

# PALM OIL ALERT

## FELDA / FELDA GLOBAL VENTURES (FGV)



**GROUP:** FELDA

**HQ:** MALAYSIA

**RSPO MEMBER:** Membership for [FELDA](#) and [FGV](#)

The Federal Land Development Agency (FELDA) was set up in 1956 as part of a government programme to assist and organise Malaysia's small farmers. According to its listing on the RSPO website, FELDA is the largest producer of palm oil in Malaysia.

In 2007, FELDA established a commercial arm, FELDA Global Ventures (FGV). In 2012, FGV was listed on the Malaysian Stock Exchange. At present, FELDA owns a third stake in FGV (although there have been [rumours in the financial media that it is looking to divest](#)). FGV claims to be the [world's largest Crude Palm Oil producer](#) and the second largest Malaysian palm oil refiner.

FELDA has been a member of the RSPO since 2004. In December 2016, FGV [became an RSPO member](#) in its own right.

### WHAT'S WRONG WITH FELDA / FGV'S PALM OIL?

**Illegality:** Violation of Malaysian labour laws and development of peat in Indonesia post-moratorium

**Deforestation:** Clearance of natural forest

**Peatland development:** Development of areas mapped as peat

**Exploitation:** Exploitation of plantation workers, including modern day slavery

### MARKET LINKS

According to company data, Cargill, GAR, IOI, Musim Mas and Wilmar are sourcing palm oil produced by FELDA / FGV.

Apical and Olam confirmed that they had stopped sourcing from FELDA / FGV as a result of the deforestation and exploitation documented in this bulletin.

AAK and Astra Agro Lestari refused to confirm or deny any trader relations with FELDA / FGV.

### CONSIDERABLE (AND ILLEGAL) CLEARANCE OF PEAT FORESTS IN KALIMANTAN

Forest fires, widely attributed to plantation development, disproportionately affected Indonesia's peatlands during the 2015 haze crisis. At the Paris climate talks in December 2015, Indonesian President Joko Widodo [announced a moratorium on plantation development on peatland](#). The following year, the Ministry of Environment and Forestry revised the country's peatland regulations to include a moratorium on peatland development, including within existing concessions.

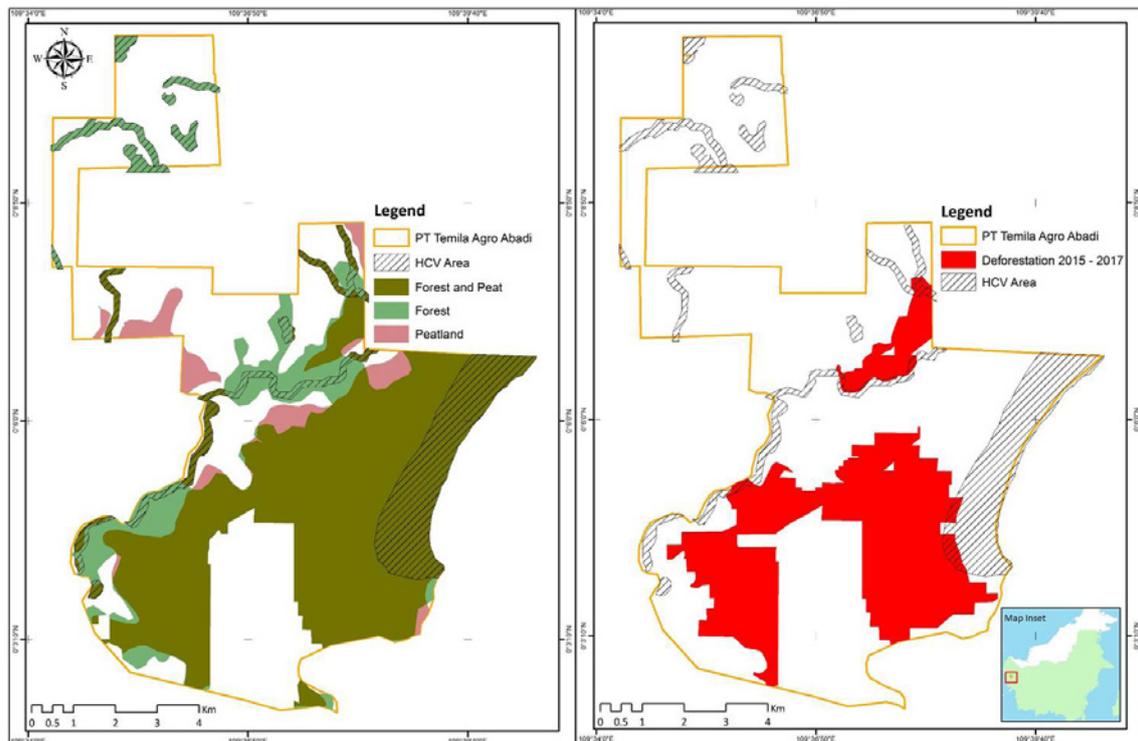
In April 2016, Aidenvironment published analysis that indicated [FGV had cleared 880ha of identified High Conservation Value peatlands](#) in two concessions in West Kalimantan: PT Citra Niaga Perkasa ( PT CNP) and PT PT Temila Agro Abadi (PT TAA).

In August 2016, FGV [published a sustainability policy](#). This states that

‘The Group pledges to no conversion of HCV areas, peat soil, and/ or areas with High Carbon Stock (HCS) and implementation of Best Management Practices for existing peat land estates.’

Analysis of official landcover maps produced by the Indonesian Ministry of Environment and Forestry and satellite imagery suggests that FGV continued to clear forest and develop peatland in PT TAA, despite the peatland moratorium and its new policy.

Between 31 December 2015 and 22 April 2017, 1,888ha of forest and peatland were developed in PT TAA. More than half of this clearance – 1,035ha – took place after FGV published its policy, including 65ha developed between 22 April 2017 and 10 June 2017.



#### Mapping analysis of deforestation in PT TAA, 2015 – 2017

FGV has not denied responsibility for the clearance in PT TAA. Instead, it first [claimed to have complied with its sustainability policy](#) on the grounds that it had ‘procured all necessary approvals from the relevant authorities in Indonesia’ and ‘complied with the Roundtable on Sustainable Palm Oil (RSPO) New Planting Procedure in 2010’.

Subsequently, the company [cited an independent assessment](#), which it said had found ‘no deforestation of natural forest’ because the ‘natural forest has been completely destroyed by massive forest fires in the 1980’s and in 1997, and also by continuous logging operations by logging companies and by the local communities’.

[Drone footage obtained by Aidenvironment](#) in April 2017 shows recently deforested areas in PT TAA criss-crossed by drainage canals and completely surrounded by natural forest.



Drone footage of PT TAA, April 2017 ©Aidenvironment

Notably, the environmental assessments for PT TAA were conducted by Nyoto Santoso of the Bogor Agricultural University (Institut Pertanian Bogor – IPB). Two months ago, the RSPO [issued a stop work order](#) for seven concessions on the basis of substandard HCV assessments conducted by Santoso. NGOs [subsequently complained](#) to the HCV Resource Network, which licences HCV assessors, [requesting that it review Santoso's licence](#).

Greenpeace's initial analysis of Santoso's summary environmental and social assessments for PT TAA suggests similar quality issues.

## WIDESPREAD LABOUR ABUSES AND MODERN DAY SLAVERY

In July 2015, the Wall Street Journal published an [in-depth investigation into FGV concessions in Malaysia](#). It reported workers' claims that they were not paid for long periods and had their passports confiscated – classic indicators of modern day slavery. The newspaper also claimed that workers were using hazardous chemicals, including toxic paraquat, without being given appropriate protective equipment.

The following month the RSPO Complaints Panel instructed Accreditation Services International (ASI) to audit three FGV mills. ASI identified major issues, which it described as 'likely to result in a fundamental failure to achieve the objective' of the RSPO. It suspended FGV's certification bodies for six months.

The RSPO subsequently [suspended FGV's Pasoh mill](#) in March 2016. FGV initially promised to publish an action plan to resolve its non-compliance, but instead [withdrew its RSPO certificates](#) for all 58 of its Malaysian palm oil mills. More than a year later, it has yet to regain any of its certificates.

## IS FELDA A BAD INFLUENCE ON THE RSPO?

Despite its very recent deforestation and the systemic exploitation in its concessions, FELDA representatives hold influential positions within the RSPO. These include:

- [Board of Governors](#)
- [Trade & Traceability Standing Committee](#)
- [Supply Chain Certification Document Revision Task Force](#)
- [Compensation Task Force](#)
- [Smallholders Working Group](#)

This raises a number of serious governance questions for the RSPO. Certainly there is the potential for a conflict of interest to arise where a company that has failed to follow the RSPO's rules is also tasked with ensuring their enforcement.

In addition, several FELDA representatives [sit on the task force](#) for the upcoming review of RSPO's Principles & Criteria (P&C), as both a substantive and an alternate member for Smallholders and an alternate member for the Malaysian growers. Again, there would appear to be a clear conflict of interest when a group that has repeatedly violated the RSPO P&C has such a significant role in their overhaul.

Separately, the Malaysian Anti-Corruption Commission (MACC) has [launched an investigation](#) into transactions between an FGV subsidiary and an Afghan company. FGV is conducting its own investigation; in June 2017 it [suspended its chief executive and chief financial officer](#). An earlier acquisition of a 37% stake in Eagle High Plantations came under sustained criticism from investors and Malaysian politicians, who reportedly described the deal as politically-motivated and 'an extremely inflated price' ([paywall](#)). Eagle High is part of the Rajawali Group whose CEO, Peter Sondakh, [has long-standing ties to the Malaysian Prime Minister Najib Razak](#).

## COMPANY REPLY

Prior to the publication of this bulletin, Greenpeace contacted FGV to verify our findings of deforestation and other activities.

### LABOUR ABUSES AND EXPLOITATION

In an email to Greenpeace on 13 July 2017, the company confirmed that it 'voluntarily withdrew from RSPO Certification to address the labour and social issues in its supply chain'. It provided a list of actions taken to date, including appointing The Forest Trust (TFT) to develop action plans, but confirmed that none of the 58 mills had yet been re-certified.

### DEFORESTATION AND PEATLAND CLEARANCE IN PT TAA

FGV confirmed that the policy it had adopted in August 2016 'includes no conversion of any peatlands immaterial of depth and size'.

However, it also stated that '[c]learance of shallow peatland (less than three metres) by FGV' since the date of its policy 'was done in accordance with [RSPO] New Planting Procedure... 2010 following RSPO's Best Management Practices (BMP) relating to peat management.'

FGV declined to provide a copy of the independent assessment of PT TAA, on the grounds that it was 'for FGV's internal utilization'. However, it again claimed that 'lands owned by FGV in Kalimantan is not a natural forest because prior to FGV's acquisition of the lands in 2013, the lands were previously logged by loggers, there was forest fire in the 1980s and 1997 and there were no significant human activities in the last ten (10) years prior to development'.

### SUBSTANDARD ENVIRONMENTAL AUDITS

FGV declined to redo any environmental assessments conducted by Nyoto Santoso on the grounds that they had been 'recognized and accepted by RSPO'.

### NEGATIVE INFLUENCE WITHIN RSPO

FGV stated that it intended to 'maintain all positions in RSPO as a show of commitment to sustainable palm oil and to lend growers' expertise when necessary'.

## WHAT DOES FELDA NEED TO DO TO COMPLY WITH NDPE?

FELDA needs to announce an immediate moratorium on plantation development, across its entire operations. The group should conduct High Carbon Stock assessments (using the HCS Approach methodology) for all concessions where further development is planned, and redo any environmental assessments conducted by Nyoto Santoso or other staff at IPB.

The group should revise its sustainability policy to bring it in line with international standards, with a clear commitment to protect all natural forest (as defined by the High Carbon Stock Approach). All forest and peatland areas developed after December 2015 must be restored.

FELDA must also commit to widespread reform of its labour practices. It must adopt the Free and Fair Labour Principles in Palm Oil Production: Principles and Implementation Guidance and establish a credible grievance mechanism in accordance with the UN Guiding Principles on Business and Human Rights.

Finally, FELDA must immediately withdraw from all positions within the RSPO, including the P&C task force. It should only be allowed to re-apply once it has re-certified all 58 mills in Malaysia, restored the forest and peatlands it developed since December 2015 and obtained independent, third-party verification of compliance with its customers' NDPE policies across its entire operations.

## WHAT DO COMPANIES SOURCING FROM FELDA NEED TO DO?

During 2013 and 2014, the vast majority of commodities traders and leading consumer goods companies adopted 'no deforestation, no peat, no exploitation' policies. Although each policy is phrased differently, these generally state that the policy is effective immediately.

Some companies, such as Wilmar, have [included an explicit deadline in their policies](#): 'In addition to immediately shifting development activities away from HCS, HCV, and peatland areas upon announcement of this policy, we expect suppliers to be fully compliant with all provisions of this policy by December 31, 2015'.

Given that FGV was still clearing forest and peatland in 2017 – three years after NDPE policies became widely adopted – all companies must immediately suspend trade with FELDA / FGV.

Trade with FELDA / FGV must remain suspended until the group has adopted a credible NDPE policy, re-certified all 58 mills and restored all peatland and natural forest destroyed in its Kalimantan concessions. The group should also be required to obtain independent third-party verification of full compliance with its customers' NDPE policies across its entire operations.

## FURTHER READING

[FGV Sustainability Policy](#)

[RSPO Case Tracker](#)

[Chain Reaction Research 'Exclusive - FGV Risks Supply Chain Exclusion Over Repeat Offenses see video'](#)

[ASI Final Assessment Report RSPO Accreditation Program - SAI Global Indonesia - Compliance Assessment RSPO P&C](#)

[Chain Reaction Research 'Felda Global Ventures \(FGV:MK\) RSPO credentials at risk, immediate cash flow impacts'](#)

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**Otto Heldringstraat 5  
1066 AZ Amsterdam  
The Netherlands**

[palmoilalert.int@greenpeace.org](mailto:palmoilalert.int@greenpeace.org)

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