.0 million (£ 2.0 million), resulting - as a consequence of extraordinary profits made on the sale of some subsidiaries - in a net profit of RM 23.4 million (£ 3.7 million). The oil palm plantation activities accounted for about 32% of the revenue of continuing operations.¹¹⁷

13.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Mentiga Corporation since early 2003:

- In April 2007 Mentiga Corporation mentioned HSBC among its two principal bankers.¹¹⁸

13.3 Oil palm plantation holdings

Mentiga Corporation owns a total land bank of 4,855 hectares in Pahang in peninsular Malaysia, of which nothing was planted at the end of 2006.¹¹⁹

The company recently sold its oil palm plantation activities in Indonesia. In July 2006 the company sold its 56% stake in PT Rebinmas Jaya, which owns three oil palm plantations on Belitung island with a planted acreage of 15,871 hectares, to Delloyd Plantation Sdn. Bhd. (see section 7.).¹²⁰

The following oil palm plantation and milling subsidiaries are owned by Mentiga Corporation:¹²¹

- Mentiga Plantation Sdn. Bhd. Kuantan (Pahang)

13.4 Expansion plans

No information was found on recent expansion plans of Mentiga Corporation.

¹¹⁶ Annual Report 2006, Mentiga Corporation Bhd., Kuala Lumpur, April 2007.

¹¹⁷ Annual Report 2006, Mentiga Corporation Bhd., Kuala Lumpur, April 2007.

¹¹⁸ Annual Report 2006, Mentiga Corporation Bhd., Kuala Lumpur, April 2007.

¹¹⁹ Annual Report 2006, Mentiga Corporation Bhd., Kuala Lumpur, April 2007.

¹²⁰ Annual Report 2006, Mentiga Corporation Bhd., Kuala Lumpur, April 2007.

¹²¹ Annual Report 2006, Mentiga Corporation Bhd., Kuala Lumpur, April 2007.

14. Salim Group

14.1 Short profile of the Salim Group

Until the economic crisis of 1998, the Salim Group was the largest private business group in Indonesia. The group generated US\$ 20 billion in annual sales, and comprised 500 companies with 200,000 employees. The Salim Group accounted for 5 percent of Indonesia's economic output, and was active in the food industry, the car industry, building materials, property, telecommunications, banking and trading.



The Salim Group was founded by the Chinese immigrant Liem Sioe Liong, who later changed his name to Sudono Salim. Liem was one of the closest friends and business partners of ex-president Suharto. The group is still controlled by the Salim family, and is now headed by Sudono's son Anthony (see picture).¹²²

The financial crisis of 1998 has reduced the size of the Salim Group, but it remains one of the largest business groups in Indonesia with extensive holdings in the rest of Southeast Asia. Its most important holding company is First Pacific Company Ltd. in Hong Kong. The Group now is mainly active in food, shipping, telecom and cement.

The American business magazine *Forbes* in September 2006 listed Liem Sioe Liong among the top-ten of richest men in Indonesia, with an estimated personal wealth of US\$ 800 million.¹²³

The flagship company of the Salim Group in Indonesia is PT Indofood Sukses Makmur Tbk., which is the largest food company in Indonesia. With leading domestic market shares for most of its products, including instant noodles, wheat flour, branded edible oils and fats, baby foods and snack foods, Indofood also produces food seasonings products. Currently Indofood is the largest instant noodles manufacturer and the largest flour miller in the world. Indofood owns the largest distribution network in Indonesia.¹²⁴

In 2006 Indofood realised consolidated net sales of Rp 21,941.6 billion (US\$ 2.4 billion), resulting in a net profit of Rp 661.2 billion (US\$ 72.0 million).¹²⁵

The company is listed on the Jakarta stock exchange, but 51.53% of its shares are owned by First Pacific Company Ltd. in Hong Kong.¹²⁶ In turn, this company is controlled by the Indonesian Salim Group which holds 44.5% of the shares.¹²⁷

¹²² The myth of Chinese domination, George J. Aditjondro, *The Jakarta Post*, Jakarta, 13 August 1998; Indonesia: A tycoon under siege, *Business Week*, New York, 28 September 1998; Anthony Salim's comeback may be coming apart, *BusinessWeek*, New York, 3 May 1999; Year of living dangerously for a tycoon in Indonesia, by Mark Landler, *The New York Times*, New York, 16 May 1999; Indofood to sell Bogasari mill to strategic buyers, *The Jakarta Post*, Jakarta, 7 October 1999

¹²³ Special Report - Indonesia's 40 Richest, Justin Doebele with Chaniga Vorasarun, *Forbes Asia*, Hong Kong, 7 September 2006

¹²⁴ Website PT Indofood Sukses Makmur (www.indofood.co.id), Viewed in January 2008.

¹²⁵ Annual report 2006, PT Indofood Sukses Makmur, Jakarta, May 2007.

¹²⁶ Annual report 2006, PT Indofood Sukses Makmur, Jakarta, May 2007.

¹²⁷ Liem investors reorganize their interests in First Pacific, Press release First Pacific, Hong Kong, 1 May 2006

14.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of the Indofood Sukses Makmur and its subsidiaries since early 2003:

- During 2004 and 2005 Indofood entered into short-term forward contract agreements with various banks, including HSBC. The total aggregate amount of the outstanding forward contracts at the end of 2005 was US\$ 22 million.¹²⁸
- At the end of 2006, HSBC had a trust receipt facility with PT Indofood Sukses Makmur with a total value of US\$ 35 million. The outstanding amount was Rp 110.4 billion.¹²⁹
- In May 2007, PT Indofood Sukses Makmur mentioned HSBC among its 24 principal bankers.¹³⁰

14.3 Oil palm plantation holdings

The Salim Group used to be a major owner of oil palm plantations in Indonesia. Around 1998 the total concession area of the oil palm plantations of the Salim Group reportedly totalled 1,155,745 hectares, of which 95,310 hectares were already planted.¹³¹

But in 1998 the bank of the Salim Group, Bank Central Asia, was taken over by the Indonesian Bank Restructuring Agency to save it from collapsing. To compensate for the bad debts of this bank, the Salim Group had to transfer shareholdings in 25 oil palm plantations in Sumatra, Kalimantan and Sulawesi to the IBRA. The total acreage of these plantations was 260,000 hectares. In November 2000, these plantations were sold to the Malaysian company Kumpulan Guthrie Bhd., which is now part of the Sime Darby Group (see 16).¹³²

Not all oil palm holdings of the Salim Group were transferred to IBRA. At the end of 2005 Indofood still owned five oil palm plantations in Riau with a total planted oil palm acreage of just over 60,000 hectares. Total CPO output of Indofood amounted to 297,100 tonnes in 2005.¹³³

Indofood therefore still was one of the larger CPO producers in Indonesia. But it is important to note that this CPO production was not sufficient for the company's internal needs as Indofood Sukses Makmur is by far the largest processor of palm oil in Indonesia. Indofood's subsidiary Intiboga Sejahtera had a 42% market share on the Indonesian cooking oil market in 2005 and a 59% share of the market for margarine and shortening. Large quantities of oil, margarine and shortening are processed further by Indofood itself into products as instant noodles, snack food and baby food. Intiboga Sejahtera has two major plants with a combined refining capacity of 734,000 tons of CPO per year.¹³⁴

Despite owning five oil palm plantation companies, Indofood could only source less than half of its CPO needs from its own oil palm plantations. In 2004 Indofood formulated the long-term goal to expand its planted oil palm plantation acreage to 250,000 hectares by 2015, to raise its CPO output to 1 million tonnes in 2015.¹³⁵

¹²⁸ Annual report 2005, PT Indofood Sukses Makmur, Jakarta, April 2006.

¹²⁹ Annual report 2006, PT Indofood Sukses Makmur, Jakarta, May 2007.

¹³⁰ Annual report 2006, PT Indofood Sukses Makmur, Jakarta, May 2007.

¹³¹ The Hesitant Boom: Indonesia's oil palm sub-sector in an era of economic crisis and political change, Anne Casson, CIFOR Occasional Paper No. 29, Centre for International Forestry Research, Jakarta, June 2000

¹³² IBRA and Holdiko sell shares in palm plantation companies for USD 350 million, Press Release Holdiko, Jakarta, 27 November 2000; Indonesian government closes US\$368 million sale of oil palm assets, Press Release Ministry of Economic Affairs, Jakarta, 13 March 2001

¹³³ Annual report 2005, PT Indofood Sukses Makmur, Jakarta, April 2006.

¹³⁴ Website PT Indofood Sukses Makmur (www.indofood.co.id), Viewed in October 2006

¹³⁵ Annual report 2005, PT Indofood Sukses Makmur, Jakarta, April 2006

To attract the funds to develop these concession areas into oil palm plantations as soon as possible, Indofood listed its oil palm plantation holdings on the Singapore stock exchange in January 2007. The Singaporean company Indofood Agri Resources, which is 74.33% owned by the Salim Group, is now the holding company for all oil palm plantations of the Group.¹³⁶

As a result of a series of acquisitions (see paragraph 14.4), Indofood Agri Resources in November 2007 owned a combined land bank of 403,449 hectares, of which 149,508 hectares are planted with oil palm and 27,226 hectares with other crops. This leaves about 227,000 hectares unplanted.¹³⁷

As a result of a series of acquisitions (see paragraph 14.4), Indofood Agri Resources now owns the following oil palm plantation subsidiaries:¹³⁸

- PT Agrosibur Permai South Sumatra
- PT Cibaliung Tunggal Plantations Rokan Hilir, Riau
- PT Citra Kalbar Sarana West Kalimantan
- PT Citranusa Intisawit West Kalimantan
- PT Gelora Mahapala
- PT Gunta Samba Central Kalimantan
- PT Gunung Mas Raya Rokan Hilir, Riau
- PT Indoagri Inti Plantation Riau
- PT Indriplant Indragiri Hulu, Riau
- PT Jake Sarana West Kalimantan
- PT Kebun Ganda Prima West Kalimantan
- PT London Sumatra International
- PT Mega Citra Perdana Central Kalimantan
- PT Mentari Subur Abadi South Sumatra
- PT Mitra Inti Sejati Plantation West Kalimantan
- PT Multi Agro Kencana Prima
- PT Multi Pacific Internasional Central Kalimantan
- PT Multi Raya Ekatama
- PT Panca Tirta Budi Agung
- PT Riau Agrotama Plantation West Kalimantan
- PT Salim Ivomas Pratama Bengkalis, Riau
- PT Sarana Inti Pratama Riau
- PT Serikat Putra Indragiri Hulu, Riau
- PT Swadaya Bhakti Negaramas East Kalimantan

¹³⁶ Annual report 2006, Indofood Agri Resources, Singapore, April 2007.

¹³⁷ Proposed acquisition of a majority interest in PT PP London Sumatra Indonesia Tbk., Presentation by Indofood Agri Resources, Singapore, 28 May 2007; Tender Offer Statement, PT Salim Ivomas Pratama, Jakarta, 22 November 2007.

¹³⁸ Abridged Circular Letter to the Shareholders, PT Indofood Sukses Makmur, Jakarta, 15 September 2006; Annual report 2006, PT Indofood Sukses Makmur, Jakarta, May 2007; Consolidated Financial Statements 31 April 2007 / December 2006 and 2005, PT PP London Sumatra Indonesia Tbk., Jakarta, August 2007; Announcement to the Singapore Stock Exchange, Indofood Agri Resources, Singapore, 2 October 2007.

14.4 Recent expansion plans

To achieve the goal of a planted oil palm plantation acreage of 250,000 hectares by 2015, Indofood Sukses Makmur (and later Indofood Agri Resources) since 2005 have been expanding their plantation holdings very rapidly since mid-2005:

- In June 2005 Indofood acquired two plantation companies in West Kalimantan with a total acreage of 27,210 hectares.¹³⁹ Together with some other, minor acquisitions, Indofood at the end of 2005 owned a total oil palm acreage of 95,000 hectares, of which 60,000 hectares were planted.¹⁴⁰
- Early 2006 Indofood acquired an additional 31,000 hectares of oil palm plantation concession areas in West Kalimantan, bringing its total land bank to 138,000 hectares of which 63,000 hectares planted.¹⁴¹
- In August 2006 Indofood acquired a 60% shareholding in three plantation companies which own approximately 85,541 hectares of plantation land in South Sumatra, East Kalimantan and Central Kalimantan. Approximately 2,844 hectares have already been planted with oil palm. These plantation companies were already owned by the Salim Group, which will continue to own the other 40% of the shares. The acquisition value was Rp125 billion (US\$ 12.5 million).¹⁴²
- In October 2006 Indofood obtained a permit to process 225,000 tonnes of CPO for biodiesel use.¹⁴³
- In March 2007 Indofood Agri Resources acquired a 70% shareholding in PT Mitra Inti Sejati Plantation, which owns two plantations in West Kalimantan with a total land bank of 12,950 ha. Approximately 3,522 ha are planted with oil palms.¹⁴⁴
- In October 2007 Indofood reached agreement with the owners of PT PP London Sumatra Indonesia (LonSum) to acquire this Indonesian plantation company for a total amount of Rp 5.7 trillion (US\$ 635 million). Indofood now has a controlling stake of 64.4% of LonSum's shares.¹⁴⁵ There is some doubt as to whether LonSum is still a client of HSBC, since HSBC keeps such information confidential.¹⁴⁶
- The LonSum Group owns plantations in North Sumatra, South Sumatra, East Java, West Java, North Sulawesi, South Sulawesi and East Kalimantan, with a total land bank of 166,416 ha. At the end of April 2007 LonSum had planted a total area of 64,168 hectares with oil palm, and 22,211 hectares with rubber, cocoa, coffee and tea. Additionally, the company was involved in 36,253 hectares of smallholder oil palm estates.¹⁴⁷

¹³⁹ Indonesia's Indofood completes acquisition of two CPO firms, AFX Asia, Jakarta, 6 June 2005

¹⁴⁰ Annual report 2005, PT Indofood Sukses Makmur, Jakarta, April 2006

¹⁴¹ Annual report 2005, PT Indofood Sukses Makmur, Jakarta, April 2006

¹⁴² Indofood to acquire sizeable plantation area, Press release PT Indofood Sukses Makmur, Jakarta, 16 August 2006; Abridged Circular Letter to the Shareholders, PT Indofood Sukses Makmur, Jakarta, 15 September 2006; Indofood to acquire 3 oil palm plantation firms, Antara, Jakarta, 17 October 2006; Announcement to the Singapore Stock Exchange, Indofood Agri Resources, Singapore, 9 March 2007.

¹⁴³ Independent Shareholders of Indofood Approved Plan to Acquire Plantation Companies, Press release PT Indofood Sukses Makmur, Jakarta, 16 October 2006; Indofood plans S'pore share sale for edible oil unit, Reuters, Jakarta, 16 October 2006; Indofood to acquire 3 oil palm plantation firms, Antara, Jakarta, 17 October 2006.

¹⁴⁴ Announcement to the Singapore Stock Exchange, Indofood Agri Resources, Singapore, 13 March 2007; Announcement to the Singapore Stock Exchange, Indofood Agri Resources, Singapore, 2 October 2007; Integrated Plantation With Leading Brands, Presentation by Indofood Agri Resources, Singapore, 31 October 2007.

¹⁴⁵ Shareholders of indofood approved the proposed acquisition of Pt Perusahaan Perkebunan London Sumatra Indonesia Tbk, Press release PT Indofood Sukses Makmur, Jakarta, 23 October 2007.

¹⁴⁶ Jan Willem van Gelder (Profundo), Eric Wakker (AIDEnvironment) People, Planet, Palm Oil? A Review of the Oil Palm and Forest Policies adopted by Dutch Banks, page 50

¹⁴⁷ Consolidated Financial Statements 31 April 2007 / December 2006 and 2005, PT PP London Sumatra Indonesia Tbk., Jakarta, August 2007; Tender Offer Statement, PT Salim Ivomas Pratama, Jakarta, 22 November 2007.

Indofood Agri Resources in November 2007 owned a combined land bank of 403,449 hectares, of which 149,508 hectares are planted with oil palm.¹⁴⁸ As Indofood has the ambition to achieve a planted oil palm acreage of 250,000 hectares by 2015, we assume that at least 100,000 hectares will be planted with oil palm until 2015. The company has announced to plant 70,000 ha in 2008 and 2009.¹⁴⁹

According to a report from the Indonesian news agency Antara in September 2006, Indofood will need about US\$ 630 million to finance all its expansion plans.¹⁵⁰

14.5 Social and environmental issues

The following information is found on social and environmental issues relating to the oil palm plantation subsidiaries of the Salim Group:

- PT Gunung Mas Raya has been investigated on various occasions. In July 2003 an AIDEnvironment report concluded that the company:¹⁵¹
 - is expanding its estates in a sensitive forest area, which is potential High Conservation Value Forest (HCVF);
 - is expanding outside its concession area;
 - is converting peat swamp forests;
 - is endangering the viability of a remaining tiger population;
 - is putting out, most likely illegal, fires in its estates;
 - has conflict over the land claims by local communities which are not properly addressed.

Although the company's attention was drawn to these issues by the report, a study by Jikalahari on behalf of Milieudedefensie in September 2005 essentially came to the same conclusions on PT Gunung Mas Raya:¹⁵²

- there is burning in the concession, caused by the company;
 - there is conversion of natural forests ongoing, driving away the remaining Sumatran tigers and clouded leopards in the area;
 - expansion activities are taking place outside the concession and illegally inside the concession of PT Essa Timber;
 - the roads of PT GMR are used by illegal loggers to transport timber out of the PT Essa Timber concession;
- The plantation company PT PP London Sumatra Indonesia, which was recently acquired by Indofood Agri Resources, has been embroiled in a grim conflict over 165 hectares with the local community of Pergulaan in North Sumatra for over twenty years already.¹⁵³ In March

¹⁴⁸ Proposed acquisition of a majority interest in PT PP London Sumatra Indonesia Tbk., Presentation by Indofood Agri Resources, Singapore, 28 May 2007; Tender Offer Statement, PT Salim Ivomas Pratama, Jakarta, 22 November 2007.

¹⁴⁹ Integrated Plantation With Leading Brands, Presentation by Indofood Agri Resources, Singapore, 31 October 2007.

¹⁵⁰ Indofood expected to spend US\$630 Mln for plantation expansion, Anatra, Jakarta, 8 September 2006.

¹⁵¹ Case study PT Gunung Mas Raya - Report prepared for WWF Asia Pacific Forest Program & WWF Indonesia, Eric Wakker, AIDEnvironment, Amsterdam, July 2003.

¹⁵² Ground check report land and forest burning in PT Gunung Mas Raya (GMR) - Report on behalf of Milieudedefensie, Jikalahari, Pekanbaru, September 2005.

¹⁵³ Action Alert - Stop Indonesian oil palm company destroying forests and intimidating local communities, Friends of the Earth England, Northern Ireland and Wales, London, 28 May 2004.

2004, the people tried to reclaim their land through non-violent protest. The following month, the company started to dig a ditch - 6 foot deep and 4 feet wide around the perimeter of the village. Children cannot get to school, people cannot get to market or get to their farmland.¹⁵⁴ After a non-violent protest in March 2006, two villagers were sentenced to two years imprisonment in December and nine others were sentenced to one year plus fines of Rp 500,000.¹⁵⁵

¹⁵⁴ HSBC - financing forest destruction and social conflict, Friends of the Earth England, Northern Ireland and Wales, London, 28 May 2004.

¹⁵⁵ Petani Serdang Bedagai Divonis 1 Tahun Penjara, Khairul Ikhwan, Detik.com, 14 December 2006.

15. Shin Yang Group

15.1 Short profile of Shin Yang Group

The Shin Yang Group is a Malaysian business group which dominates the local economy of Miri (Sarawak), headed by Shin Yang Holding Sdn. Bhd. The group is engaged in logging and timber processing, pulp and oil palm plantations, shipping and shipbuilding, quarrying, asphalt and building materials, public transport, barrage, real estate, property development and general trading. All these activities are undertaken in Sarawak. Timber, plywood and laminated board are mainly exported to Japan, China, South-Korea and Taiwan. Shin Yang Holding is owned by the Ling Chiong family.¹⁵⁶

The oil palm plantation holdings of the Shin Yang Group are managed by Sarawak Oil Palms Bhd. In 2006 Sarawak Oil Palms realised an annual turnover of RM 221.5 million (£ 34.8 million), resulting in a net profit of RM 33.8 million (£ 5.3 million). All revenue is contributable to oil palm plantation activities.¹⁵⁷

Sarawak Oil Palms is listed on the Bursa Malaysia. The Shin Yang Group owns about 30% of the company's shares and the Land Custody and Development Authority (LCDA) of Sarawak owns about 28%.¹⁵⁸

15.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Sarawak Oil Palms since early 2003:

- In May 2007 Sarawak Oil Palms mentioned HSBC among its five principal bankers.¹⁵⁹

15.3 Oil palm plantations holdings

Sarawak Oil Palm Bhd. is developing oil palm plantations with a total area of 56,085 hectares in Miri, Balingian and Belaga regions in Sarawak. About 32,201 hectares of these concession areas have been planted with oil palm. The company owns two CPO mills and annual CPO production amounted to 124,873 tons in 2006.¹⁶⁰

¹⁵⁶ Shin Yang Holding Sdn. Bhd. Companies Commission of Malaysia, Kuala Lumpur, October 2005; Website Shin Yang (www.shinyang.com.my), Viewed in February 2008.

¹⁵⁷ Annual report 2006, Sarawak Oil Palms Bhd., Miri, May 2007.

¹⁵⁸ Annual report 2006, Sarawak Oil Palms Bhd., Miri, May 2007.

¹⁵⁹ Annual report 2006, Sarawak Oil Palms Bhd., Miri, May 2007.

¹⁶⁰ Annual report 2006, Sarawak Oil Palms Bhd., Miri, May 2007.

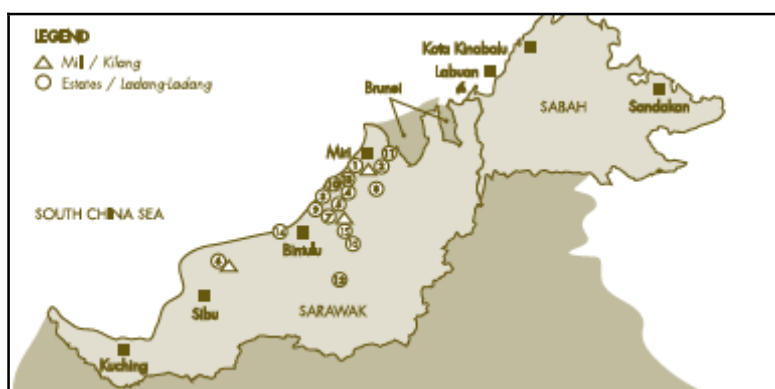


Figure 3. Oil palm holdings of Sarawak Oil Palms

Sarawak Oil Palms owns the following oil palm plantation and milling subsidiaries:¹⁶¹

- Danum Jaya Sdn. Bhd.
- Ebal Plantation Sdn. Bhd.
- SOP Karabungan Sdn. Bhd.
- SOP Pelita Bekenu & Niah Plantation Sdn. Bhd.
- SOP Pelita Kedayan-Kelulit Plantation Sdn. Bhd.
- SOP Plantations (Balingian) Sdn. Bhd.
- SOP Plantations (Borneo) Sdn. Bhd.
- SOP Plantations (Niah) Sdn. Bhd.
- SOP Plantations (Sarawak) Sdn. Bhd.
- SOP Plantations (Suai) Sdn. Bhd.

15.4 Expansion plans

The following information was found on recent expansion plans of Sarawak Oil Palms:

- In May 2006 agreed with Shin Yang Holding Sdn. Bhd., the holding company of the Shin Yang Group, to develop an area of approximately 10,387 hectares into oil palms. Sarawak Oil Palms will own 65% of the joint-venture company Danum Jaya Sdn. Bhd., while Shin Yang Holding Sdn. Bhd. will own the other 35%.¹⁶²

15.5 Social and environmental issues

The following information was found on social and environmental issues relating to Sarawak Oil palm's plantation subsidiaries:

- Over the past few years the Shin Yang Group has been involved in various conflicts with Penan communities in Sarawak regarding the establishment of oil palm plantations on community lands.¹⁶³

¹⁶¹ Annual report 2006, Sarawak Oil Palms Bhd., Miri, May 2007.

¹⁶² Annual report 2006, Sarawak Oil Palms Bhd., Miri, May 2007.

¹⁶³ Land is Life - Land Rights and Oil Palm Development in Sarawak, Marcus Colchester, Wee Aik Pang, Wong Meng Chuo and Thomas Jalong, Forest Peoples Programme and Perkumpulan SawitWatch, Moreton-in-Marsh / Bogor, November 2007.

16. Sime Darby Group

16.1 Short profile of the Sime Darby Group

Sime Darby was set up in 1910 by William Middleton Sime and Henry Darby, to manage rubber plantations in Malacca. The Sime Darby Group now is the largest business group in Malaysia with operations spanning across 20 countries and over 100,000 employees worldwide. The holding company of the group, Sime Darby Bhd., in November 2007 merged with two other large oil palm plantation companies: Golden Hope Plantations and Kumpulan Guthrie. The core businesses of the group are in plantation, property, motors, industrial, energy & utilities and healthcare. The company is majority owned by the Malaysian government.¹⁶⁴

With 543,579 hectares of plantation land in Malaysia and Indonesia, Sime Darby Plantation is the world's largest listed plantations company, accounting for about six per cent of global palm oil production. Sime Darby also owns edible oils and fats refineries in the Netherlands, Malaysia, Singapore, Thailand, Vietnam, South Africa, Morocco and Bangladesh. The group is also involved in oleochemicals. In 2007 the oil palm plantations and agribusiness activities yielded an annual turnover of RM 8,227.7 million (£ 1,291.7 million).¹⁶⁵

16.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of Sime Darby and its predecessors since early 2003:

- In January 2003 Sime Darby issued RMB 500 million (£ 78.5 million) of medium-term Islamic bonds on the Malaysian market. Bookrunners for the issuance were CIMB and HSBC.¹⁶⁶
- In August 2003 Kumpulan Guthrie secured a five year US\$ 230 million term loan from an international banking syndicate arranged by Bumiputra-Commerce Bank, part of CIMB Group (Malaysia), and DBS Bank (Singapore). This facility will be used to refinance an older loan. Among the nine banks participating in the syndicate was HSBC.¹⁶⁷
- In October 2004 Kumpulan Guthrie secured a five year US\$ 60 million loan to refinance older debt. Among the three banks participating in the syndicate was HSBC, who participated with US\$ 20 million.¹⁶⁸
- In August 2005 Kumpulan Guthrie signed a seven-year US\$ 480 million term loan facility with an international banking syndicate. The principal purpose of this loan was to refinance Guthrie's US dollar loans arranged earlier for the acquisition and working capital of its Indonesian plantations. First it would be used to refinance the US\$ 60 million loan signed in October 2004 and the US\$ 230 million loan obtained in August 2003. Among the four banks arranging this syndicate was HSBC. Another eight banks participated in the syndicate.¹⁶⁹
- In December 2005 Sime Darby, issued RMB 500 million (£ 78.5 million) of medium-term Islamic bonds on the Malaysian market. Bookrunners for the issuance were CIMB and HSBC.¹⁷⁰

¹⁶⁴ Website Sime Darby (www.simedarby.com), Viewed in February 2008.

¹⁶⁵ Website Sime Darby (www.simedarby.com), Viewed in February 2008.

¹⁶⁶ Sime Darby launches first Islamic bond issue, Nick Lord, Financeasia.com, 13 January 2003..

¹⁶⁷ Announcement to the Bursa Malaysia, Kumpulan Guthrie Berhad, Kuala Lumpur, 17 June 2003; Annual Report 2005, Kumpulan Guthrie Berhad, Kuala Lumpur, May 2004.

¹⁶⁸ Loans round-up, Euroweek, Asian Pacific – Issue 878, London, 5 November 2004.

¹⁶⁹ Malaysia, Euroweek, Issue 914, London, 29 July 2005; Announcement to the Bursa Malaysia, Kumpulan Guthrie Berhad, Kuala Lumpur, 22 August 2005; Annual Report 2005, Kumpulan Guthrie Berhad, Kuala Lumpur, May 2006.

¹⁷⁰ Sime Darby tightens price on top-rated transaction, Euroweek - Issue: 934, London, 16 December 2005.

16.3 Oil palm plantation holdings

In Malaysia, Sime Darby Bhd. since the merger owns a total of 140 oil palm estates spanning over 329,470 hectares in Peninsular Malaysia, Sarawak and Sabah. The Group has 42 oil palm mills throughout Malaysia with a total average capacity of 49,870 tonnes a day.¹⁷¹

The Sime Darby Group owns the following oil palm plantation and milling subsidiaries in Malaysia:¹⁷²

- Austral Enterprises Bhd.
- Chartquest Sdn. Bhd.
- Consolidated Plantations Bhd.
- Derawan Sdn. Bhd.
- Golden Hope Plantations (Peninsular) Sdn. Bhd.
- Golden Hope Plantations (Sabah) Sdn. Bhd.
- Golden Hope Plantations (Sarawak) Sdn. Bhd.
- Guthrie Ropel Bhd.
- Highlands & Lowlands Bhd.
- Kempas Edible Oil Sdn. Bhd.
- Kumpulan Jerai Sdn. Bhd.
- Kumpulan Kamuning Sdn. Bhd.
- Kumpulan Ladang-Ladang Rajawali Sdn. Bhd.
- Kumpulan Linggi Sdn. Bhd.
- Kumpulan Sua Betong Sdn. Bhd.
- Kumpulan Tebong Sdn. Bhd.
- Kumpulan Temiang Sdn. Bhd.
- Sahua Enterprise Sdn. Bhd.
- Sime Plantations Sdn. Bhd.
- Syarikat Jeleta Bumi Sdn. Bhd.
- Wangsa Mujur Sdn. Bhd.

In Indonesia, Sime Darby's oil palm estates cover 195,856 hectares and the group owns 23 oil palm mills throughout Indonesia.¹⁷³ The Indonesian oil palm plantation subsidiaries of the Sime Darby Group include:¹⁷⁴

- PT Aneka Intipersada
- PT Anugerah Sumbermakmur
- PT Asricipta Indah
- PT Bahari Gembira Ria
- PT Bersama Sejahtera Sakti
- PT Bhumireksa Nusasejati
- PT Bina Sains Cemerlang

¹⁷¹ Website Sime Darby (www.simedarby.com), Viewed in February 2008.

¹⁷² Annual Report 2006, Golden Hope Plantations Bhd., Kuala Lumpur, October 2006; Annual Report 2006, Kumpulan Guthrie Berhad, Kuala Lumpur, May 2007; Annual Report 2007, Sime Darby Berhad, Kuala Lumpur, October 2007.

¹⁷³ Website Sime Darby (www.simedarby.com), Viewed in February 2008.

¹⁷⁴ Annual Report 2006, Golden Hope Plantations Bhd., Kuala Lumpur, October 2006; Annual Report 2006, Kumpulan Guthrie Berhad, Kuala Lumpur, May 2007; Annual Report 2007, Sime Darby Berhad, Kuala Lumpur, October 2007.

- PT Budidaya Agro Lestari
- PT Guthrie Pecconina Indonesia
- PT Indotruba Tengah Indonesia
- PT Kartika Inti Perkasa
- PT Kridatama Lancar
- PT Ladangrumpun Suburabadi
- PT Laguna Mandiri
- PT Lahan Tani Sakti
- PT Langgeng Muaramakmur
- PT Minamas Gemilang
- PT Mitra Austral Sejahtera
- PT Muda Perkasa Sakti
- PT Padang Palma Permai
- PT Paripurna Swakarsa
- PT Perkasa Subur Sakti
- PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala
- PT Sajang Heulang
- PT Sandika Natapalma
- PT Sime Indo Agro
- PT Sritijaya Abaditama
- PT Swadaya Andika
- PT Tamaco Graha Krida
- PT Teguh Sempurna
- PT Tunggal Mitra Plantations

16.4 Expansion plans

The following information was found on recent expansion plans of the Sime Darby:

- Before the merger, Kumpulan Guthrie was considering to establish a biodiesel plant in Indonesia.¹⁷⁵

16.5 Social and environmental issues

The following information was found on social and environmental issues relating to Sime Darby's plantation subsidiaries:

- In 1998 several legal suits were filed against certain subsidiary companies of the Sime Darby Group in Indonesia for alleged losses suffered of approximately RM 164 million due to alleged open burning to clear land which has spread to the plaintiffs' land. The case is presently still pending. It must be stressed, however, that these legal suits were filed before Kumpulan Guthrie acquired these subsidiaries in November 2000 from the IBRA.¹⁷⁶

¹⁷⁵ No more borrowings!, V. Prathaban and Bhupinder Singh, Malaysian Business, Kuala Lumpur, 16 June 2006; Guthrie mulls biodiesel venture, Zaidi Isham Ismail, New Straits Times, Kuala Lumpur, 17 June 2006; Malaysia's Guthrie seeks \$300 mln in Indonesia IPO, Hsu Chuang Khoo and Naveen Thukral, Reuters, Kuala Lumpur, 1 September 2006.

¹⁷⁶ Annual Report 2005, Kumpulan Guthrie Berhad, Kuala Lumpur, May 2006.

17. United International Group

17.1 Profile of the United International Group

The United International Group is a Danish business group involved in the edible oil sector. The group is headed by United International Enterprises Ltd., which is controlled by the Danish Bek-Nielsen family. Together with the Swedish industrialist Melker Schörling, the United International group holds a 40% controlling interest in AarhusKarlshamn in Denmark.¹⁷⁷

AarhusKarlshamn is the world's leading manufacturer of high value-added speciality vegetable fats, which can be used as substitutes for butterfat and cocoa butter, trans-free solutions for fillings in chocolate and confectionary products, in the cosmetics industry, and as vegetable lubricants for machinery and ingredients in animal feeds. Palm oil is an important feedstock for AarhusKarlshamn.¹⁷⁸

In Malaysia, the United International Group owns a controlling 46.1% share in the plantation company United Plantations Bhd. This company is listed on the Bursa Malaysia and the Copenhagen stock exchange and is active in oil palm and coconut plantations as well as palm oil refining.¹⁷⁹

In 2006 United Plantations realised an annual turnover of RM 597.5 million (£ 93.8 million), resulting in a net profit of RM 150.0 million (£ 23.5 million). Of the total revenue, 64% is attributable to the company's coconut and oil palm plantation activities. Another 42% is attributable to palm oil refining.¹⁸⁰

17.2 Involvement of HSBC

The following information was found on the involvement of HSBC in the financing of United Plantations since early 2003:

- In May 2007 United Plantations mentioned HSBC among its four principal bankers.¹⁸¹

17.3 Oil palm plantations holdings

In Malaysia United Plantations Bhd. owns a total land bank of 40,817 hectares in Perak and Selangor states. In total 38,991 hectares are planted: 35,505 hectares with oil palm and 3,481 hectares with coconut. In 2006 the company produced 192,204 tons of CPO.

United Plantations owns the following oil palm plantation and milling subsidiaries in Malaysia:¹⁸²

- United International Enterprises (M) Sdn. Bhd.
- Unitata Bhd.

In Indonesia United Plantations has one subsidiary in South Kalimantan, PT Surya Sawit

¹⁷⁷ Website United International Enterprises (www.uieltd.biz), Viewed in February 2008.

¹⁷⁸ Website AarhusKarlshamn (www.aak.com), Viewed in February 2008.

¹⁷⁹ Website United Plantations (www.unitedplantations.com), Viewed in February 2007.

¹⁸⁰ Annual report 2006, United Plantations Bhd., Teluk Intan, April 2007.

¹⁸¹ Annual report 2006, United Plantations Bhd., Teluk Intan, April 2007.

¹⁸² Annual report 2006, United Plantations Bhd., Teluk Intan, April 2007.

Sejati. This company has a land bank of 2,508 hectares of which 1,576 hectares were planted with oil palm at the end of 2006.¹⁸³

17.4 Expansion plans

The following information was found on the expansion plans of United Plantation:

- In April 2006 United Plantations entered into a conditional agreement to buy two oil palm plantation companies in Central Kalimantan, Indonesia:
 - PT Surya Sawit Sejati
 - PT Mirza Pratama Putra

The acquisition of PT Surya Sawit Sejati - with a land bank of 2,508 ha. of which 1,576 ha. planted - was completed in June 2006. The company is trying to obtain another concession of 12,950 hectares.

The acquisition of the other company, which is in the process of obtaining a concession for 14,000 hectares, is still pending.

United Plantation seems to be planning to plant the entire land bank of the two subsidiaries (29,600 hectares), as it describes them as “poised to become the next wave of expansion for the Group.”¹⁸⁴

¹⁸³ Annual report 2006, United Plantations Bhd., Teluk Intan, April 2007.

¹⁸⁴ Announcement to the Copenhagen Stock Exchange, United Plantations Bhd., Copenhagen, 25 April 2006; Annual report 2006, United Plantations Bhd., Teluk Intan, April 2007.



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