

# CAUGHT RED HANDED

HOW **Nestlé**'S USE OF PALM OIL IS HAVING  
A DEVASTATING IMPACT ON RAINFOREST,  
THE CLIMATE AND ORANG-UTANS



**GREENPEACE**

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Rainforest destruction for oil palm plantations, near Kwala Kwayan, Palangkaraya, Indonesia, 24 July 2009





Sinar Mas clears rainforest for palm oil, near Danau Sentarum National Park, West Kalimantan, February 2009



Indonesian forest is cleared for oil palm plantations

## CRIME SCENE THE PERPETRATOR

### INDONESIAN FORESTS SINAR MAS

Indonesia currently has the fastest deforestation rate of any major forested country in the world.<sup>1</sup> For losing 2% of its remaining forest every year, Indonesia now has a place in the Guinness Book of World Records.<sup>2</sup> The destruction of its tropical forests for palm oil and pulp and paper industries is an ecological disaster and a leading contributor to Indonesia's greenhouse gas emissions, making the country the third largest greenhouse gas emitter in the world after China and the USA.<sup>3</sup> Over the last half century, over 74 million hectares of Indonesia's forests – an area more than twice the size of Germany<sup>4</sup> – have been logged, burned or otherwise degraded.<sup>5</sup>



The Sinar Mas group, according to one funder, the French bank BNP Paribas, is involved in 'the most aggressive new planting programme among the plantation companies.'<sup>12</sup> Judging by the company's past operations and the location of its known land banks within forested areas,

the vast majority of this expansion will involve deforestation, some on protected carbon rich peatlands and in critical orang-utan habitat. In the face of Sinar Mas' unacceptable environmental and social practices,<sup>13</sup> Unilever cancelled its \$30 million contract with the company at the end of 2009, while Kraft cancelled its contract in early 2010. Sainsbury's and Shell have also stated that they will not buy palm oil from Sinar Mas.

The group's terrible environmental track record on pulp and paper is also well documented<sup>14</sup> and has led to a number of companies refusing to do business with its subsidiary, Asia Pulp and Paper (APP).<sup>15</sup> APP is Indonesia's largest pulp and paper producer and continues to expand plantations into forest areas. Its current expansion plans threaten the site of Indonesia's only successful orang-utan re-introduction site, located in Sumatra.<sup>16</sup>



## PARTNERS IN CRIME

### NESTLÉ

Nestlé is the largest food and beverage company in the world,<sup>17</sup> selling over a billion products every day.<sup>18</sup> It is a major buyer of palm oil and its use is growing. According to Nestlé, its annual use of palm oil has almost doubled in the last three years with 320,000 tonnes<sup>19</sup> going into a range of well-known products including KitKat.<sup>20</sup> Globally, KitKat is produced on a massive scale. Every five minutes, enough KitKats are manufactured to out stack the Eiffel Tower.<sup>21</sup> Despite Sinar Mas' track record and increasingly dirty reputation, Nestlé has no policies in place to avoid dealings with the group and continues to buy palm oil from Sinar Mas.



## THE WEAPON

### PALM OIL

Global demand for palm oil is rocketing; it is fast becoming the vegetable oil of choice to use in the manufacturing of food and cosmetics and for biofuels. On current trends, demand for palm oil is predicted to more than double by 2030 and triple by 2050.<sup>6</sup> A 2007 UNEP report identified oil palm plantations as the leading cause of rainforest destruction in Malaysia and Indonesia.<sup>7</sup>





# THE VICTIMS

## COMMUNITIES

Social conflict, including land rights and resource disputes, is often caused by plantation expansion.<sup>22</sup> 'There are more than 500 social conflicts in the Indonesian oil palm sector, mainly over lands, labour disputes, disharmony of corporate community partnerships, criminalisation of villagers, and high profile political scandals involving illegal issuance of permits for natural forest conversion and for oil palm concessions within protected areas and national parks'.<sup>23</sup>

## ORANG-UTANS

Orang-utans are only found in the rapidly disappearing tropical rainforests of Borneo and Sumatra.<sup>24</sup> Clearing forests to make way for plantations is one of the main causes of the steep decline in orang-utan numbers in recent years.<sup>25</sup> Recent estimates suggest there are between 45,000 and 69,000 Bornean and no more than 7,300 Sumatran orang-utans left in the wild.<sup>26</sup> The UN Environment Programme (UNEP) classes the Bornean orang-utan as Endangered, meaning that it faces a very high risk of extinction in the wild in the near future. The Sumatran orang-utan is classified as Critically Endangered, putting it at extremely high risk of extinction.<sup>27</sup>

As orang-utans lose their forests to palm oil plantations, they are deprived of their natural source of food and are forced to fight for survival by eating young palm plants. These hungry orang-utans can become seen as 'pests' to oil palm producers, and plantation workers kill orang-utans to protect the crop.<sup>28</sup> According to the Centre for Orang-utan Protection, at least 1,500 orang-utans died in 2006 as a result of deliberate attacks by plantation workers and loss of habitat due to the expansion of oil palm plantations.<sup>29</sup>



## FORESTS

The Earth's forests are home to around two thirds of all plant and animal species found on land.<sup>30</sup> They form some of the most diverse ecosystems in the world and are vitally important to the health of the planet. While species new to science are still being discovered, many more well known species, including orang-utans, Javan rhinos and Sumatran tigers are at risk of extinction due to loss of their natural habitat.

## THE CLIMATE

The destruction of the world's forests is one of the main causes of climate change, second only to human energy demands. Every year, up to 1.8 billion tonnes of climate changing greenhouse gas emissions are released by the degradation and burning of Indonesia's peatlands<sup>31</sup> – that is up to 4% of global greenhouse gas emissions<sup>32</sup> from less than 0.1% of the land on earth.<sup>33</sup> Whilst it is illegal under Indonesian law to convert peatland over three metres deep into plantations<sup>34</sup> or to use fires to clear land,<sup>35</sup> plantation companies regularly use both these practices.<sup>36</sup>





# THE EVIDENCE

## DRIVING ORANG-UTANS TO EXTINCTION

In 2008, Greenpeace researchers overlaid maps showing the distribution of orang-utan habitats in Kalimantan with maps locating the position of oil palm concessions owned by Nestlé's supplier Sinar Mas. This revealed that Sinar Mas concessions not only overlapped with orang-utan habitat but that deforestation had destroyed these habitats. Unilever consultants, checking Greenpeace's evidence, stated that:

*'At least three of the four Sinar Mas concessions visited [in March 2009] comprise or comprised orang-utan habitat ... such habitat has been cleared and planted with oil palm by the companies.'*<sup>37</sup>

In addition the consultant stated that:

*'An orang-utan was seen ... in the PT SKU [a Sinar Mas company] concession in the vicinity of Desa Runtu in early December*

*2008. Occurrence of orang-utans has also been confirmed by Runtu Lama villagers and the management of the concession holder north of PT SKU who reported that orang-utans occasionally move through the forests in its concession. However much of the forest in the northern part of PT SKU has now been deforested.'*<sup>38</sup>

Sinar Mas, through its pulp and paper arm, has also been expanding into orang-utan habitats in Sumatra surrounding the Bukit Tigapuluh National Park – an area of High Conservation Value forest and the location of the world's only successful reintroduction programme for orang-utans. This forest area is also an 'essential habitat for an estimated 100 of the last 400 critically endangered Sumatran tigers left in the wild... and ...around 40–60 endangered Sumatran elephants, which spend most of their time outside the national park in forests now under Sinar Mas' control'.<sup>39</sup> The company has confirmed its intentions to clear this

forest area.<sup>40</sup> This expansion into orang-utan habitat demonstrates that Sinar Mas' indifference to acceptable environmental standards is as strong as ever.

## THREATENING LIVELIHOODS

Over the last few decades Sinar Mas' palm oil expansion has gone hand in hand with social conflict. With millions of people depending on forests for their livelihoods, clearing natural forests to make way for monocultures leads to disputes and forces communities to change their way of life.

In West Kalimantan Sinar Mas is expanding its operations around the Danau Sentarum National Park – an internationally recognised wetland site. An assessment conducted by Flora and Fauna International (FFI) revealed that by 2009 Sinar Mas had already begun developing channels in the concession area in order to drain the swamp peatland for its



Channels like these are dug by plantation companies to drain and burn peatland rainforest

## EVIDENCE

10015141

Date taken: 14 February 2009  
Location: West Kalimantan  
Suspect: Sinar Mas - PT Kartika Prima Cipta  
Charge: Digging drainage channels on peatland near Danau Sentarum National Park



oil palm plantations.<sup>41</sup> According to the head of the National Park, disrupting and polluting these wetlands will severely affect the source and quality of the Kapuas River which holds 70% of West Kalimantan's fresh water fish stocks, that surrounding communities depend on.<sup>42</sup>

In late 2008, as well as April 2009, Greenpeace uncovered evidence of Sinar Mas clearing rainforest for oil palm plantations in the Lereh region near Jayapura, the provincial capital of Papua province.<sup>43</sup> This concession is officially 20,535 hectares in size<sup>44</sup> and an area of lowland rainforest.<sup>45</sup> At both times, Greenpeace's investigation team found evidence of forest burning to clear land for oil palm plantations, which is illegal under Indonesian law.<sup>46</sup> These forests contain a wealth of primary sago and nipah plants. Sago is a staple food of Papua's people and an essential source of daily nutrition, while nipah is used in home building. Clearing these forests and with it the necessities of life for local communities is another tragic impact of Sinar Mas' palm oil expansion.

Sinar Mas' pulp and paper expansion into Sumatra's Bukit Tigapuluh will heavily impact two of the area's minority indigenous tribes – the Talang Mamak and Orang Rimba.<sup>47</sup> These communities rely on the forest and river for their survival. By clearing their forests and replacing them with plantations Sinar Mas is threatening the future of these peoples.



Sago is a staple food for local communities in Papua threatened by palm oil expansion



Forest destruction for plantations is one of the main causes of the steep decline in the orang-utan population in recent years



## EVIDENCE

Date taken: 14 February 2009  
Location: West Kalimantan  
Suspect: Sinar Mas - PT Kartika Prima Cipta  
Charge: Clearing rainforest on deep peat for palm oil

10015142



## BREAKING THE LAW

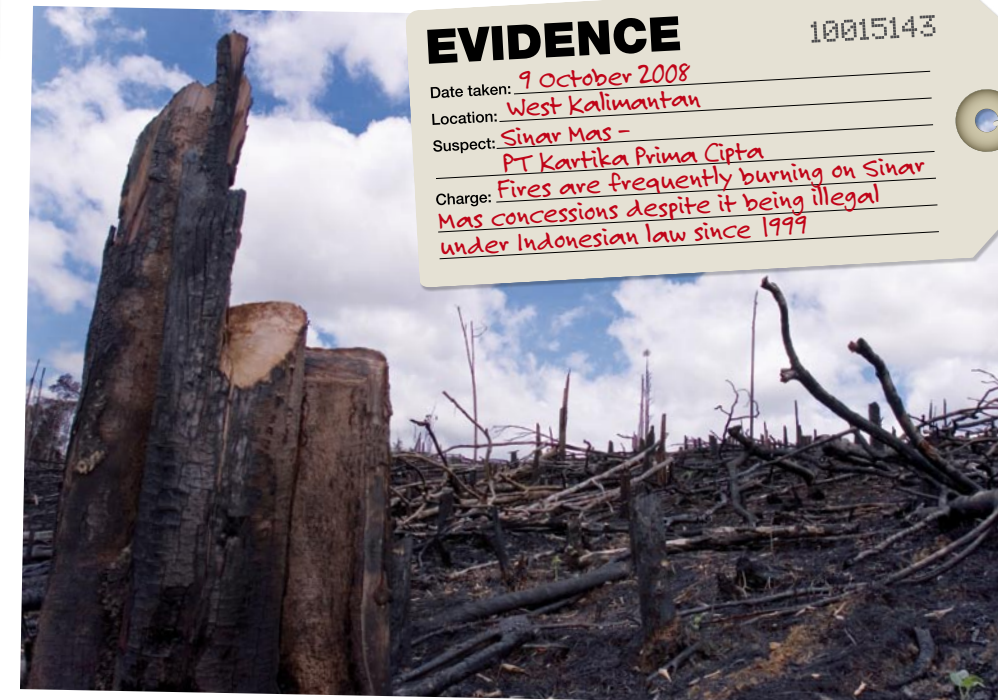
Greenpeace investigations have revealed that Sinar Mas companies have persistently broken Indonesian forestry laws and regulations when clearing forest land for a number of oil palm plantations. Greenpeace released evidence at the end of 2009 showing that Sinar Mas had failed to comply with Ministry of Forestry regulations and in some cases failed to apply for and obtain Timber Cutting Permits known as IPKs, prior to clearing forest in a number of its concessions close to Danau Sentarum National Park in West Kalimantan.<sup>57</sup>

According to Indonesian law, prior to obtaining the right to develop a plantation (Plantation Business Permit) and before commencing any land clearance, a company must conduct an Environmental Impact Assessment (EIA) and have this approved by local authorities. In 2009, Greenpeace used satellite imagery to expose how a Sinar Mas company (PT Agro Lestari Mandiri) had commenced the clearing of 4,000 hectares of land months before the EIA had been approved.<sup>58</sup> In another case, a Sinar Mas company (PT Kenana Graha Permai) had already started land clearing two years before its EIA was approved.<sup>59</sup>

## EVIDENCE

Date taken: 9 October 2008  
Location: West Kalimantan  
Suspect: Sinar Mas - PT Kartika Prima Cipta  
Charge: Fires are frequently burning on Sinar Mas concessions despite it being illegal under Indonesian law since 1999

10015143



## EVIDENCE

Date taken: 14 February 2009  
Location: West Kalimantan  
Suspect: Sinar Mas - PT Paramitha Internusa Pratama  
Charge: Clearing rainforest for palm oil without the legally required Timber Cutting Permit

10015144



## DESTROYING PEATLAND FORESTS

Many new plantations are located on peat that is off limits to development or degradation under Indonesian law.<sup>48</sup> Ministerial Decrees have stipulated that peatlands of three metres deep or more must be protected and should not be converted to plantations.<sup>49</sup> Greenpeace has documented such clearance on concessions belonging to Nestlé's supplier Sinar Mas and Unilever consultants concluded in their audit that:

*'Sinar Mas has cleared and planted [such] peatlands. The total peatland area could not be determined because the company did not provide insight in its soil maps.'*<sup>50</sup>

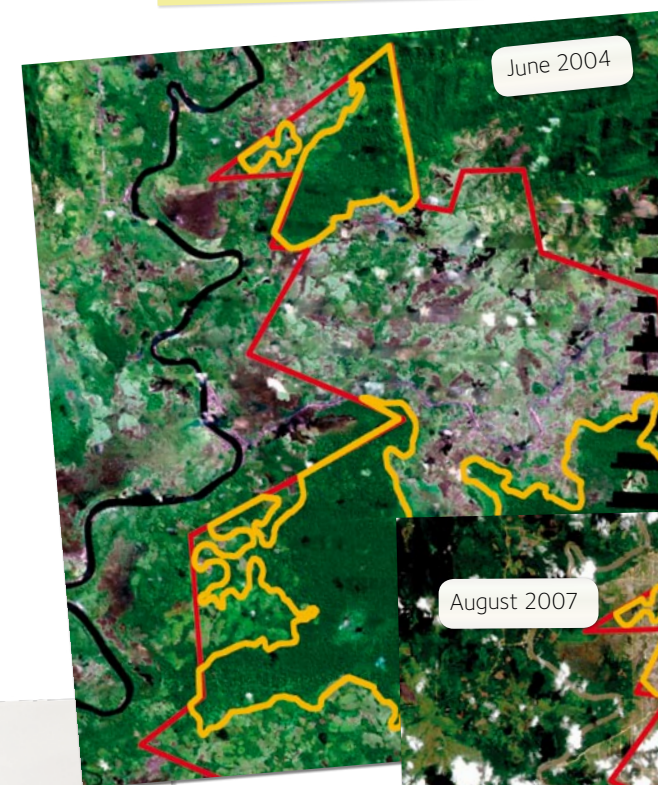
In 2009, FFI conducted a High Conservation Value assessment in a Sinar Mas owned plantation (PT Kartika Prima Cipta). The results confirmed that the plantation concession contained deep peat (as deep as seven metres in some places – and so protected under Indonesian law), and that clearance of this area was already underway.<sup>51</sup> During a public consultation on the issue, it was revealed that Sinar Mas had agreed to stop clearance in the concession area following this first field visit by FFI. However, a later field verification mission conducted in August 2009 by FFI and Sinar Mas confirmed that clearance of peat forest had continued since that first visit, and peat drainage channels had been dug.

In Sumatra alone, Greenpeace estimates that Sinar Mas' average annual emissions from peat degradation under oil palm concessions for just one province (Riau) is 2.5 million tonnes of CO<sub>2</sub><sup>52</sup> – equivalent to the average annual emissions of almost half a million cars.<sup>53</sup>

## BURNING RAINFORESTS

While degraded tropical forest and peatlands release their stores of carbon over decades, burning releases these stores into the atmosphere rapidly and damages the capacity of the ecosystem to recover. Even though the practice of burning forest areas has been illegal in Indonesia since 1999,<sup>54</sup> fires account for 70% of Indonesia's annual emissions from peatland.<sup>55</sup> Greenpeace has identified fire hotspots in Sinar Mas concessions and the Unilever consultants confirmed that:

*'The Greenpeace claim that there were numerous fire hotspots in the Sinar Mas concessions ... in 2006–2007 is true. Sinar Mas does not have in place the legally required fire prevention policy and measures.'*<sup>56</sup>



August 2007

## EVIDENCE

Date taken: August 2007  
Location: Ketapang District, West Kalimantan  
Suspect: Sinar Mas - PT Agro Lestari Mandiri  
Charge: Satellite evidence shows that PT ALM had cleared nearly 4,000 hectares of forest land before it had obtained its EIA approval

10015145





# Nestlé® AND ITS CHAIN OF DESTRUCTION

Nestlé is a major consumer of palm oil and its use is increasing. Despite undertaking a 'detailed review... to identify the origins of [its] palm oil'<sup>60</sup> and making promises to communicate its 'support for an end to deforestation'<sup>61</sup> with existing suppliers, Nestlé has continued to trade with Sinar Mas.

In response to letters from Greenpeace Nestlé has admitted it buys palm oil from Sinar Mas. In Indonesia, it buys palm oil products directly from the Sinar Mas group<sup>62</sup> while in other key markets it purchases palm oil products from companies supplied by Sinar Mas.

One of those suppliers is the global commodities giant Cargill. Nestlé boasts of its 'long-lasting relationship' with Cargill.<sup>63</sup> In the UK, Nestlé's York facility, which specialises in producing KitKat, receives shipments of palm oil from Cargill on a regular basis.<sup>64</sup>

According to confidential information obtained by Greenpeace, Cargill was a major customer of Sinar Mas' palm oil exports from Riau, Sumatra in 2009.<sup>65</sup> Other investigations have shown that Cargill is shipping Sinar Mas palm oil to India, the Netherlands, Italy and Germany (see diagram 1).<sup>66</sup>

IOI (Loders Croklaan) is another important supplier of palm oil to Nestlé's Hamburg factory where palm oil is also used in KitKat.<sup>67</sup> Greenpeace has collected evidence revealing that IOI (Netherlands) received several shipments of Sinar Mas palm oil in 2009.<sup>68</sup>

## FAILING TO MEET ITS OWN STANDARDS

Nestlé claims to be concerned about the global environment, to be acting on climate change and to be a responsible corporate citizen, yet fails to live up to even its own sustainability standards and supplier codes.

The company's 'Policy on Environmental Sustainability', for example, commits it to giving preference to 'suppliers who continuously strive towards improving the efficiency and sustainability of their operations and use of resources'.<sup>69</sup> In April 2009, Nestlé told Greenpeace that all its suppliers had been sent a copy of its Supplier Code, which includes 'certain non-negotiable principles of sustainability, the breach of which can result in losing Nestlé as a customer. We [Nestlé] have insisted on a written response confirming acceptance of this Code.'

Principle V of this code states that: 'The supplier must operate with care for the environment and ensure compliance with all applicable laws and regulations in the country where products or services are manufactured or delivered'.<sup>70</sup> The evidence presented in this dossier shows that Sinar Mas is breaking Indonesian law and Nestlé's 'non-negotiable principles of sustainability'. This should come as no surprise to Nestlé as Greenpeace has pointed this out on a number of occasions. Yet, despite knowing Sinar Mas is breaking its own Supplier Code, Nestlé continues to source palm oil from Sinar Mas.

## PASSING THE BUCK

Action to stop dealing with the worst palm oil producers must be taken by the major consumers of palm oil, as both Unilever and Kraft have done by terminating contracts with Sinar Mas. Nestlé, however, has made it clear that it prefers to delegate responsibility for mitigating all the impacts of its palm oil use to the Round Table on Sustainable Palm Oil (RSPO).<sup>71</sup> This multi-stakeholder, voluntary organisation, of which both Nestlé and a number of Sinar Mas companies are members, was established in 2004 to promote the growth and use of sustainable palm oil products. The organisation has since received significant criticism for having standards that are not only too weak to begin with, but are habitually ignored by its members, who continue to destroy rainforests and peatlands for palm oil.<sup>72</sup> In relying so heavily on the RSPO, Nestlé is effectively failing to take responsibility for its own actions.

## HIDING BEHIND FAIRTRADE

In early 2010 Nestlé invested heavily in a UK TV and press advertising campaign for the launch of its new Fairtrade brand. While laudable, the Fairtrade brand accounts for only 1% of the company's cocoa use,<sup>73</sup> and while trying to position itself as a responsible corporate citizen, Nestlé continues to ignore the social and environmental crimes of its palm oil suppliers.



INDONESIAN RAINFOREST DESTROYED TO MAKE WAY FOR SINAR MAS' OIL PALM PLANTATIONS



Diagram 1: The links to Sinar Mas – Nestlé's palm oil supply



# GREENPEACE DEMANDS

To protect Indonesia's last remaining forests, and to live up to its own commitments, Nestlé must immediately:

## 1. STOP THE PROBLEM: NO MORE TRADE WITH THE SINAR MAS GROUP

■ Stop trading with companies within the Sinar Mas group. This includes Golden Agri Resources and its subsidiaries, as well as Sinar Mas Forestry and Asia Pulp & Paper (APP).

■ Stop buying Sinar Mas palm oil and pulp products from third-party suppliers.

## 2. START THE SOLUTION: SUPPORT ZERO DEFORESTATION

■ Engage with the Indonesian government and industry to deliver a moratorium on forest clearance and peatland protection.


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Greenpeace is an independent global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace.

Greenpeace is committed to stopping climate change.

We campaign to protect the world's remaining ancient forests and the plants, animals and peoples that depend on them.

We investigate, expose and confront the trade in products causing forest destruction and climate change.

We challenge governments and industry to end their role in forest destruction and climate change.

We support the rights of forest peoples.

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