



Wilmar Touts Concern for Orangutan,

Facts Reveal Different Story

11 July 2011



Background

Opening its June 2011 press release, Wilmar International Ltd. ("Wilmar") stated that "Wilmar reaffirmed its commitment towards the long-term protection and conservation of orangutans and their habitat when they entered into a tri-party Memorandum of Understanding (MoU) with the Borneo Orangutan Survival Foundation ("BOSF") and the provincial government of Central Kalimantan, Indonesia."

The use of the word "reaffirmed" in the Wilmar press release gives the impression that Wilmar wishes to convey the message to the public that it has "reinforced" its "commitment towards the long-term protection and conservation of orangutans and their habitat." However, the basis for such "reaffirmation" is unclear so that it is interesting to study the available facts related to Wilmar's palm plantation operations and the company's concern for the protection of orangutans and their habitat in its plantations.

If we look at the distribution and land cover in the orangutan habitats found in Wilmar's active palm plantation concessions, which extend to more than 120,000 hectares in Central Kalimantan Province, the use of the word "reaffirmed" in the Wilmar press release in no way provides concrete and convincing proof of Wilmar's commitment to the long-term protection and conservation of orangutans and their habitat.

Our basis for rejecting Wilmar's claim is that fact that 6 out of the 9 orangutan habitat blocks located in active Wilmar concessions in Central Kalimantan Province have been significantly converted to oil palm plantations.

Given this situation, it is reasonable to question what grounds Wilmar has for issuing its press release, and the statement to the effect that "Wilmar reaffirmed its commitment towards the long-term protection and conservation of orangutans and their habitat".

This question becomes even more relevant if we study a report of the State Audit Board (BPK) in which two Wilmar palm plantation concessions were used as audit samples. The report concluded that operations in these two concessions should be halted so as to avoid further taxpayer losses and environmental damage. The concessions in question also contain three orangutan habitat blocks, two of which have been mostly converted to palm plantations.

In the light of these facts, Greenomics Indonesia has taken the initiative of preparing this report in response to Wilmar's unilateral claim set out in its June 2011 press release.

This report is intended to respond to the statement contained in the press release to the effect that "Wilmar reaffirmed its commitment towards the long-term protection and conservation of orangutans and their habitat," and will discuss the latest legal situation as regards the Wilmar palm plantation concessions, most of which are located on

designated forestland. We shall also overlay the remaining forest cover in the Wilmar concessions with orangutan habitats.

This report is also intended to serve as a response to the signing of the tripartite MoU, and to discuss Wilmar's plans for its inactive palm plantations, almost half of which consist of orangutan habitat. This report is intended to serve as an alternative reference and source of accurate information for Wilmar shareholders and stakeholders. In the final part of the report, we set out our conclusions and recommendations.

Methodology

This report focuses on the active and inactive palm plantation concessions of the Wilmar Group in Central Kalimantan Province. Greenomics Indonesia has used Minister of Forestry Decree No. SK 292/Menhut-II/2011 dated 31 May 2011 on the change in status and functions of forestland in Central Kalimantan Province and 19 maps (attached hereto) as updates on the legal status of forestland and non-forestland in Central Kalimantan Province. Subsequently, the maps from the Minister of Forestry Decree are overlaid on the maps showing active and inactive Wilmar Group concessions.

The orangutan habitat maps refer to the Aidenvironment Report of June 2009, which used WWF map in verifying a Greenpeace report titled "Burning up the Borneo." The said map will be used to overlay the maps attached to Minister of Forestry Decree No. SK.292/Menhut-II/2011. The 2009 Ministry of Forestry Landsat image interpretation data are used to identify the most recent situation as regards land cover in the active and inactive Wilmar palm plantation concessions, including as regards land cover in orangutan habitats.

The 2009 BPK Audit Report is used to provide case studies on the operations of two Wilmar palm plantation concessions which are relevant to the destruction of orangutan habitat. Meanwhile, confirmation is made with BOSF to verify the concession areas that will be used to host the pilot project under the MoU between Wilmar, BOSF and the Government of Central Kalimantan Province.

The Report on the Integrated Study on Proposed Changes in Forestland Designation for the revision of the Central Kalimantan Provincial Spatial Plan (Directorate General of Planology, Ministry of Forestry, April 2009) is used as the basis for assessing changes in the status and functions of designated forestland in connection with the Wilmar palm plantation concessions.



Findings and Analysis

Wilmar's palm plantation operations

Needs to admit to public that its operations have destroyed orangutan habitat

Of more than 120,000 hectares of active Wilmar palm plantation concessions in Central Kalimantan Province – according to the interpretation of land cover made by the Ministry of Forestry in 2009 – more than 63 thousand hectares have been planted with oil palms, with more than 84% of this hectareage being the result of the conversion of secondary swamp forest and swamp. More than 31 thousand hectares, or more than 25 percent of the total active Wilmar palm plantation concessions, consist of orangutan habitat.

In 2009, remaining secondary swamp forest cover in the concession of PT Mentaya Sawit Mas extended to some 2,000 hectares. However, land cover in the orangutan habitats located in this concession was already mixed, consisting of oil palms, secondary swamp forest, and swamp scrub.

In the concession area of PT Sarana Titian Permata, of three orangutan habitat blocks located in the concession area, two were completely planted with oil palms. The concession still contained secondary swamp forest extending to 1,000 hectares, only a small part of which consisted of orangutan habitat.

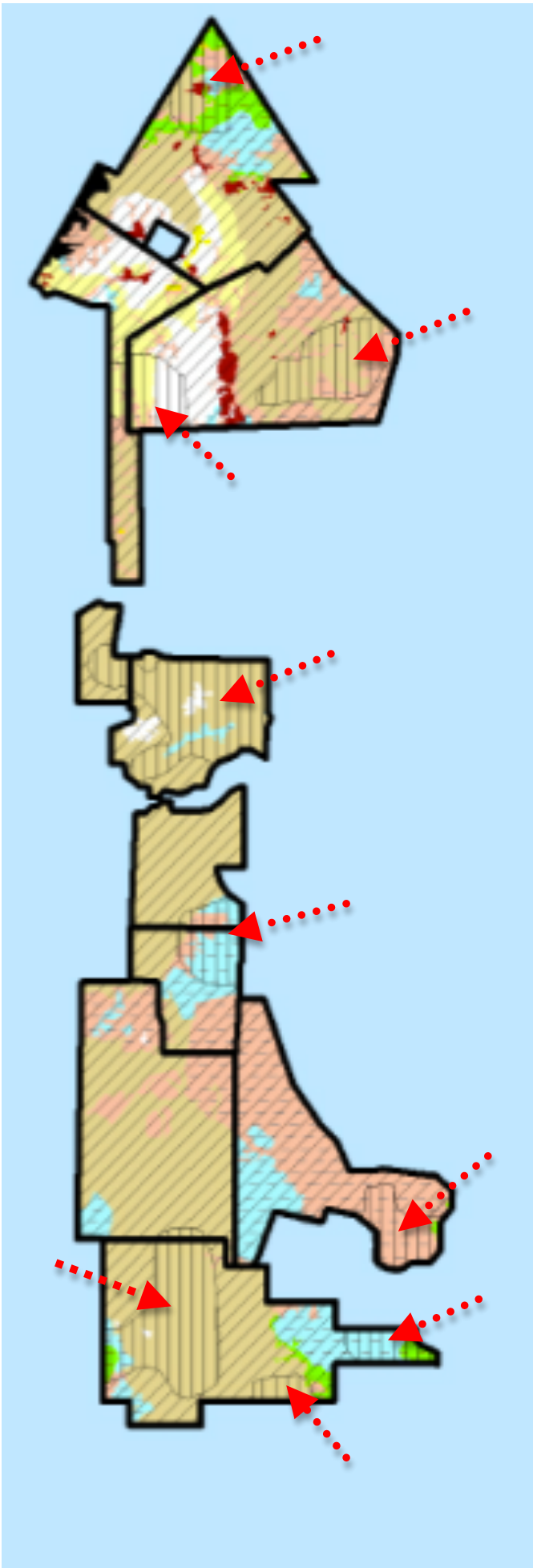
More than 12,000 hectares of swamp and more than 2,200 hectares of secondary swamp forest had been converted to palm plantations. The plantations took up one big block of orangutan habitat and one relatively small block.

Meanwhile, the concession of PT Mustika Sembuluh consisted of one big block of orangutan habitat that had been planted with oil palms. The Ministry of Forestry's 2009 interpretation of land cover reveals that more than 16 thousand hectares of swamp scrub had been converted to palm plantations. Orangutan habitat in the PT Mustika Sembuluh concession borders that of PT Bumi Sawit Kencana, which has also been planted with oil palms.

The conversion of orangutan habitat to palm plantations had also taken place in the concession area of PT Karunia Permata Permai Sejati, which contained one big orangutan habitat block. More than 7,300 hectares of swamp scrub in this concession had been planted with oil palms, most of which area consisted of orangutan habitat.

The above description clearly shows that Wilmar's statement to the effect that "it reaffirmed its commitment towards the long-term protection and conservation of orangutans and their habitat" needs to be corrected as what has actually happened is that Wilmar has mostly converted orangutan habitat to palm plantations in its concession areas.

What Wilmar should have done in its press release on the tripartite MoU with BOSF and the Central Kalimantan Provincial Government is to admit that its palm plantation operations have destroyed orangutan habitat.



This map shows the land cover situation in 2009 based on data from the Ministry of Forestry in orangutan habitat located in active Wilmar palm plantation concessions that have been significantly planted with oil palms.



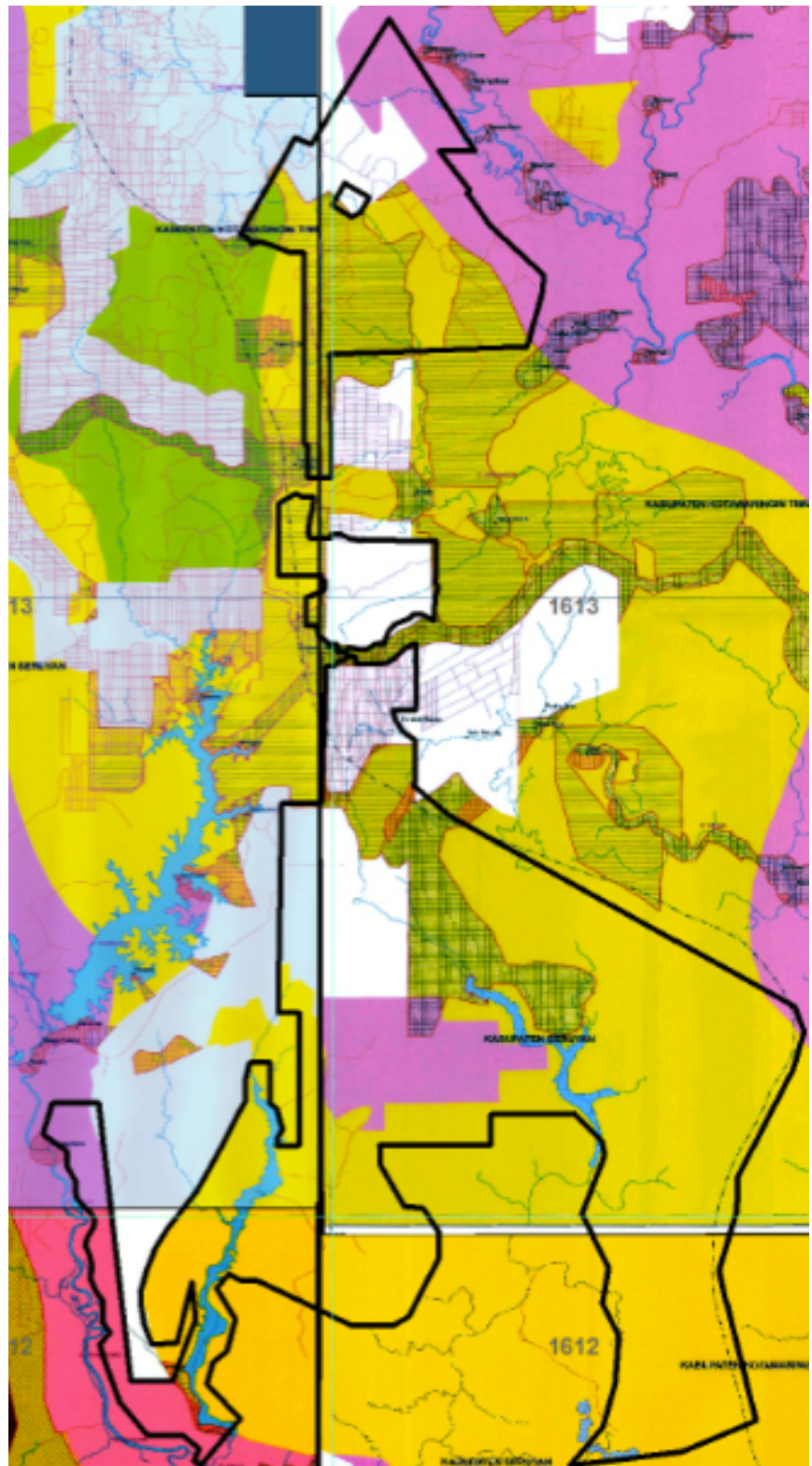
Latest update on legal status of Wilmar concessions

Majority of its concessions located on forestland

Of the more than 209,000 hectares of Wilmar concessions covered by the “Report on the Integrated Study on Proposed Changes in Forestland Designation for the revision of the Central Kalimantan Provincial Spatial Plan” (2009) – which provided the basis for the issuance of Minister of Forestry Decree No. SK.292/Menhut-II/2011 – it will be seen that more than 182 thousand hectares, or 86.75 percent, are clearly located on designated forestland (*see map*).

This means that following the issuance of Minister of Forestry Decree No. SK.292/Menhut-II/2011, Wilmar still needs to work to overcome this problem as the presence of palm plantation concession on forestland is not permitted under the laws and regulations governing the forestry and plantation sectors.

The “conflict’ in the Central Kalimantan Provincial Spatial Plan was brought to an end by the issuance of Minister of Forestry Decree No. SK.292/Menhut-II/2011. A total of 19 maps attached to the Decree will be incorporated into the revision of Central Kalimantan Provincial Spatial Plan. Wilmar now needs to study and accept this legal fact, which clearly shows that Wilmar’s concession areas are primarily located on forestland.



The areas colored yellow, green and pink on the map represent forestland.



Two Wilmar concession operations audited by the BPK have destroyed orangutan habitat

Two palm plantation concessions owned by Wilmar, namely, PT Kerry Sawit Indonesia and PT Sarana Titian Permata, were audited by the BPK, which found that their operations had resulted in taxpayer losses and environmental damage. As a result of these findings, the BPK recommended that their operations be halted in so far as such operations are located on designated forestland.

These BPK findings are entirely reasonable if we study the 2009 land cover interpretation data – the most recent data issued by the Ministry of Forestry – which shows that between 2000 and 2009, more than 23 thousand hectares of swamp and swamp scrub in the two concession areas were converted to palm plantations.

One big block of orangutan habitat which borders on both concessions was also planted with oil palms. Thus, it should come as no great shock that the BPK audit concluded that the clearance of forestland for the development of palm plantations had resulted in the loss of forest hydrological functions and threatened to give rise to floods and droughts, as well as forest destruction.

In relation to the BPK's conclusions regarding taxpayer losses arising from palm plantation operations in these forest areas, the "Report on the Integrated Study on Proposed Changes in Forestland Designation for the revision of the Central Kalimantan Provincial Spatial Plan" (2009) also recommended that palm plantation companies that conducted operations on forestland without a license from the Minister of Forestry should be required to be compensation for the standing timber harvested in the areas that had been cleared.

The payment of compensation to the state for the clearance of forestland without a license from the Minister of Forestry will not pose much of a problem for Wilmar. However, what about operations on Wilmar concessions that have resulted in the loss of orangutan habitat?

Given the above, it is certainly misleading for Wilmar to have stated in its press release that "Wilmar reaffirmed its commitment towards the long-term protection and conservation of orangutans and their habitat." This statement will be clearly seen to be baseless if we study Wilmar's track record in protecting orangutan habitat in its palm plantation concessions.

MoU only applies to one Wilmar concession

When Greenomics Indonesia sought clarification about the above matters from the BOS Foundation, Dr. Togu Manurung, the Foundation's CEO and Chairman, stated that the tripartite MoU only applied to one concession – that owned by PT Mentaya Sawit Mas – which included a block of orangutan habitat that consisted of mixed cover: oil palms, swamp scrub and secondary swamp forest.

The 2009 Ministry of Forestry Landsat image interpretation data shows that more than 6,800 hectares of the said concession is covered by oil palms, 2,000 hectares by secondary swamp forest, and almost 3,700 hectares by swamp and swamp scrub. The entire concession extends to more than 16,000 hectares. This means that the orangutan habitat block has already been converted in part by PT Mentaya Sawit Mas.

Referring to Minister of Forestry Decree No. SK.292/Menhut-II/2011, the orangutan habitat block in the PT Mentaya Sawit Mas concession is located on convertible production forest. The concession also contains permanent production forest based on Minister of Forestry Decree No. SK.292/Menhut-II/2011, although this is located outside of the orangutan habitat block.

In the light of this, Wilmar needs to issue a further press release stating specifically that the MoU with BOSF and the Central Kalimantan Provincial Government only applies to one concession. It should further give the name and profile of the palm plantation company in order to avoid the impression that Wilmar is collaborating with BOSF in respect of all of its palm plantation concessions in Central Kalimantan Province.

In addition, Wilmar needs to explain to the public about what measures it will take having regard to the fact that significant swathes of forestland are incorporated within the concession of PT Mentaya Sawit Mas, which represents the pilot project for the MoU with BOSF and the Government of Central Kalimantan Province.

Following the issuance of Minister of Forestry Decree No. SK.292/Menhut-II/2011, BOSF needs to ensure that the measures taken by Wilmar in respect of the forestland problem based on the latest legal update are fully exposed to the public as part of the "development of a working example of orangutan conservation on a palm oil plantation," which Wilmar says it hopes to see taking place.

Naturally, the public will have questions to ask if it turns out that the orangutan habitat in the palm plantation selected to serve as a pilot project is still legally designated forestland based on the latest legal update, namely, Minister of Forestry Decree No. SK.292/Menhut-II/2011.



What about Wilmar's commitment to orangutan habitat in its currently inactive concessions that will be activated in the future?

Greenomics Indonesia conducted an analysis of Wilmar's inactive palm plantation concessions, which we can rest assured will be operationally developed in the future. This analysis found that these concessions included more than 64 thousand hectares of orangutan habitat. The analysis was conducted on 8 out of 9 inactive Wilmar concessions, covering an area of more than 131 thousand hectares, or 92 percent of the total area of inactive Wilmar palm plantations.

Of the said more than 131 thousand hectares, more than 67 thousand hectares that does not contain orangutan habitat. This means that the ratio between orangutan habitat and non-orangutan habitat stands at 50:50.

The 2009 Ministry of Forestry Landsat image interpretation data on the 8 inactive Wilmar palm plantation concessions, they contain almost 25 thousand hectares of secondary forest, almost 26 thousand hectares of swamp scrub, and more than 76 thousand hectares of swamp. In total, the three land cover categories extend to more than 127 thousand hectares, or almost 97 percent of the eight inactive Wilmar concessions.

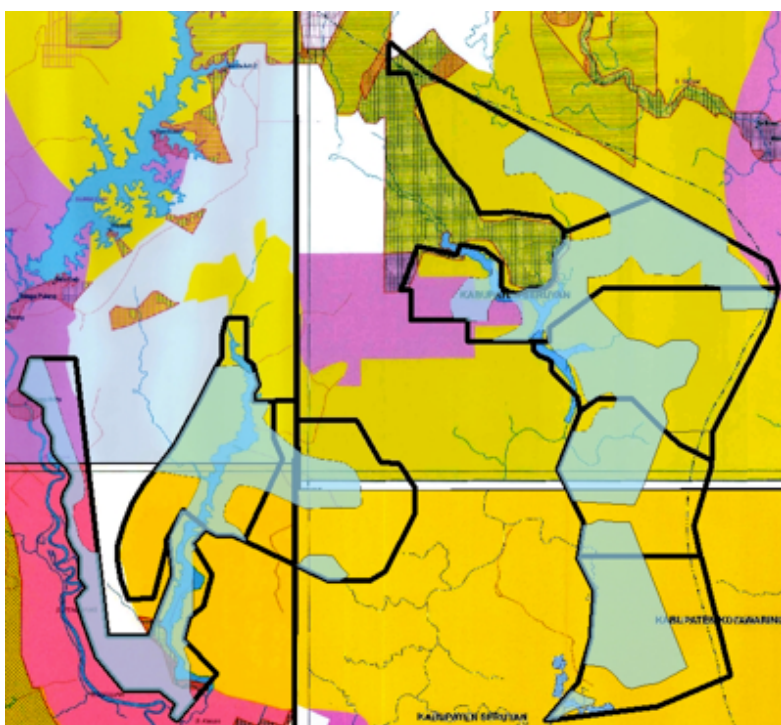
The secondary swamp forest, swamp and swamp scrub are clearly sensitive areas as regards conversion to palm plantations, particularly as they contain more than 64 thousand hectares of orangutan habitat (see map).

It should also be noted that of more than 131 thousand hectares that make up the 8 inactive concessions, only about 3,500 hectares consists of open land and dry-land scrub.

If Wilmar is indeed committed "towards the long-term protection and conservation of orangutans and their habitat," as stated in its press release, then naturally they will wish to retain the more than 64 thousand hectares of orangutan habitat in their inactive concessions once plantation operations commence there.

If we refer once again to the "Report on the Integrated Study on Proposed Changes in Forestland Designation for the revision of the Central Kalimantan Provincial Spatial Plan" (2009), the inactive Wilmar concessions were subject to proposals for changes in their status and functions. These proposals have since been adopted by virtue of Minister of Forestry Decree No. SK.292/Menhut-II/2011.

However, it needs to once again be reiterated that the inactive Wilmar concessions continue to primarily consist of designated forestland based on the latest legal update, namely, Minister of Forestry Decree No. SK.292/Menhut-II/2011.



Orangutan habitat

A highly pertinent question at this stage is what does Wilmar intend to do with its 8 inactive concessions given that they are covered by secondary swamp forest, swamp, and swamp scrub, and that almost half of the total area of the 8 concessions consists of orangutan habitat?

Wilmar now needs to put its money where its mouth is, and truly "reaffirm its commitment towards the long-term protection and conservation of orangutans and their habitat."



Conclusions

- Wilmar should not forget that prior to the signing of its MoU with BOSF and the Government of Central Kalimantan Province on orangutan conservation, its palm plantation operations in Central Kalimantan Province had converted orangutan habitat to palm plantations. At the very least, Wilmar is recorded as one of the palm oil business groups responsible for the destruction of orangutan habitat for the development of palm plantations.
- Wilmar's palm plantation concessions in Central Kalimantan Province continue to primarily consist of forestland according to the latest legal update (Minister of Forestry Decree No. SK.292/Menhut-II/2011).
- A 2009 BPK audit report found that two Wilmar concessions were responsible for the destruction of forest, which of course also means that they were responsible for the destruction of orangutan habitat located within the two concessions.
- The MoU between Wilmar, BOSF and the Government of Central Kalimantan Province clearly only applies to one concession (PT Mentaya Sawit Mas) out of the 7 active Wilmar concessions in Central Kalimantan Province.
- Eight out of nine inactive Wilmar concessions, covering an area of 127,000 hectares, are quite sensate from the perspectives of protecting orangutan habitat, the environment, and reducing emissions as they consist of secondary swamp forest, swamp and swamp scrub. These three land cover categories account for 97 percent of the said eight inactive Wilmar concessions, which we can be sure are earmarked for the expansion of Wilmar palm plantation operations in the future.

Recommendations

- Wilmar should transparently admit to the public that prior to the signing of the MoU with BOSF and the Government of Central Kalimantan Province, its palm plantation operations had been responsible for the destruction of orangutan habitat and its conversion into palm plantations.
- Wilmar should study Minister of Forestry Decree No. SK.292/Menhut-II/2011, bearing in mind that Wilmar's concessions continue to primarily consist of forestland.
- Wilmar should study the 2009 BPK audit report in the light of its findings that two Wilmar subsidiaries were responsible for taxpayer losses and environmental destruction, including the destruction of orangutan habitat.
- Wilmar needs to explain to the public that the MoU it signed with BOSF and the Government of Central Kalimantan Province on orangutan conservation only applies to one of its concessions (PT Mentaya Sawit Mas). Such explanation is required to avoid the impression that the MoU applies to all of Wilmar's palm plantation concessions.
- As regards the possibility of plantation operations commencing in Wilmar's currently inactive concessions following the issuance of the Minister of Forestry Decree No. SK.292/Menhut-II/2011, Wilmar should explain to the public what it intends to do with these concessions bearing in mind the sensitivity of 97 percent of the concessions, and the fact that almost half of their total area consists of orangutan habitat.

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