



Civil Society Recommendations To Brands and Traders Regarding The Cancellation of IOI Group as a Global Supplier Of Palm Oil

May 12, 2016

To Global Brands and Palm Oil Traders,

The undersigned NGOs are writing to outline our recommendations regarding the cancellation of all contractual, sourcing, or business relationships with IOI Group, and its processing arm IOI Loders Croklaan.

IOI has been suspended from the Roundtable on Sustainable Palm Oil (RSPO) for deforestation, peatland drainage, operating without proper licences and failing to prevent fires in its PT Bumi Sawit Sejahtera (PT BSS), PT Sukses Karya Sawit and PT Berkat Nabati Sawit concessions in West Kalimantan, Indonesia. Instead of accepting responsibility for its actions and putting its resources toward remediation, IOI has filed a lawsuit against RSPO¹, demonstrating that its resistance to embracing transformation is deeply entrenched. IOI has had six years to remedy the complaints raised in the RSPO case and has failed to do so.

¹ <http://www.theguardian.com/environment/2016/may/09/top-palm-oil-producer-sues-green-group-over-deforestation-allegations>

Even in the wake of RSPO suspension and extensive customer engagement, IOI is choosing to fight rather than reform.

Through field investigations conducted in April 2016², Greenpeace has documented extensive burnt areas, continued drainage of vulnerable peatlands, planting of oil palm saplings on burned areas and inadequate fire prevention measures in PT BSS. IOI continues to be in violation of the RSPO Principles and Criteria and New Planting Procedures and the Indonesian President and Minister of Environment and Forestry instruction to companies to dam primary canals, halt all development on peat and to restore all burnt areas.

This blatant non-compliance with the RSPO standards, its own sustainability policies, including the “Building a Sustainable and Transparent Palm Oil Supply Chain” policy and the so-called “Sustainable” Palm Oil Manifesto, and the policies of many of its customers who require their suppliers to protect forests and peatlands and respect human and labor rights throughout their supply chains, must be dealt with rapidly by all IOI’s global customers. It is clear that only economic consequences will compel the IOI Group to take responsibility for cleaning up its act.

As a matter of priority, we call on your company, if it has not done so already, to publicly confirm if it has cancelled all contractual sourcing or business relationships with IOI Group, and/or IOI Lodders Croklaan, and outline any corrective actions that it is requiring the company to take prior to being reconsidered as a supplier.

It is our view that IOI should meet the following conditions prior to being reconsidered as a supplier:

- Implement an immediate moratorium on all plantation development and expansion. Conduct HCV and HCS assessments (using the High Carbon Stock Approach methodology) to identify and protect all remaining forest and other socially or ecologically-important areas and require the same of all third party suppliers. Develop an ambitious time-bound plan for phasing out non-compliant suppliers.

² <http://www.greenpeace.org/international/en/press/releases/2016/Greenpeace-calls-for-legal-action-against-rogue-palm-oil-producer-and-trader-IOI-/>

- Map out all peatland landscapes affected by its own operations and third-party suppliers using appropriate technology including LiDAR, and make this data publicly available. Re-flood and implement other water management measures to ensure protection of peatland forest and to mitigate fire risks, based on mapping and advice from independent peat experts.
- Publicly commit to implementing the High Carbon Stock (HCS) Approach, a strong standard for forest protection, for any new developments undertaken by IOI Group or its suppliers. As a land-use planning tool, the HCS Approach integrates with High Conservation Value (HCV) assessments, peatland and streamside (riparian) area identification, and *Free Prior and Informed Consent* with local customary communities to propose a conservation plan for a concession with areas for protection and areas that can potentially be developed. Unlike the High Carbon Stock+ Study, backed by IOI, the HCS Approach methodology and toolkit has been field tested and is governed by a multi-stakeholder body, which includes NGOs' active participation.
- Engage in extensive restoration of forests and peatlands that it has destroyed or degraded, including burnt areas. Where this is infeasible, restore an area of land equivalent to what it has destroyed or degraded.
- Uphold the rights of workers in accordance with the *Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance*, and take meaningful action to address non-compliance outlined in the Finnwatch report titled "*The Law of the Jungle*" including the introduction of responsible recruitment practices to tackle exploitative employment and trafficking of migrant workers.
- Resolve outstanding grievances, including successfully concluding its negotiations with the longhouse communities of Long Teran Kanan in Sarawak, who have had an outstanding complaint against IOI with the RSPO since 2010, to the satisfaction of local communities.
- Ensure transparent reporting backed by independent auditing of its progress toward halting deforestation and fire, ensuring the conservation and restoration of peatlands and other forests impacted by its suppliers, addressing human and labour rights violations, and showing zero tolerance for illegality in its global supply chain. Publish concession maps, HCS and HCV assessments, a complete list of suppliers, and reporting on supplier compliance with its policies.
- Lift the lawsuit on RSPO and take responsibility for its actions.

It is critical that market suspensions or cancellations are not lifted when, or if, IOI merely satisfies the requirements outlined by the RSPO complaint panel--or bullies the RSPO into reinstating its certification.

The RSPO standard fails to protect High Carbon Stock forests and all peatlands, and the RSPO and its Complaints Panel has a poor track record of upholding the rights of local communities and workers and resolving social conflicts. Additionally, given that IOI has already been suspended by the RSPO twice³, buyers must consider the high risk that if they reengage too soon, IOI will repeatedly be found to be out of compliance with RSPO or any meaningful responsibility standard.

We look forward to reviewing public statements from your company, if you have not done so already, which confirm the status of your company's contractual or business relationships with IOI Group, and/or IOI Loders Crokiaan. We encourage your company to include the recommendations outlined above in any corrective action plans that it is requiring IOI to implement prior to being reconsidered as a supplier.

Yours sincerely,

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³ <http://www.rspo.org/news-and-events/news/announcement-on-ioi-by-rspo-grievance-panel-breach-of-rspo-code-of-conduct-2.3-certification-systems-4.2.4-c>

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