



# Maybank

THE SINGLE LARGEST PALM OIL  
FINANCIER

 profundo

 TIA INDONESIA



# Maybank

THE SINGLE LARGEST PALM OIL  
FINANCIER



## Table of contents

<b>Executive Summary</b>	.....	1
Methodology	.....	2
<b>1. Palm oil company financing</b>	.....	3
Financing of palm oil companies	.....	3
Policy assessment analysis	.....	5
<b>2. Maybank Group</b>	.....	7
Profile	.....	7
Financiers of Maybank	.....	7
Financing of palm oil companies	.....	11
Policy analysis	.....	12
<b>3. Environmental, Social and Governance Impacts</b>	.....	14
Sime Darby	.....	16
Felda	.....	17
Batu Kawan Group	.....	19
Genting Group	.....	20
Triputra	.....	21
Salim Group	.....	22
<b>4. Conclusions</b>	.....	24
<b>References</b>	.....	25



# EXECUTIVE SUMMARY

Maybank is the world’s single largest financier of the palm oil sector – it provided 11% of all loans and underwriting to selected palm oil companies in the period 2010-2016 – but it has no publicly available risk policy for financing the sector. The bank has financial relationships with a large number of controversial palm oil companies that are involved in environmental, social and governance issues. These issues leave Maybank exposed to significant financial and reputational risk.

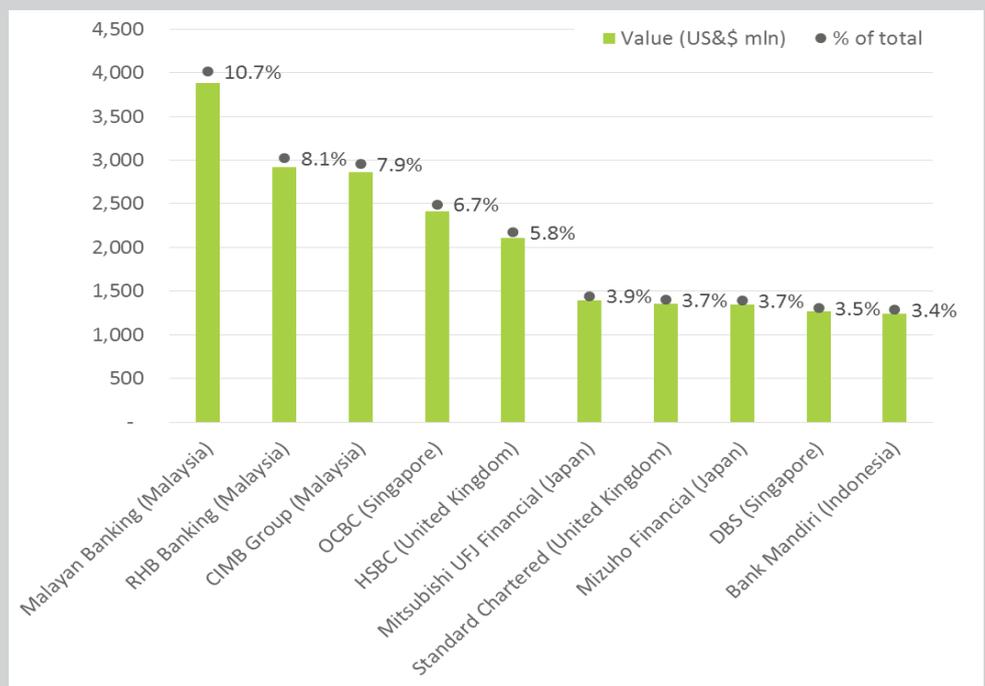
Maybank’s top 5 palm oil clients active in Indonesia are all involved in conflicts related to deforestation of HCV and HCS areas, the

development of peat areas, large fires in their concessions, conflicts with local communities over landgrabbing, lack of Free, Prior and Informed consent, and bad labour conditions, including forced (child) labor.

The development of oil palms has already destroyed millions of hectares in Indonesia. This has caused a large loss of biodiversity and many local communities have lost their customary land to the large plantation companies. Many plantations are established on peat grounds, which are drained for this purpose but then become highly inflammable, contributing to many fires and haze related health issues.

**Table 1.**

**Top 10 loan & underwriting services providers to selected palm oil companies (2010-2016, US\$ mln)**



Source: Forests & Finance (nd.), “Explore the data”, online: <http://forestsandfinance.org/>, viewed in September 2017.



Several financiers have already adopted ESG policies to prevent them from engaging with controversial clients. However, this report has found that these financiers, some of whom are Ordinary Members of the RSPO and/or PRI signatories seem to have found a way to keep profiting from the controversial palm oil companies, by financing Maybank, instead of financing those companies directly. This is not in accordance with the spirit of their commitments, and leaves them exposed reputational risk.

To avoid further risks, Maybank should urgently develop a strong ESG policy and refrain from financing clients that do not comply with the minimum standards for such a policy.

Maybank's financiers should support Maybank in the development of such a policy. Maybank should commit to a time-bound plan to do so. If Maybank fails to implement an adequate policy within the stated timeframe, its financiers should break ties with the bank.

## Methodology

This study researched the financing of 85 of the largest

palm oil companies with operations in Southeast Asia. Financial databases Thomson EIKON, Bloomberg IJGlobal, TradeFinanceAnalytics, company register filings, as well as publicly available company reports, were used to identify corporate loans, credit and underwriting facilities provided to the selected companies in the period 2010–2016. Investments in bonds and shares of the selected companies were identified through Thomson EIKON and Bloomberg at the most recently available filing date in May 2017. This data provides a deal-level dataset of specific relationships between selected companies and any linked financial institution.

Companies with business activities outside of the forest-risk sector had recorded amounts reduced to more accurately present the proportion of financing that can be reasonably attributed to the forest-risk sector operations of the selected company. Where available financial information did not specify the purpose of investment or receiving division within the parent company group, reduction factors were individually calculated by comparing a company's forest-risk sector activities relative to its parent group total activities.

For detailed information on the methodology used see *Forests & Finance* website.<sup>1</sup>

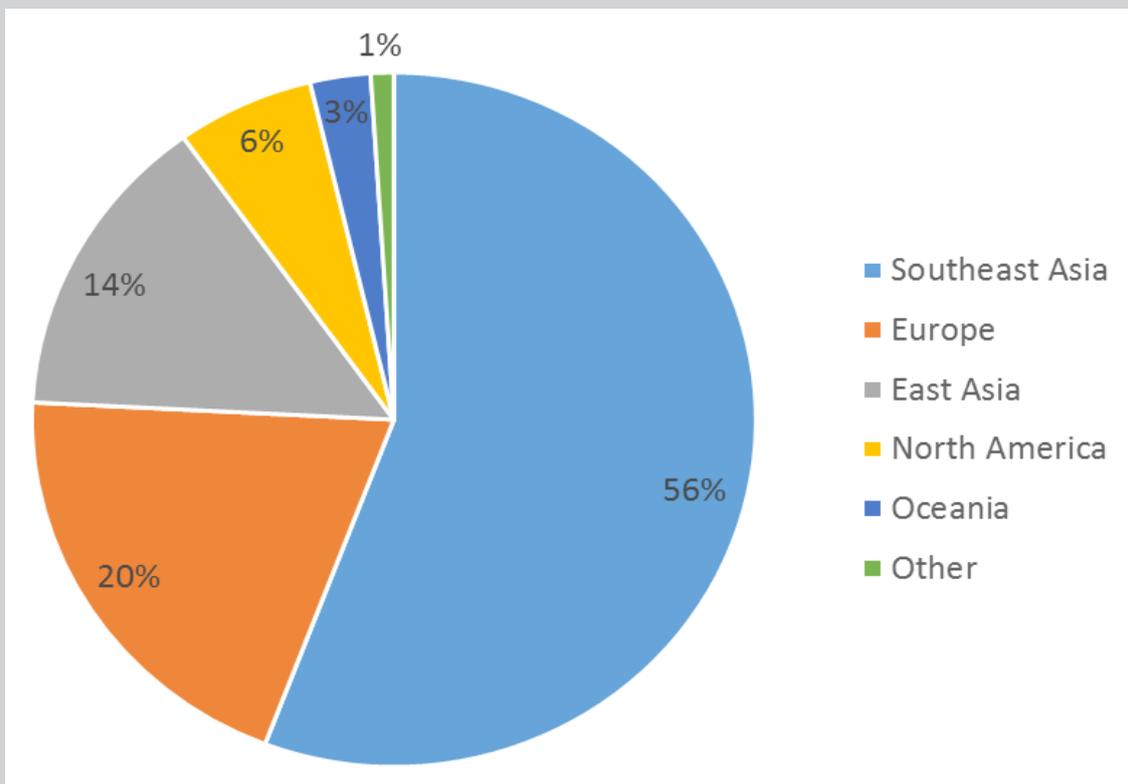
# 1. Palm Oil Company Financing

## Financing of palm oil companies

In the period 2010-2016, financial institutions provided US\$ 36 billion in loans and underwriting services to 85 of the largest palm oil companies with operations in South East Asia (see Forests & Finance website for details).<sup>2</sup> As Figure 1 shows, financial institutions from Southeast Asia provided more than half of all financing to palm oil companies. These were followed by financial institutions from Europe and East Asia (China, Japan and South Korea).<sup>3</sup>

Malaysian banks provided US\$ 11.4 billion in loans and underwriting services to the selected palm oil companies. This is equal to approximately 32% of all financing to the selected companies, and 56% of all the financing provided by financial institutions headquartered in Southeast Asia. Financial institutions from Malaysia are therefore the largest financiers of palm oil companies. These companies are primarily active in Indonesia and Malaysia.

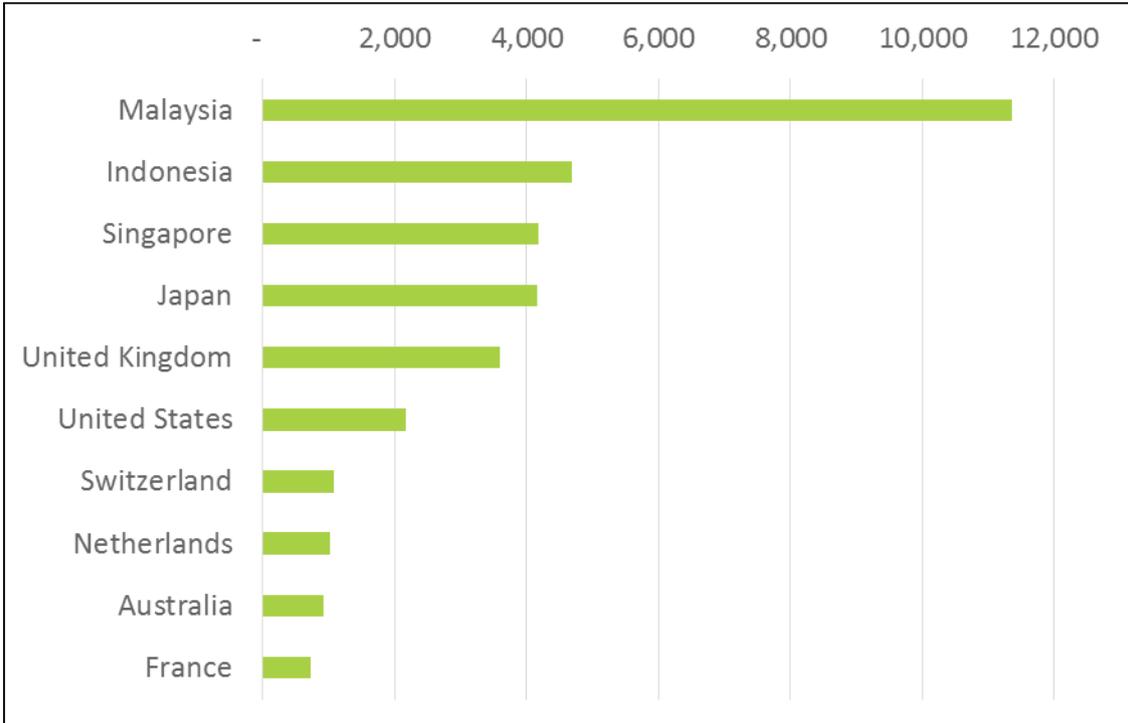
Figure 1.  
Loans & underwriting to selected palm oil companies per investor region  
(2010-2016)



Source: Forests & Finance (nd.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.

**Figure 2.**

**Top 10 countries of origin of financial institutions providing loans & underwriting services to selected palm companies (2010-2016, US\$ mln)**

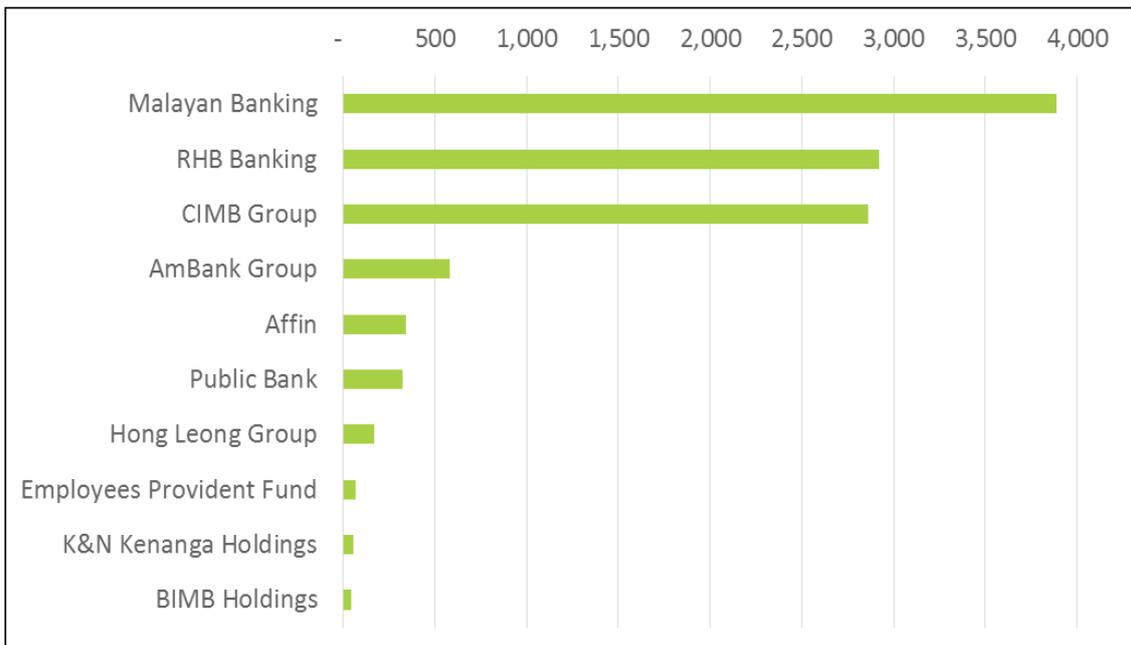


Source: Forests & Finance (nd.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.

Maybank is the single largest provider of financing to the palm oil sector, as can be seen in Figure 3. In the period 2010-2016, Maybank provided approximately US\$ 3.9 billion in loans and underwriting services to palm oil companies. This is equal to around 11% of all financing provided to the selected palm oil companies. RHB Banking and CIMB Group who provided US\$ 2.9 billion each in financing to the selected palm oil companies, follow Maybank. In 2016, Maybank alone provided approximately 60% of all financing to the palm oil sector.

**Figure 3.**

**Ranking of Malaysian loan & underwriting services providers to selected palm oil companies (2010-2016, US\$ mln)**



Source: Forests & Finance (nd.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.



## Policy assessment analysis

The commercial banks identified in this study were evaluated to determine the strength of any publicly-available policies relevant to tropical forest-sector investment decision-making, and subsequently scored against a range of criteria incorporating environmental, social and governance standards. Each of the major banks was allocated a score on the scope of its policies and its environmental and social standards. See *Forests & Finance* website for a description of the policy assessment methodology. See *Forests & Finance* website for a description of the policy assessment methodology.<sup>4</sup>

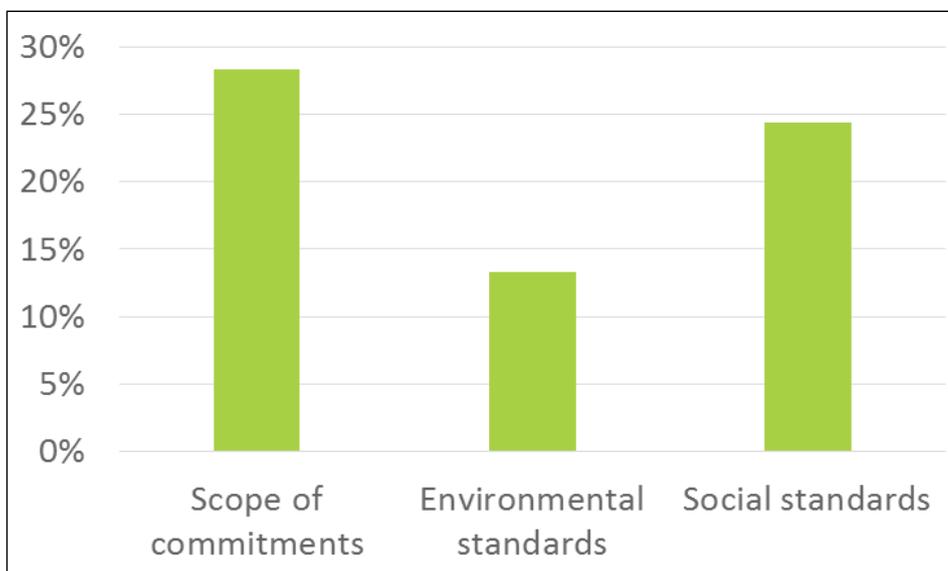
Financial institutions scored best with regard to the *Scope of their commitments* and worst on Environmental Standards. Overall, the average scores per category were very low. None of the categories

scored above 30%, with environmental standards scoring below 15%. Figure 4 shows the average scores of the publicly available policies of the assessed financiers, per assessment category.

There were significant differences between the policy assessments of financial institutions headquartered in different countries. Figure 5 illustrates these differences. In general, financial institutions from Europe had better scoring on their policy assessments than Asian financial institutions.

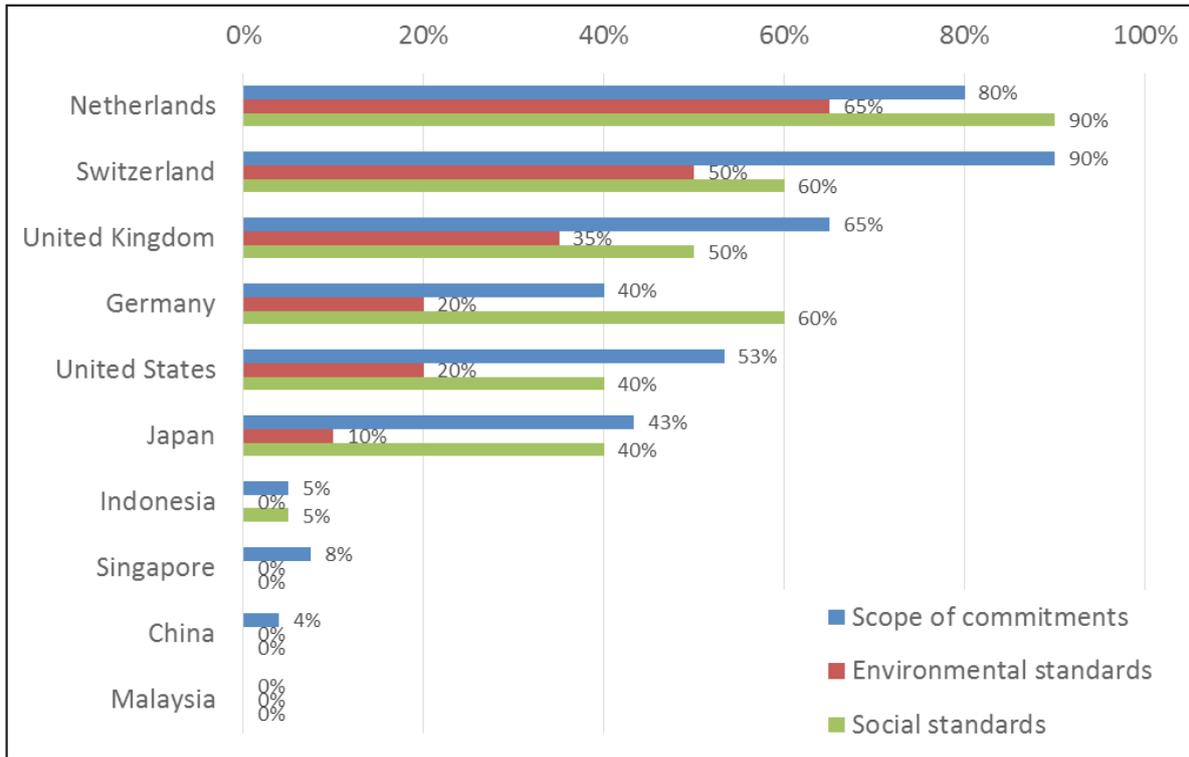
Malaysian financial institutions scored zero. None of the assessed financial institutions had any relevant publicly available Environmental, Social and Governance (ESG) risk mitigation policies specific to the palm oil sector. This is particularly concerning as Malaysia has been identified as the largest financier of the palm oil sector.

**Figure 4. Average policy scores per assessment category**



Source: *Forests & Finance* (nd.), "View the bank profiles", online: <http://forestsandfinance.org/>, viewed in September 2017.

**Figure 5. Average policy scores per financial institution country of origin**

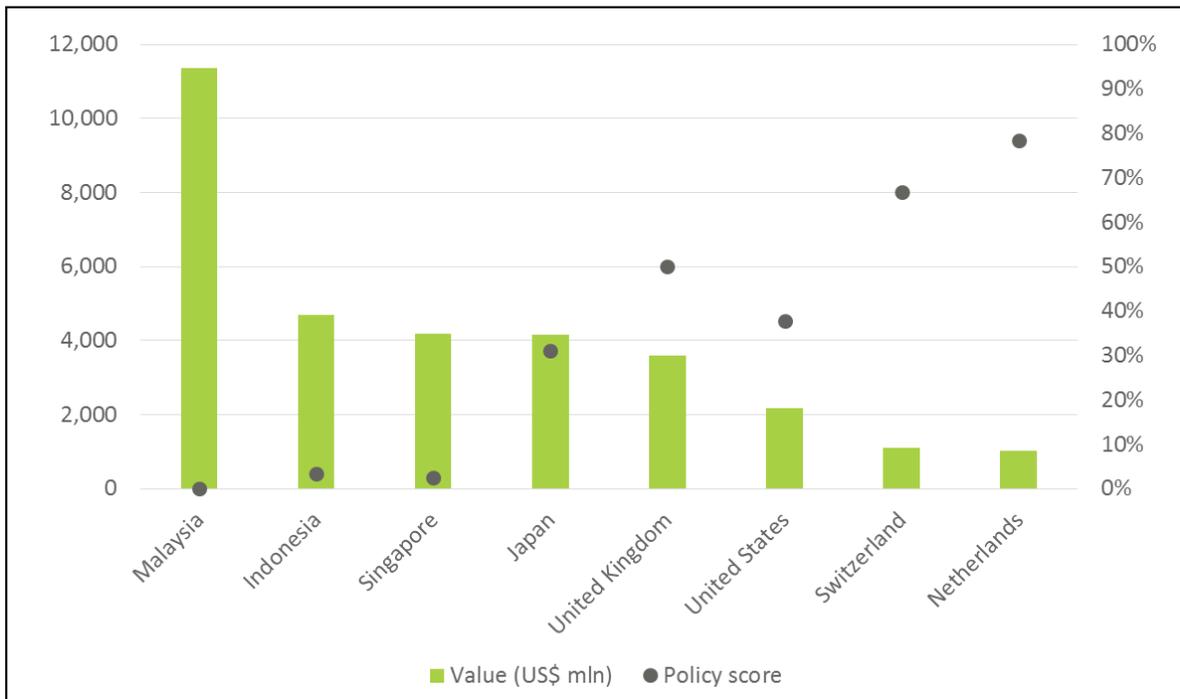


Source: Forests & Finance (nd.), "View the bank profiles", online: <http://forestsandfinance.org/>, viewed in September 2017.

In general, when comparing the levels of financing to the palm oil sector with the palm oil policy assessments a very worrying pattern can be seen (see Figure 6). The higher the level of financing provided to the selected palm oil companies, the lower the average

policy assessment scores. Whether there is a causal relationship may warrant further investigation. However, the fact that the largest financiers of palm oil do not have any policies mitigating the ESG risks of financing the palm oil sector is clear.

**Figure 6. Average policy scores and loans & underwriting to selected palm oil companies per financial institution country of origin (2010–2016, US\$ mln, %)**



Source: Forests & Finance (nd.), "View the bank profiles", online: <http://forestsandfinance.org/>, viewed in September 2017; Forests & Finance (nd.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.



# Maybank

## 2. Maybank Group

### 2.1. Profile

Maybank is single largest financier of the palm oil sector and therefore it has the potential to drive sectoral change.

Malayan Banking Berhad is the holding company of Maybank Group. Maybank is engaged in commercial banking and related financial services. These activities include: consumer and corporate banking; Islamic banking; asset management; investment banking; insurance and takaful. The group has branches in Malaysia, Singapore, Indonesia and other international financial centres, such as London, New York, and Hong Kong.<sup>5</sup> Maybank has 363 branches in Malaysia, 22 in Singapore, and 430 in Indonesia.<sup>6</sup>

The chief executive officer and group president of Malayan Banking is Datuk Abdul Farid Alias. According to Maybank's website, it the CEO's responsibility to "Oversee and ensure a good balance between driving operational excellence and strong governance to deliver sustainable long-term value for shareholders, customers, employees and all other stakeholders".<sup>7</sup> This implies that Maybank's strong governance is focused on creating sustainable profit, and not sustainable development for society as a whole or for the environment.

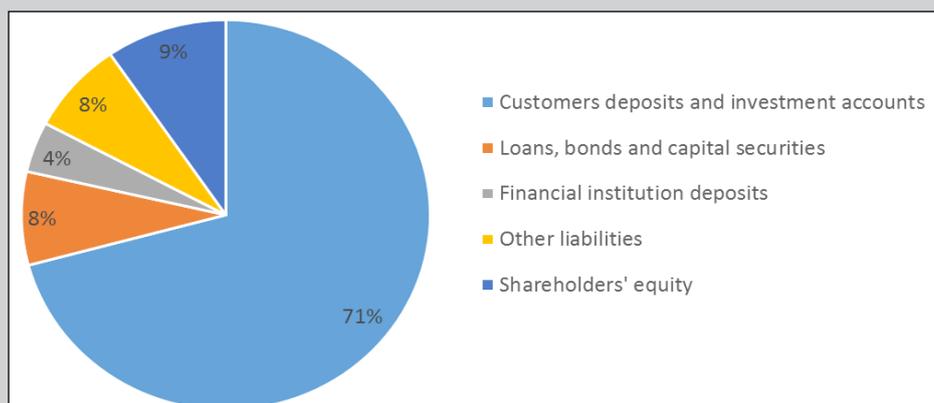
In 2016, Maybank had total assets of US\$ 164 billion and it generated profits of US\$ 1.6 billion.<sup>8</sup> 69% of Maybank's revenues in 2016 were generated in Malaysia, 12% in Singapore, and 11% in Indonesia.<sup>9</sup> Maybank's operations in Indonesia saw their highest net profit ever in 2016, with a 71% year-on-year increase.<sup>10</sup>

### 2.2. Financiers of Maybank

Through the provision of loans, bond and share issuance underwriting services, as well as investments in bonds and shares, financial institutions enable Maybank to provide credit to the palm oil sector. Moreover, the savings and deposits of Maybank account holders can equally be used to finance the palm oil sector. Figure 7 illustrates how Maybank's assets – including its loans to the palm oil sector – are financed. It shows that 71% of its total liabilities is composed of deposit and investment accounts. Closer analysis shows that 42% of deposits at Maybank are from individual consumers, 46% from enterprises, followed by 5% from government and 6% from other sources.<sup>11</sup> These deposits can be used as loans to finance the palm oil sector.

Loans, bonds and other capital securities form 8% of Maybank's total liabilities and equity. Shareholders' equity constitutes 9% of total liabilities and equity. Permodalan Nasional Berhad (PNB) holds approximately 47% of Maybank's shares, and therefore approximately 4% of its total liabilities and equity.<sup>12</sup>

PNB, the investment vehicle of Yayasan Pelaburan Bumiputra (YBP - Bumiputra Investment Foundation), is Maybank's largest shareholder and its stake in Maybank is valued at just under US\$ 10 billion.<sup>13</sup> This corresponds to about 25% of PNB's total shareholding portfolio.<sup>14</sup> PNB is also invested in other Malaysian banks (31% of its portfolio)<sup>15</sup> and it invests 22% of its shareholdings portfolio in Malaysian companies engaged in palm oil, like IOI Group, IJM Plantations, Kuala Lumpur Kepong (KLK) and FELDA.<sup>16</sup>



**Figure 7.**  
**Breakdown of Maybank's liabilities and equity (2016)**

Source: Malayan Banking (2017, March), Leading Asia: Annual Report 2016 – Financial Statements, p. 33.

### RSPO banks are bankrolling Maybank

Three of the top five creditors of Maybank are members of the Roundtable on Sustainable Palm Oil (RSPO) (HSBC (1<sup>st</sup>), UBS (2<sup>nd</sup>), Standard Chartered (4<sup>th</sup>) (see Table 2)). These three RSPO ordinary member financial institutions accounted for approximately 38% of all loans and underwriting services to Maybank in the period 2010-2016.

In fact, seven of the identified creditors are RSPO members. In addition to those noted above, they

include: BNP Paribas (8<sup>th</sup>), ANZ (10<sup>th</sup>), Commerzbank (24<sup>th</sup>) and Citigroup (32<sup>nd</sup>). These seven RSPO member financial institutions provided approximately 45% of all identified loans and underwriting services to Maybank between 2010 and 2016, at value of US\$ 5 billion.

RSPO ordinary members have an obligation to promote sustainable palm oil. They should, therefore, also promote sustainable palm oil among the financial institutions they provide credit to and invest in.

**Table 2. Loans & underwriting services to Malayan Banking (US\$ mln, 2010-2016)**

Rank	Investor	Country	Loans	Underwriting	Total
1	HSBC #	United Kingdom	516	2,064	2,580
2	UBS #	Switzerland		1,048	1,048
3	Barclays	United Kingdom		827	827
4	Standard Chartered #	United Kingdom	262	559	821
5	DBS	Singapore		457	457
6	Crédit Agricole	France		418	418
7	Oversea-Chinese Banking Corporation	Singapore	200	163	363
8	BNP Paribas #	France	53	295	347
9	Nomura	Japan		335	335
10	ANZ #	Australia	316		316
11	China Development Financial Holding	Taiwan		294	294
12	Mizuho Financial	Japan	184	72	256
13	Indo Premier Securities	Indonesia		255	255
14	JPMorgan Chase	United States		214	214
15	Bank of China	China	200		200
16	Industrial and Commercial Bank of China	China	200		200
17	Bank of Communications	China	200		200
18	Bahana Group	Indonesia		194	194
19	Bank Mandiri	Indonesia	22	146	168
20	Deutsche Bank	Germany		167	167
	Other		1,697	497	2,194
	<b>Total</b>		<b>3,849</b>	<b>8,006</b>	<b>11,855</b>

Source: Thomson EIKON (2017, June), "Malayan Banking Berhad: Loans"; Thomson EIKON (2017, June), "Malayan Banking Berhad: Share Issuances"; Thomson EIKON (2017, June), "Malayan Banking Berhad: Bond Issuances"; Bloomberg (2017, June), "Malayan Banking Berhad: Loan Search"; Bloomberg (2017, May), "Malayan Banking Berhad: Aggregated Debt".

# RSPO member bank

## Several UN PRI signatories among Maybank's investors

Nine of the top 20 shareholders of Maybank are UN PRI signatories (Table 3). In addition, among Maybank's top 20 bondholders there 13 signatories to the UN PRI and 3 RSPO members (BNP Paribas, UBS, and Credit Suisse) (Table 4).

The signatories of the UN-supported Principles of

Responsible Investment (PRI) have committed to being active owners and incorporate ESG issues into their ownership policies and practices. They can therefore be called upon to engage with Maybank and demand that the financial institution implements adequate ESG risk mitigation frameworks, particularly with regard to palm oil of which it is the single largest financier.

**Table 3. Top 20 shareholders of Malayan Banking (2017 July, most recent filing date)**

Rank	Investor	Country	% outstanding	Value (US\$ mln)	Filing date
1	Permodalan Nasional Berhad (PNB)	Malaysia	46.86	9,574	10/02/2017
2	Employees Provident Fund	Malaysia	12.00	2,839	23/06/2017
3	KWAP Retirement Fund	Malaysia	3.53	723	10/02/2017
4	Lembaga Kemajuan Tanah Persekutuan (FELDA)	Malaysia	1.35	276	10/02/2017
5	BlackRock*	United States	1.02	234	31/05/2017
6	Oversea-Chinese Banking Corporation	Singapore	0.91	187	10/02/2017
7	Vanguard*	United States	0.83	169	31/05/2017
8	Khazanah Nasional Berhad	Malaysia	0.73	151	10/02/2017
9	Prudential (UK)*	United Kingdom	0.80	164	28/02/2017
10	GIC	Singapore	0.51	104	10/02/2017
11	AIA Group	China	0.51	104	10/02/2017
12	Lembaga Tabung Angkatan Tentera	Malaysia	0.42	86	10/02/2017
13	Public Mutual	Malaysia	0.40	83	10/02/2017
14	Dimensional Fund Advisors*	United States	0.29	62	30/04/2017
15	Legal & General*	United Kingdom	0.28	60	30/04/2017
16	Norwegian Government Pension Fund Global – Global*	Norway	0.29	55	31/12/2016
17	JPMorgan Chase*	United States	0.23	55	31/05/2017
18	Saudi Arabian Monetary Agency	Saudi Arabia	0.24	49	10/02/2017
19	Aviva*	United Kingdom	0.19	45	31/05/2017
20	Orix Corporation*	Japan	0.18	37	31/03/2017
	Other		28.42	631	
	<b>Total</b>		<b>74.42</b>	<b>15,687</b>	

Source: Thomson Reuters Eikon (2017, July), "Share ownership: Malayan Banking Berhad", viewed in July 2017.

\* UN PRI signatory.

The top four shareholders of Maybank are all Malaysian government-linked investors, including PNB. Investors

from the United States, Singapore and United Kingdom also feature among the top 10 investors in Maybank.

**Table 4. Maybank top 20 bondholders (2017 July most recent filing date)**

Rank	Investor	Country	Value (US\$ mln)
1	American Family	United States	86
2	BNP Paribas* #	France	34
3	Prudential (UK)*	United Kingdom	29
4	JPMorgan Chase*	United States	21
5	Bank of China	China	14
6	UBS* #	Switzerland	8
7	Manulife Financial*	Canada	8
8	Aberdeen Asset Management*	United Kingdom	7
9	Sumitomo Mitsui Trust*	Japan	6
10	Temasek	Singapore	6
11	Schroders*	United Kingdom	5
12	Bank of East Asia	China	5
13	Credit Suisse*	Switzerland	5
14	American International Group (AIG)*	United States	5
15	Doubleline Capital	United States	5
16	NN Group*	Netherlands	4
17	Pacific Century Group	China	3
18	Liberty Mutual Insurance	United States	3
19	Nomura*	Japan	3
20	Stone Harbor Investment Partners*	United States	2
	Other		20
	<b>Total</b>		<b>277</b>

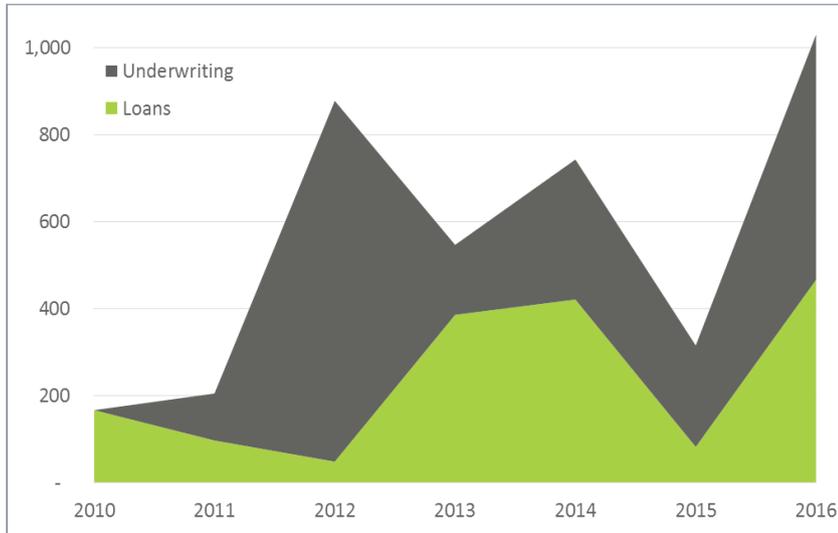
Source: Thomson EIKON (2017, June), Malayan Banking Berhad: Bond Issuances; Bloomberg (2017, May), Malayan Banking Berhad: Aggregated Debt; Thomson EIKON, EMAXX, viewed in June 2017.

\* UN PRI signatory; # RSPO member.

## 2.3. Financing of palm oil companies

In the period 2010 to 2016, Maybank provided approximately US\$ 3.9 billion in loans and underwriting services to palm oil companies, equal to around 11% of all financing provided to the selected palm oil companies. In fact, in the year 2016 alone, Maybank provided 60% of all loans and underwriting services to the

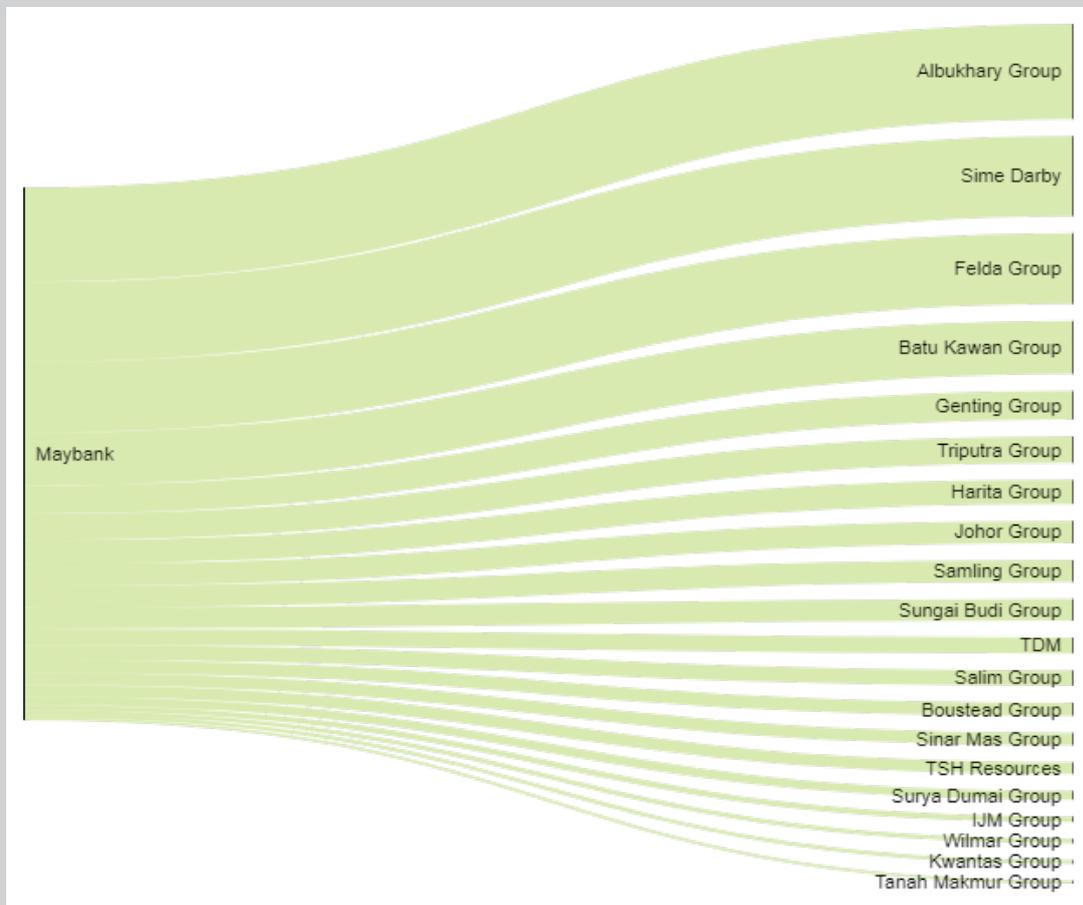
selected palm oil companies. Despite some fluctuations, this represents an upward trend in Maybank's annual loans and underwriting services (Figure 8). Maybank's three largest clients, in terms of value of loans and underwriting services, are the Albukhary Group, Sime Darby and Felda Group (Figure 9).



**Figure 8.**  
Maybank annual loans & underwriting services to selected palm oil companies (2010-2016, US\$ mln)

Source: Forests & Finance (n.d.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.

**Figure 9.**  
Maybank's top 20 palm oil clients (loans and underwriting, 2010-2016)



Source: Forests & Finance (n.d.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.

Table 5 ranks the identified links between Maybank and selected palm oil companies. It further shows that three of the larger companies attracted significant

underwriting services, while Albukhary – particularly its palm oil subsidiary Tradewinds – attracted the highest value of loans.

**Table 5. Ranking of Malayan Banking’s selected palm oil clients (2010-2016, US\$ mln)**

Rank	Group	Loans	Underwriting	Total
1	Albukhary Group	689		689
2	Sime Darby	86	494	580
3	Felda Group		513	513
4	Batu Kawan Group		384	384
5	Genting Group	127	79	205
6	Triputra Group	192		192
7	Harita Group		172	172
8	Johor Group		160	160
9	Samling Group	56	101	157
10	Sungai Budi Group	155		155
11	TDM	115		115
12	Salim Group	18	91	109
13	Boustead Group	21	73	94
14	Sinar Mas Group	89		89
15	TSH Resources	36	48	84
16	Surya Dumai Group		61	61
17	IJM Group		38	38
18	Wilmar Group	29		29
19	Kwantas Group	24		24
20	Tanah Makmur Group	19		19
21	Ta Ann Holdings	11		11
22	Tiga Pilar Sejahtera Group		6	6
23	Noble Group	1		1
24	Olam International	1		1
	<b>Total</b>	<b>1,667</b>	<b>2,219</b>	<b>3,886</b>

Source: Forests & Finance (n.d.), “Explore the data”, online: <http://forestsandfinance.org/>, viewed in September 2017.

## 2.4. Policy Analysis

Malaysian financial institutions score very poorly in the assessment of their publicly available ESG risk mitigation policies. In fact, Malaysian financial institutions all scored 0 points in the policy assessment done by Forests and Finance. A recent study by WWF similarly found that Malaysian financial institutions had hardly integrated ESG issues into their policies, if at all.<sup>17</sup> This is concerning given the high value of financing provided by Malaysian financial institutions to companies active in high risk sectors (such as palm oil) and high-risk countries.

Since Maybank does not have any publicly available ESG risk mitigation policies, an analysis was made of the ESG policies and reporting of Maybank’s

palm oil clients. This was done in order to establish whether Maybank then only provided financing to ‘best in the class’ palm oil companies on the basis of the ESG performance of these companies. One tool at the disposal of financial institutions to determine if the palm oil companies they finance are ‘best in the class’ in terms of mitigating and addressing the ESG issues associated with the sector was developed by the Zoological Society of London (ZSL). The tool developed by ZSL is known as the Sustainable Palm Oil Transparency Toolkit (SPOTT). SPOTT assessments score 50 of the largest palm oil producers and traders on the public availability of corporate information relating to ESG issues against a set of indicators.<sup>18</sup>

This research focused on the SPOTT assessment categories that align with the financial institution policy assessments (see *Forests & Finance* website for details).<sup>19</sup> The overall scores that SPOTT has given to each company, which are based on a total set of 125 questions, have also been included. Table 6 shows the SPOTT assessment scores of the Maybank's palm oil clients, listed by value of the financial relationships. Many of the assessed companies score well below 75% for the majority of the assessment categories. It is therefore evident from Table 6 that Maybank has provided loans and underwriting services to many companies with poor palm oil risk mitigation frameworks and that the bank does not seem to have been selective in choosing to finance only the 'best in

the class'.

This implies that Maybank's major clients could be implicated in deforestation, development on peat, land grabs and use of fire. Beyond the severe social and environmental implications of such issues, Maybank also runs a significant financial risk. All of these ESG issues can translate into financial risks as companies may be fined, obligated to pay for restoration, and productivity may be affected. Loss of revenues and increased financial burdens potentially affect the ability of a company to meet its financial obligations. Therefore, Maybank is exposed to significant financial risk through its portfolio of palm oil clients that lack adequate risk mitigation frameworks.

**Table 6. SPOTT assessments scores selected categories**

Group*	Environmental issues		Social issues	Governance issues		Overall score
	Deforestation and biodiversity	Peat, fire and GHG emissions	Community, land and labour rights	Certification standards	Governance and grievances	
Albukhary Group	Red	Red	Red	Red	Red	Red
Sime Darby Plantation	Green	Green	Green	Green	Green	Yellow
Felda Group	Yellow	Red	Yellow	Red	Red	Yellow
Batu Kawan Group	Red	Yellow	Yellow	Red	Yellow	Yellow
Genting Group	Yellow	Red	Yellow	Red	Yellow	Yellow
Triputra Group	Red	Red	Red	Red	Red	Red
Harita Group	Yellow	Red	Yellow	Red	Yellow	Yellow
Johor Group	Black	Black	Black	Black	Black	Black
Samling Group	Red	Red	Red	Red	Red	Red
Sungai Budi Group	Black	Black	Black	Black	Black	Black
TDM	Black	Black	Black	Black	Black	Black
Salim Group	Yellow	Yellow	Yellow	Red	Yellow	Yellow
Boustead Group	Red	Red	Red	Red	Red	Red
Sinar Mas Group	Yellow	Yellow	Red	Yellow	Yellow	Green
TSH Resources	Red	Red	Red	Red	Yellow	Red
Surya Dumai Group	Yellow	Yellow	Green	Red	Green	Yellow
IJM Group	Yellow	Red	Yellow	Red	Red	Red
Wilmar Group	Green	Green	Yellow	Yellow	Green	Green
Kwantas Group	Black	Black	Black	Black	Black	Black
Tanah Makmur Group	Black	Black	Black	Black	Black	Black
Ta Ann Holdings	Black	Black	Black	Black	Black	Black
Tiga Pilar Sejahtera Group	Red	Red	Red	Red	Red	Red
Noble Group	Green	Yellow	Green	Red	Red	Yellow
Olam International	Yellow	Yellow	Green	Yellow	Green	Yellow
Total	Red	Red	Yellow	Red	Yellow	Red

**Legend**

Colour	SPOTT score
Red	<50%
Yellow	51%-75%
Green	>75%
Black	Not included in SPOTT

\* Note that the colour coding of this table differs from that used by SPOTT.

Zoological Society of London (n.d.), "Sustainable Palm Oil Transparency Toolkit", online: <https://www.spott.org/palm-oil/>, viewed in September 2017.

\* Note: Assessments are for palm oil relevant subsidiaries. Where more than one subsidiary is engaged in palm oil and is assessed in SPOTT (e.g. Sime Darby Plantation and New Britain Palm Oil), the average scores for the companies were used.



### 3. Environmental, Social and Governance Impacts

The production of palm oil through large scale monoculture plantations, as is the practice of Maybank's major clients, inevitably has social and environmental impacts.

The acquisition of large areas of land by the palm oil companies is often done without the Free, Prior and Informed Consent (FPIC) of local communities, causing landgrabbing conflicts. But even when communities do agree, such deals impact them as they lose land from which they could source food, water and materials, impacting their way of life, their culture and traditions.

In order to establish a plantation, the company will clear the acquired land of any vegetation, causing biodiversity loss and contributing to climate change, as the carbon stored in the vegetation mostly ends up in the atmosphere. These Greenhouse Gas (GHG) emissions are aggravated when plantations are established on peat grounds. As peat grounds are too swampy to establish an oil palm plantation, they are drained by the company. When the drying peat decomposes, the carbon stored in it is released to the atmosphere. The dry peat also burns very easily, which is why many fire hotspots occur in oil palm plantations. These fires cause environmental destruction, GHG

emission and the haze they produce has severe health impacts. Indonesia is one of the world's largest producers of GHG and most of these emissions are from forest destruction and degradation.

Additionally, the drying of the peat areas impacts the water table beyond the plantation, affecting the availability of water for communities and nearby ecosystems. This may make the production of certain crops, like rice, unviable for nearby communities. Having lost access to land and water, community members are often only left with the option to work for the palm oil company. This can be done by either working directly for the company, or by producing oil palm fruits as smallholders, which are then sold to the company. In either situation, serious labour exploitation, including child and slave labour, is common in the sector as companies prioritize cost reduction to increase profits and workers lack access to justice.

These social and environmental impacts are aggravated when there is a lack of good governance and companies engage in illegal activities, bribery, corruption and financial crimes, in their pursuit of profit maximization.



In the following sections the environmental, social and governance impact of six of Maybank's largest palm oil clients are described. These groups have activities in both Indonesia and Malaysia: :

- Sime Darby
- Felda
- Batu Kawan Group
- Genting Group
- Triputra
- Salim Group

It should be emphasized that the known ESG issues of Maybank's palm oil clients are not limited to these six companies. For example, Maybank is a major financier of **Bumitama Agri**, which was the subject of three complaints to the Roundtable on Sustainable Palm Oil regarding operations of its subsidiaries in Indonesia in 2013 alone. The complaints variously allege clearing of High Conservation Value (HCV) areas and violation of Indonesian laws regarding plantations in national parks, coastal reserves and riparian land.<sup>20</sup> As recently as 2017, Bumitama Agri was found to have violated peat regulations and its permits were subjected to review due to forest and peat land fires that occurred in its concessions in 2015.<sup>21</sup>

Similarly, Maybank is an important financier of the **Samling Group**, which has been implicated in numerous environmental and governance issues. The Norwegian Government Pension Fund- Global excluded Samling and its daughter companies from its portfolio as the group and its subsidiaries were considered to be involved in grossly unethical activities by the Norwegian Council on Ethics.<sup>22</sup> Other Maybank palm oil clients from which the Norwegian Government Pension Fund- Global has divested due to poor corporate practices (including environmental, social and governance issues) include: **Albukhary Group** subsidiary **Tradewinds Plantation**, **IJM Group** subsidiary **IJM Plantations**, **Batu Kawan Group** subsidiary **Kuala Lumpur Kepong**, **Genting**, **Ta Ann**, **TSH Resources**, **Wilmar**, **Sinar Mas** subsidiary **Golden Agri Resources**, **Boustead Group**, and **Surya Dumai Group** subsidiary **First Resources**.<sup>23</sup>

Even some of Maybank's larger and more well-known palm oil clients, such as **Wilmar**, are implicated in ESG issues. In 2016 Wilmar has been linked to deforestation in its supply chain, as well as human rights abuses, including forced labour, child labour, gender discrimination and exploitative and dangerous working conditions.<sup>24</sup>

## 3.1. SIME DARBY



Sime Darby is a Malaysian conglomerate. It is the largest listed plantation company in the world with a land bank of nearly one million hectares, with plantations in Indonesia, Malaysia, Liberia, Papua New Guinea and the Solomon Islands. Sime Darby has been a member of the RSPO since 7 September 2004 and is one of the largest producers of RSPO certified palm oil.<sup>25</sup> Sime Darby is Maybank's second largest client. It should be noted that PNB, which holds almost 50% of the Maybank shares, also holds approximately 50% of Sime Darby's shares.<sup>26</sup>

Sime Darby has failed to solve a long standing landgrabbing conflict in Kalimantan, for which a complaint has been lodged at the RSPO 5 years ago.

### Environmental impacts

In August 2017, the Indonesian Ministry of the Environment and Forestry suspended all operations of the Sime Darby subsidiary PT ISLM. It was found to be carrying out illegal

forest clearance outside of its rubber plantation concession operating in Belitung Island off the coast of Sumatra.<sup>27</sup>

### Social impacts

In Kalimantan, Sime Darby's subsidiary PT Mitral Austral Sejahtera (PT MAS) has grabbed over 1400 hectares of land from the indigenous communities of Kerunang and Entapang. The community had initially agreed to lease their land for a 25 year period to Sime Darby, expecting the land to be returned to them by 2022. However, without consulting or even informing the community, the company obtained a HGU (Right to Cultivate) over the area. This means that the land is now officially leased by the government to the company and that after the lease period, the land will return to the government, instead of the community. This effectively constitutes a case of community land grabbing.<sup>28</sup>

In South Kalimantan, the most recent RSPO audit report of Sime Darby's subsidiary PT. Swadaya Andika found several non-compliance issues in 2016 relating, among others, to the lack of land use titles and the lack of agreement with local communities over the conservation of HCV areas, as they overlap with community land.<sup>29</sup>

In South Sumatra, Sime Darby's subsidiary PT. Guthrie Pecconina Indonesia has been involved in land conflicts

with local communities since 1998. According to a RSPO audit report from 2016, the company is operating illegally on more than 3,000 ha.<sup>30</sup>

In Sulawesi, an audit report from 2016 of Sime Darby's subsidiary PT. Tamaco Graha Krida also found that this company has planted oil palm beyond the limits of its HGU. Furthermore, it also sources from almost 2,920 hectares of smallholder areas for which it does not have an environmental impact assessment. Apart from that, several non-conformance issues were found regarding the lack of control over pesticide and fertilizer use, and the lack of protection of worker's health.<sup>31</sup>

In Liberia, Sime Darby faced strong protests from local communities over customary land rights and lack of consultation shortly after starting development of its oil palm plantation in 2011.<sup>32</sup> In reaction, the company announced publicly that no more developments would take place where communities had not given explicit consent. The company acknowledged in 2017 that it will not fully develop its 220,000 hectare concession area in Liberia.<sup>33</sup>

### Governance impacts

A complaint against Sime Darby over landgrabbing in Kalimantan has been lodged at the RSPO in 2012. This case remains unsolved as Sime Darby has failed to enter into a meaningful conflict resolution process with the community.<sup>34</sup>

Instead of solving the conflict, Sime Darby has announced that it plans to sell the PT MAS unit. The communities of Sanggau have formally requested the RSPO to issue an injunction, prohibiting Sime Darby from selling its subsidiary

before solving the problem, on the risk of losing its RSPO certificate.<sup>35</sup>

Sime Darby is also planning to divest its plantations division and to list it on the stock exchange by the end of 2017.<sup>36</sup> The IPO was initially planned for early 2017. At the time there was protest from the communities of Sanggau and from CSOs against the divestment from the plantations division, without solving the land conflict in Kalimantan and elsewhere.<sup>37</sup>

## 3.2. FELDA



FELDA, the Federal Land Development Authority, was founded in 1956 by Malaysia's second Prime Minister, to develop land for the landless, with the final aim of granting them leasehold titles. More than 850 thousand hectares of tropical rainforest were cleared for the settlement of the rural poor into newly developed areas, planting primarily oil palm plantations.<sup>38</sup>

FELDA subsidiary, Felda Global Ventures (FGV) is the world's largest producer of crude palm oil and the second largest Malaysian palm oil refiner.<sup>39</sup> The company has a landbank of 440,622 hectares in Malaysia and Indonesia.<sup>40</sup>

FGV has been linked to forced labour, deforestation and peatland development through its plantations operations and business relationships in Indonesia and Malaysia.<sup>41</sup>

### Environmental impacts

FGV's subsidiaries, PT Citra Niaga Perkasa (PT CNP) and PT Temila Agro Abadi (PT TAA), cleared 680 hectares of HCV peatlands between 2014 and 2015.<sup>42</sup> Since FGV introduced its new sustainability policy in August 2016, PT TAA cleared another 864 hectares of mostly forested peatland.<sup>43</sup>

FGV's joint venture refinery in Batam, PT Synergy Oil Nusantara (PT SON), purchases palm oil from Duta Palma Nusantara,<sup>44</sup> whose RSPO membership was terminated in 2013 for deforestation and peatland development.<sup>45</sup> It also purchases from Austindo Nusantara Jaya (ANJT), which is linked to deforestation

of HCS forests in Papua.<sup>46</sup>

The FELDA Group has acquired a 37% stake in Rajawali Group's controversial PT Eagle High Plantations (BWPT).<sup>47</sup> Rajawali Group's operations are reportedly linked to extensive forest and peatland destruction, illegal burning, use of child labour and the use of force against workers.<sup>48</sup> BWPT does not have a public NDPE and has not secured RSPO certification for any of its operations.<sup>49</sup> BWPT is linked to the clearing of 7,000 hectares of rainforest between 2010 and 2014 and more than 6,000 hectares of secondary forest in Papua.<sup>50</sup>

### Social impacts

Between 2010 and 2012, the government of Malaysia stripped the settlers' cooperative KPF from control over FELDA, undermining the hope of the underemployed second and third generation settlers to obtain their own piece of land.<sup>51</sup>

In July 2015, The Wall Street Journal released an article titled "Palm-oil migrant workers tell of labour abuses on Malaysian plantations," which exposed human trafficking, forced labour, withholding of wages and other abuses of workers on the plantations of Felda Global Ventures (FGV).<sup>52</sup>

In response to the WSJ article, the RSPO commissioned Accreditation Services International (ASI) to conduct a compliance audit of FGV oil palm plantations. ASI found several International Labour Organization (ILO) indicators for forced labour on FGV plantations including: minimum wages not being paid; workers not understanding their terms of employment; workers' contracts being written in a language they did not understand; smallholders reporting "constant debt";

and passports and identity documents being retained by the company.<sup>53</sup>

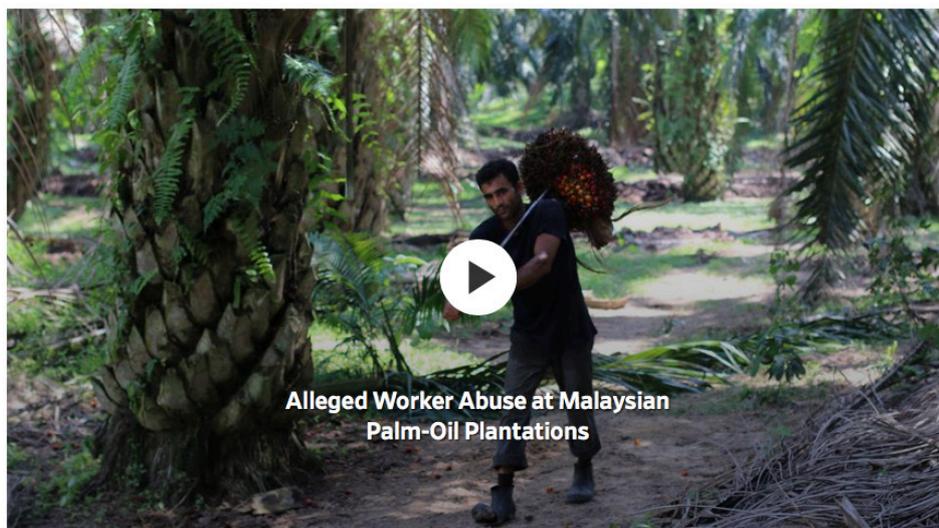
A second labour audit, commissioned by FGV and carried out by Wild Asia in January 2016, revealed continued risks of forced labour, including workers paying high fees for their jobs, being told false promises by labour recruiters, earning insufficient wages to repay debts and having their passports retained. Workers also reported being afraid to report grievances, being paid below minimum wage and not understanding wage slips, and not being made aware of their right of Freedom of Association. Squalid living conditions were also observed by the auditor.<sup>54</sup>

In May 2016, FGV withdrew its RSPO certificates from 58 complexes throughout Malaysia, citing social criteria as the management's top concern.<sup>55</sup> To date, FGV's response has been insufficient to address ongoing risks of modern day slavery in its operations.<sup>56</sup>

WORLD | ASIA

## Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations

Global palm-oil industry contributes to human trafficking, rights advocates say



Media coverage of labor on FGV's Plantations.  
PHOTO: [WALL STREET JOURNAL](#), 26 JULY 2015

### Governance impacts

FELDA was idealised to distribute land to the poor and for a long time the company was also controlled by the settlers cooperative, which held 51% of the shares. But between 2010 and 2012, the Malaysian government performed a power move that stripped the settlers of their power and effectively brought 355,864 hectares of plantation land under the direct control of the government-held FGVH. This transaction was strongly criticized by civil society organizations for involving illegal actions and for undermining the hope of many landless workers to obtain their own piece of land.<sup>57</sup> Moreover, at least 22% of FGV's total landbank is contested land.<sup>58</sup>

Malaysian government-related entities own 75% of FGV's shares, exposing other institutional investors with less than 1% in shares to significant minority shareholder risk.<sup>59</sup> 44% of FGV's total capital (equity

and liabilities) are financed by related parties, which increases the risks of conflicts of interest.<sup>60</sup>

FELDA's weak financial performance between 2004 and 2009 was compensated by a large loan from Malaysian state-owned pension fund Employees Provident Fund (EPF). In 2011, a minister claimed that RM 2 billion (€ 503 million) from this loan was spent on replanting, a huge investment which is unlikely to have occurred.<sup>61</sup>

The BWPT deal poses a high risk to FGV's customers – many of whom have committed to NDPE policies, such as Wilmar and Golden Agri-Resources – and consequently to FGV's investors.<sup>62</sup> FGV associate's NDPE policy is weak in terms of its content, and thus ineffective in cleaning up the company's supply chains, from deforestation and peat destruction in particular.<sup>63</sup>

## 3.3. BATU KAWAN GROUP

# BATU KAWAN BERHAD

Batu Kawan Berhad is an investment holding company with subsidiaries, among others, in the plantations sector. These include Kuala Lumpur Kepong (KLK) and PT Satu Sembilan Delapan.<sup>64</sup>

KLK is 47% owned by Batu Kawan Group.<sup>65</sup> It has a landbank of around 270,000 hectares, spread over Malaysia, Indonesia and Liberia. Apart from oil palms, it also has rubber plantations in South East Asia.<sup>66</sup> KLK has been involved in land rights violations related to indigenous people, tropical deforestation, and forced (child) labour.

### Environmental impacts

KLK and its joint venture company with Astra Agro Lestari (AAL), continued to buy from ANJT, a company that has cleared large areas of High Carbon Stock (HCS) forests in Papua, even after it announced an update in its sustainability policy in September 2015.<sup>67</sup>

KLK has a 5,992 hectares lease State (Lot 5), in Papua, with HCV and HCS forests. Although it has stated it will not develop the concession for oil palm, local communities still fear it might use it to extract timber.<sup>68</sup>

### Social impacts

In December 2012, KLK acquired a company that claimed three leases in the Collingwood Bay region, in Papua New Guinea, with in total more than 40,000 hectares. However, the land is home to nine Indigenous tribes with customary land rights over the area and who strongly opposed KLK's plans. They filed a complaint at the RSPO and sued KLK in the National Court of Papua New Guinea. In May 2014, KLK lost its two largest leases through the court case.<sup>69</sup>

In order to develop the remaining lease, State Lot 5 with around 5,650 hectares, KLK would have to cross customary lands and destroy HCV areas, for which it would have to obtain the community's Free, Prior and Informed Consent.<sup>70</sup>

In 2013, Sawit Watch investigations found that KLK was still working with a contractor who the company had reportedly blacklisted in 2010 for trafficking laborers and making them work under forced conditions. The investigation also found child labour and cases of workers without a contract and whose IDs were being withheld by the contractor.<sup>71</sup>

In July 2013, Bloomberg Businessweek published an in-depth report that documented widespread practices of forced and child labour throughout oil palm plantations in Sumatra and Borneo, including KLK's plantations.<sup>72</sup>

### Governance impacts

In 2015, Chain Reaction Research raised concerns that KLK may be implicated in unethical business practices in Papua New Guinea. KLK was at the time seeking to become an equity partner in the East Sepik's Special Agricultural Economic Zone, after Wilmar had stepped away from the deal. The PNG Minister for Trade, Commerce and Industry facilitating the deal was also closely involved in the company that acted as the sales intermediary. Initially he was the sole shareholder of

that company. Reports stated that he later sold his shares, though he remained listed as the director.<sup>73</sup>

Also in 2015, KLK undertook an internal and external labour assessment of its operations in East Kalimantan, but it did not publish the full audit report nor did it publish a plan for bringing its global operations into compliance with fundamental labour rights as outlined by the ILO.<sup>74</sup>

## 3.4. GENTING GROUP



Genting Group is a Malaysian conglomerate. Its subsidiary Genting Plantations has a landbank of 227,000 hectares spread over Malaysia and Indonesia.<sup>75</sup>

In 2014, Genting was temporarily suspended from the RSPO for violating a series of Principles and Criteria. It has been involved in the clearance of HCS and HCV and conflicts with local communities. The Norwegian Government Pension Fund - Global has excluded the company from its investment portfolio.<sup>76</sup>

### Environmental impacts

In 2013, a complaint was filed at the RSPO against a subsidiary of Genting, Tanjung Bahagia Sdn Bhd, over multiple violations of the RSPO's Principles and Criteria, including failing to address pollution and conservation of HCV areas.<sup>77</sup>

In 2014, research found that Genting Plantations' subsidiary PT CSC was clearing HCV and HCS areas in its concession in Ketapang district, in West Kalimantan. In response, Wilmar, one of Genting's

major clients, met with Genting. Following the meeting Genting committed to halt any HCV or HCS clearing. Nevertheless, Greenomics found new evidence of HCV and HCS clearance in 2015.<sup>78</sup>

In April 2017, a court in Central Kalimantan ordered the government of the Indonesian province to review the permits of Genting's oil palm concessions, as the company was associated with massive forest and peat land fires in 2015.<sup>79</sup>

### Social impacts

The 2013 RSPO complaint against Tanjung Bahagia Sdn Bhd over multiple violations of the RSPO's Principles and Criteria stated that the company failed to address the community's concerns on land acquisition, that there was a lack of open and transparent

communication and consultation, and a lack of a dispute resolution mechanism to resolve the issues at hand.<sup>80</sup> The communities also went to court in Sabah regarding these issues and eventually won their case in 2016.<sup>81</sup>

### Governance impacts

In 2013, a second complaint was filed at the RSPO against Genting Plantations. It questioned the company's expansion with 22,000 hectares of new plantations without appropriate notification to the RSPO, and the fact that Genting only planned to start implementing the RSPO certification process for its plantations and mills 10 years after joining the RSPO.<sup>82</sup>

On 15 April 2014, the RSPO Board of Governors took the unusual step of suspending Genting's membership of the RSPO.<sup>83</sup> The suspension was lifted after Genting took some necessary steps and submitted a time-bound plan according to which its core plantations would be fully certified by 2019.<sup>84</sup> However, in its 2016 Annual Progress report to the RSPO, Genting showed very little progress, reporting only 17,102 hectares of certified area,<sup>85</sup> which was actually less than it had

reported the previous year.<sup>86</sup>

After the reports of deforestation at its PT CSC concession in Kalimantan, Genting expressed its commitment to not develop HCS areas. Complying with this commitment would mean it would not be able to develop its PT PSM concession, which was located in HCV and HCS forest in West Kalimantan. However, instead of protecting the area, it sold the concession to PT Suryaborneo Mandiri (SBM), which was clearing the area in September 2017.<sup>87</sup>

In 2015, the Norwegian Government Pension Fund - Global excluded Genting from the investment universe of the GPF, based on an assessment of the risk of severe environmental damage caused by the company.<sup>88</sup>

## 3.5. TRIPUTRA



**TRIPUTRA GROUP**  
Excellence through People and Process

Triputra is an Indonesian agribusiness, mining, trading and services group. Its palm oil production activities are carried out under its privately owned Indonesian subsidiary Triputra Agro Persada. This company has a land bank of approximately 300,000 hectares, mainly located in Kalimantan. Around 164,000 hectares were planted with oil palm in 2015.<sup>89</sup>

Triputra is a highly opaque company. Although it is a RSPO member, its progress is notoriously substandard and the company systematically underreports the size of its concessions. It is involved in several cases of destruction of HCV areas, in several land grabs and in conflicts with communities for not implementing FPIC based smallholder (plasma) schemes.

### Environmental impacts

Between 2006 and 2014, Triputra's subsidiaries were responsible for 37,300 hectares of deforestation in Indonesia.<sup>90</sup> Triputra also developed at least 16,300 hectares of peatlands in the same period.<sup>91</sup>

In September 2013, field research by Environmental Investigation Agency found that Triputra's subsidiary

PT Trieka Agro Nusantara had destroyed HCV areas in Kalimantan.<sup>92</sup>

More than 28,000 hectares of Triputra's landbank overlaps with Orangutan habitat, most of which has already been developed. In 2014, an orangutan mother and baby were rescued from inside one of Triputra's plantations.<sup>93</sup>

### Social impacts

In 2015, Chain Reaction Research reported that subsidiary PT GBSM was involved in seven different land disputes and that communities had won a dispute over 614 hectares with the subsidiary PT Mega Ika Khansa.<sup>94</sup>

The report also found several conflicts involving subsidiaries of Triputra's subsidiary PT Union Sampoerna Triputra Persada:

- PT HKK2 was involved in a land dispute with the village of Batu Sedau, in Ketapang district. It started in 2007, when PT HKK2 claimed 1,200 hectares of customary land. The community

of Batu Sedau was also protesting against the company because it had not implemented any smallholder plantations, as is required by law.

- PT SMG got into a conflict with local communities when in 2012 it started to extract wood from 4,892 hectares of community forest, without any form of consultation. The local villages of Ajang and Laman Baru also protested over the lack of implementation of plasma plantations.
- PT SLM was involved in land disputes with 8 villages since 2004.<sup>95</sup>

### Governance impacts

Triputra subsidiary PT Salonok Ladang Mas attempted to build a mill close to Lake Sembuluh in 2010 without an environmental impact assessment. Another subsidiary was in violation of planting regulations stipulating that trees could not be removed at specific distances from lakes and swamps and their tributaries. Moreover, Triputra subsidiaries were scored among the lowest for their environmental management in an Indonesian government assessment of plantations in East Kalimantan.<sup>96</sup>

Triputra has made poor progress towards RSPO certification. It consistently underreports the amount of plantations it controls (in 2016 it reported 29,576

hectares to the RSPO, while in its 2012 Annual Report it claimed a landbank of 299,549 hectares)<sup>97</sup> and it does not comply with RSPO's New Planting Procedure (NPP) which requires growers to report new developments.<sup>98</sup> Triputra expanded more than 50,000 hectares between 2010 and 2014 without reporting this to the RSPO.<sup>99</sup>

Triputra has not published an annual sustainability report since 2012 and provides very little transparency about its sustainability policy.<sup>100</sup> There is very little information available about the company's view or actions regarding HCV and HCS assessments and protection.

## 3.6. SALIM GROUP



The Salim Group is one of Indonesia's biggest corporations. It is controlled by Anthoni Salim. One of its main subsidiaries is Indofood Agri Resources, which is a vertically integrated palm oil agribusiness company registered in Singapore. In 2015, Indofood's revenue was approximately USD 5 billion.<sup>101</sup>

Neither Indofood nor its palm oil division Indofood Agri Resources have adequate policies and practices in place for responsible palm oil production and sourcing. Indofood has been linked to a range of serious environmental and social problems including the exploitative use of child labour.

### Environmental impacts

Between 2012 and 2014, 1000 hectares of primary tropical rainforest was cleared in East Kalimantan's Metau forest, a critical habitat for endangered birds and other wildlife.<sup>102</sup>

Four oil palm concessions covering 135,680 hectares in densely forested West Papua were acquired by offshore companies whose Directors are connected to the Salim Group. Operations in this culturally and ecologically sensitive region would violate the sustainability standards committed to by Indofood/IndoAgri.<sup>103</sup>

Salim Group is also linked to peatland clearance in West Kalimantan by companies in which the Group has controlling stakes, and the destruction of HCV forest and orangutan habitat by subsidiary PT Gunta Samba Jaya in East Kalimantan.<sup>104</sup>

5,900 hectares of carbon-rich peatland is confirmed

to have burned in two Indofood concessions in 2015, corresponding to an estimated 8 million tons of CO<sub>2</sub> emissions.<sup>105</sup>

PT Gunta Samba, a subsidiary of the Gunta Samba Group (controlled by Anthoni Salim), cleared thousands of hectares of orangutan habitat in East Kutai district in East Kalimantan between 2012-2015. Another subsidiary, PT Aneka Reksa International (ARI), may have secured a timber utilization permit (IPK) for a concession covering 13,000 hectares in West Kutai district in East Kalimantan in late 2016, which would risk further forest clearance in the region.<sup>106</sup>

In February 2013, a complaint was submitted to the RSPO against PTSalim Ivomas Pratama Tbk (a subsidiary of Indofood Agri Resources Ltd), about the clearing of HCV areas, including orangutan habitats.<sup>107</sup>

### Social impacts

Evidence of systemic violation of 20 Indonesian labour laws, including use of child labour, hazardous working conditions and payment below minimum wage, was independently documented on two oil palm plantations of its subsidiary, Indofood Agri Resources Ltd (IndoAgri), in North Sumatra.<sup>108</sup>

IndoAgri's subsidiary Lonsum was involved in at least six recorded land conflicts with local communities between 2013 and 2015. Many of the conflicts, covering hundreds of hectares, have been ongoing for many years and there is no public information indicating Lonsum is making any serious efforts to resolve them.<sup>109</sup>

In 2016, a RSPO complaint was filed against IndoAgri subsidiary Lonsum, over allegations of palm oil labour exploitation, with risk of suspension. The credibility of its RSPO certification is uncertain following RSPO suspension of its certifier SAI Global for poor auditing procedures.<sup>110</sup>

In North Sulawesi, subsidiary PT MS Malisya Sejahtera has grabbed community land, destroyed livelihoods and houses of the local community and tried to criminalise several members, although without success.<sup>111</sup>



## Governance impacts

36% of palm oil processed in IndoAgri's refineries is derived from undisclosed sources. Moreover, IndoAgri – like some other palm oil companies mentioned in this report – is not transparent about its supply chain.<sup>112</sup>

42% of Indofood's plantation landbank is classified as contested as a result of social and environmental conflicts and nondisclosure of concession maps for 29% of its total landbank, presenting a significant down-side risk to IndoAgri, Indofood Sukses Makmur, and First Pacific's equity prices.<sup>113</sup>

Commitment to address ESG risks is weak, as demonstrated by IndoAgri's recently updated Palm Oil Policy. Key weaknesses include its limited scope, failure

to implement the HCS Approach to end deforestation, failure to adopt the Free and Fair Labour Principles, lack of a credible grievance mechanism aligned with UN Guiding Principles on Business and Human Rights, and continued lack of transparency for basic information and concession maps for many of its plantation holdings. It also lacks credible independent policy verification mechanisms across the company.<sup>114</sup>

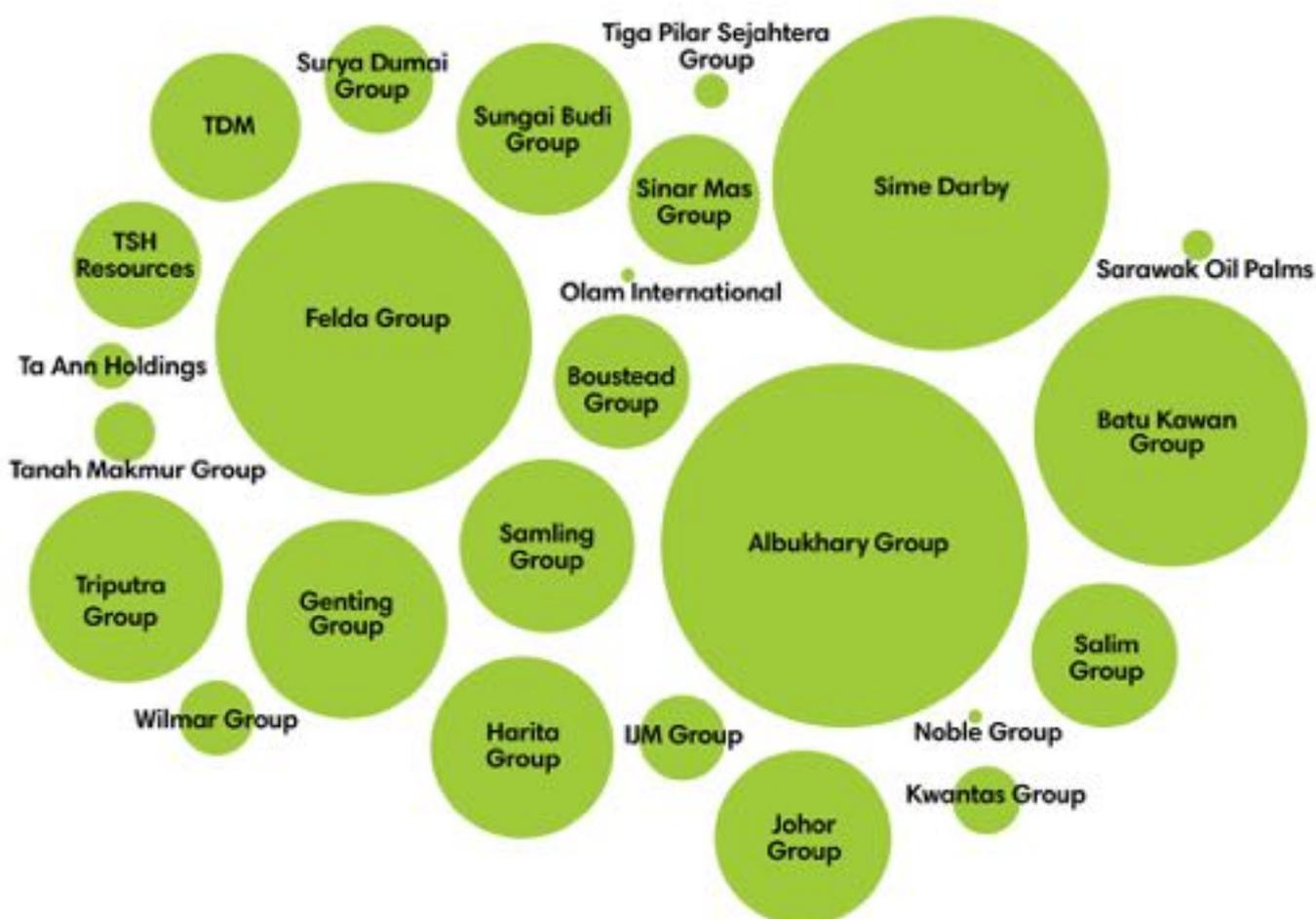
Key institutional investors have divested over forest-risk issues, including: The Norwegian Government Pension Fund - Global (from First Pacific and Indofood Agri Resources); and Dimensional Fund Advisors (from Indofood Agri Resources by its sustainability fund).<sup>115</sup>

## 4. CONCLUSION

Maybank is the single largest financier of palm oil in Indonesia and Malaysia and as such it carries a strong responsibility for the social and environmental impacts caused by its clients.

The examples mentioned in this report show that Maybank has several problematic clients. Some of the issues may have been resolved, however, the problem remains that Maybank is financing companies with these known issues in the first place.

Figure 10. Maybank's top palm oil clients (loans & underwriting, 2010-2016)



Source: Forests & Finance (n.d.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.

Some of Maybank's largest clients are involved in deforestation, illegal development on peatlands, fires in their concessions, lack of FPIC and poor labour conditions, including forced and child labour. These issues expose Maybank to significant financial and reputational risks through its clients. The resulting financially material supply chain risks have an impact on the companies' financial performance:

- **Operational risk**  
Loss of productivity, work stoppages, property damage, increased staff costs to deal with conflicts, etc.
- **Regulatory risk**  
Inability to adapt to changes in and/or breach of regulations related to GHG emissions, forests, peat, labor, land tenure and governance, etc.
- **Reputational risk**  
Damage to brand value and loss of social license
- **Legal risk**  
Litigation for failure to manage ESG risks, resulting in retraction of operating permits, fines, compensation costs, or confiscation of land, etc.
- **Market risk**  
Cancelled contracts or decrease in consumer demand from failure to meet buyer standards (i.e. No Peat, no Deforestation and no Exploitation (NPDE)).<sup>116</sup>

## These risk categories translate into the following risks for Maybank:

### » Financial risk

- Nonperforming loans / increased default risk
- Loss of revenue

### » Reputational risk

- Damage to brand value due to NGO campaigns or media exposés
- Breach of ESG commitments, such as Maybank's 20/20 Sustainability Plan<sup>117</sup>
- Loss of credibility as a responsible bank

Maybank's current policies and due diligence procedures are not sufficient to protect the bank from engaging with such controversial clients. This leaves the bank exposed to both significant reputational as well as financial risk.

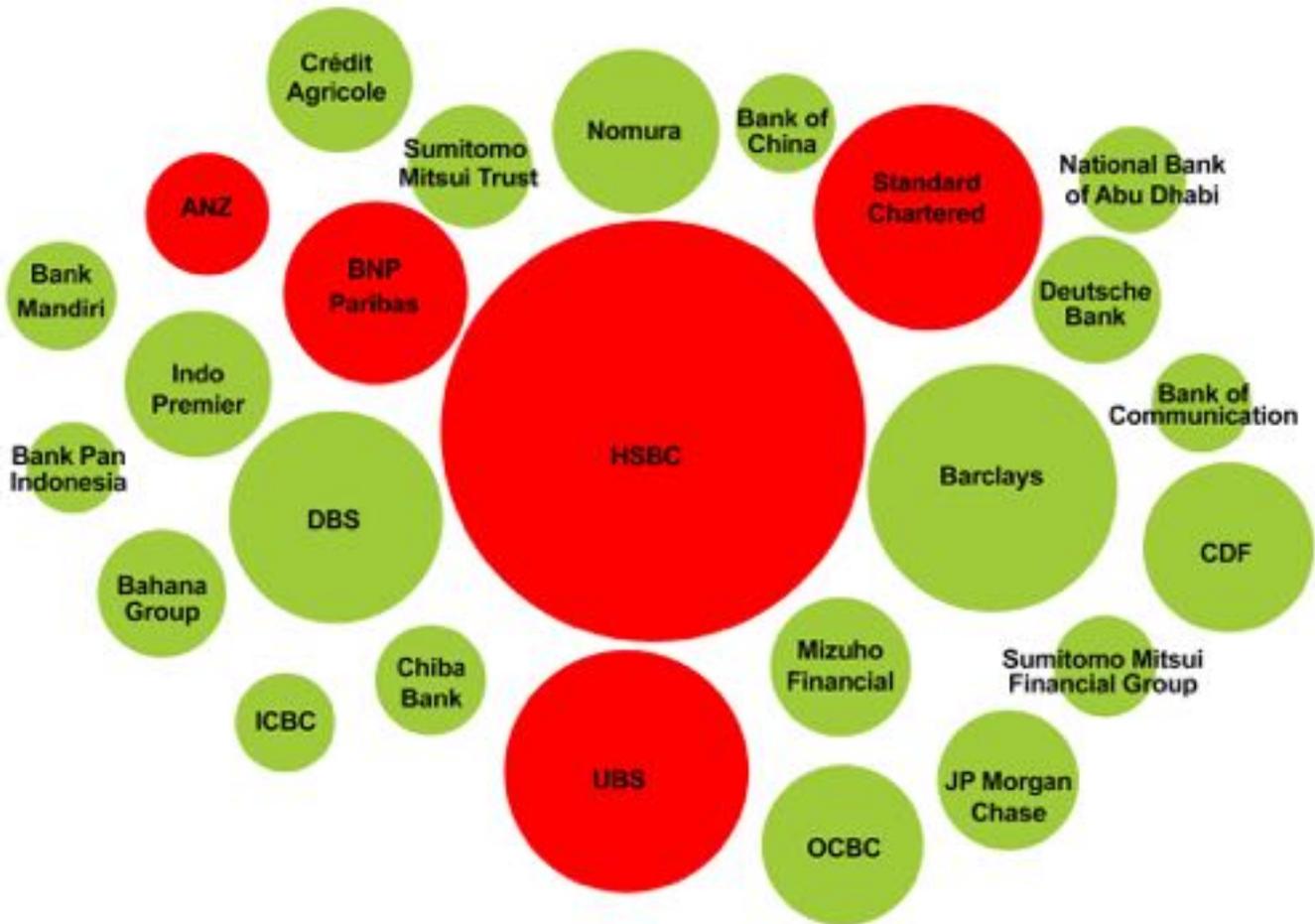
The prevalence of ESG issues in the palm oil sector, the number of controversial companies Maybank is linked to, and the financial risks Maybank is exposed to through these relationships should all be incentives for Maybank to be more selective when providing financing to the palm oil sector.

To avoid escalation of these risks, Maybank should:

- engage with controversial clients and seek to solve the conflicts together with them, based on time-bound plans;
- develop an adequate ESG risk mitigation policy which should include at least the minimum standards listed below;
- refuse to finance or refinance clients that do not comply with the minimum policy standards listed in this report (see box: Minimum standards for a ESG policy for the palm oil sector)

An adequate ESG risk mitigation framework designed specifically for the palm oil sector will be conducive to mitigating related risks, and driving improvements in the standards and requirements of both palm oil companies and other regional financial institutions.

Figure 11. Top loans & underwriting service providers to Malayan Banking (US\$ mln, 2010-2016)



Source: Thomson EIKON, *Malayan Banking Berhad: Loans*, viewed in June 2017; Thomson EIKON, *Malayan Banking Berhad: Share Issuances*, viewed in June 2017; Thomson EIKON (2017, June), *Malayan Banking Berhad: Bond Issuances*; Bloomberg (2017, June), *Malayan Banking Berhad: Loan Search*; Bloomberg (2017, May), *Malayan Banking Berhad: Aggregated Debt*.

RED = RSPO member bank

Maybank's financiers (see Figure 11) also carry a strong responsibility. Several of them are RSPO members, PRI signatories, and several have relatively strong ESG policies. While they are mostly no longer directly engaged themselves with controversial palm oil companies, these financiers have found a way to continue financing and profiting from controversial palm oil by financing Maybank.

Financiers of Maybank also carry responsibility for the conflicts caused by Maybank's clients. They should

therefore live by the spirit of their own commitments and:

- adapt their policies to make clear that they also cover indirect investments in the palm oil sector, through other financiers;
- engage with Maybank and demand that it develops a strong ESG policy, according to a timebound plan
- stop all financing of Maybank if the bank fails to make any progress.

## Minimum standards for a ESG policy for the palm oil sector

### Scope of Commitments

1. Maybank should sign the main international covenants relevant to forestry and land issues;
2. Maybank should have a publicly available forestry sector specific safeguard policy;
3. Maybank's policy should be applied to all forms of investments and financial services provided;
4. The policy should be applied to all clients within the same group of companies;
5. The policy shall require all clients' operations to undergo regular independent assessment in relation to legality, social and environmental issues;

### Environmental Standards

6. The policy shall prohibit the degradation or conversion of natural forests;
7. The policy shall prohibit operations in primary forest;
8. The policy shall prohibit operations in High Conservation Value (HCV) and/or High Carbon Stock (HCS) forests;
9. The policy shall prohibit operations in protected areas;
10. The policy shall require proof of legality in operations and sourcing;

### Social Standards

11. The policy shall require the bank to perform a check of land tenure legality;
12. The policy shall require proof of the Free, Prior and Informed Consent (FPIC) of indigenous and local communities, where applicable;
13. The policy shall prohibit the company to use forced labour and child labour;
14. The policy shall require the company to provide health & safety protections for the community and workers;
15. The policy shall require the client to have a grievance mechanism available for communities affected by the client's operations.

# References

1. Forests & Finance (nd.), "Home", online: <http://forestsandfinance.org/>, viewed in September 2017.
2. Forests & Finance (nd.), "Home", online: <http://forestsandfinance.org/>, viewed in September 2017.
3. Forests & Finance (nd.), "Explore the data", online: <http://forestsandfinance.org/>, viewed in September 2017.
4. Forests & Finance (nd.), "Home", online: <http://forestsandfinance.org/>, viewed in September 2017.
5. Thomson Reuters Eikon (2017, September), "Malayan Banking Berhad: Overview", viewed in September 2017.
6. Malayan Banking (2017, March), *Leading Asia: Annual Report 2016*, p. 10.
7. Malayan Banking (2017, October), "Group Management", online: <http://www.maybank.com/en/about-us/leadership/group-management.page>, viewed in October 2017.
8. Thomson Reuters Eikon (2017, September), "Malayan Banking Berhad: Financials", viewed in September 2017.
9. Malayan Banking (2017, March), *Leading Asia: Annual Report 2016 – Financial Statements*, p. 216.
10. Malayan Banking (2017, March), *Leading Asia: Annual Report 2016*, p. 5–6.
11. Malayan Banking (2017, March), *Leading Asia: Annual Report 2016 – Financial Statements*, p. 93.
12. Thomson Reuters Eikon (2017, July), "Share ownership: Malayan Banking Berhad", viewed in July 2017.
13. Thomson Reuters Eikon (2017, July), "Share ownership: Malayan Banking Berhad", viewed in July 2017.
14. Thomson Reuters Eikon (2017, July), "Permodalan Nasional Berhad: Investments", viewed in July 2017.
15. Thomson Reuters Eikon (2017, July), "Permodalan Nasional Berhad: Investments", viewed in July 2017.
16. Thomson Reuters Eikon (2017, July), "Permodalan Nasional Berhad: Investments", viewed in July 2017.
17. WWF (2017, October), *Sustainable Finance Report 2017 – Sustainable Banking in ASEAN: Addressing ASEAN's Forests, Landscapes, Climate, Water, Societies*, Switzerland: WWF International, p. 57.
18. Zoological Society of London (n.d.), "Sustainable Palm Oil Transparency Toolkit", online: <https://www.spott.org/palm-oil/>, viewed in September 2017.
19. Forests & Finance (nd.), "Home", online: <http://forestsandfinance.org/>, viewed in September 2017.
20. Oxfam (2014, April), *Banking on Shaky Grounds*, Melbourne, Australia: Oxfam Australia, p.40; Rainforest Action Network (2015, November), *Conflict Palm Oil in Practice*, San Francisco: Rainforest Action Network.
21. Foresthints (2017, April 5), "Legal measures taken against palm oil company fragmenting peat forests", online: <http://www.foresthints.news/legal-measures-taken-against-palm-oil-company-fragmenting-peat-forests>, viewed in October 2017; Friends of the Earth (2017, April), "Friends of the Earth Announces Historic Verdict in Indonesia's Fight Against Deforestation", online: <https://foe.org/news/2017-04-friends-of-the-earth-announces-historic-verdict-against-deforestation/>, viewed 31 January 2018.
22. Ministry of Finance of Norway (2011, February), "Lingui Development Berhad Ltd. excluded from the GPFG", online: <https://www.regjeringen.no/en/aktuelt/Lingui-Development-Berhad-Ltd-excluded-from-the-GPFG/id633660/>, viewed in October 2017; Ministry of Finance of Norway (2010, August), "Three companies excluded from the Government Pension Fund Global", online: <https://www.regjeringen.no/en/aktuelt/three-companies-excluded-from-the-govern/id612790/>, viewed in October 2017.
23. REDD-Monitor (2013, March), "Norway's Sovereign Wealth Fund divests from 23 palm oil companies", online: <http://www.redd-monitor.org/2013/03/13/norways-sovereign-wealth-fund-divests-from-23-palm-oil-companies/>, viewed in October 2017; Norges Bank Investment Management (n.d.), "Observation and exclusion of companies", online: <https://www.nbim.no/en/responsibility/exclusion-of-companies/>, viewed in October 2017.
24. Foresthints (2016, March 23), "Ministry seals off palm oil concession in Leuser Ecosystem linked to supply chain of top biofuel producers", online: <http://www.foresthints.news/ministry-seals-off-palm-oil-concession-in-leuser-ecosystem-linked-to-supply-chain-of-top-biofuel-producers>, viewed in October 2017; Amnesty International (2016, November), *The Great Palm Oil Scandal: Labor Issues behind Big Brand Names*, London, United Kingdom: Amnesty International.
25. Fern (2016, July), *Financing Land Grabs and Deforestation: the Role of EU Banks and Investors*, Moreton in Marsh, United Kingdom: FERN; Sime Darby Plantation (n.d.), "Our Business: Overview", online: <http://www.simedarbyplantation.com/our-businesses/overview>, viewed in October 2017.
26. Thomson Reuters Eikon (2017, July), "Share ownership: Malayan Banking Berhad", viewed in July 2017.
27. Foresthints (2017, August 4), "Sime Darby company's

- operations suspended due to illegal practices”, online: <http://www.foresthints.news/sime-darby-company-operations-suspended-due-to-illegal-practices>, viewed in October 2017.
28. TuK (2016, November), “Sime Darby’s landgrabbing in Indonesia”, online: <http://www.tuk.or.id/press-release-sime-darby-landgrabbing-in-indonesia/?lang=en>, viewed in October 2017; Oxfam (2011, September), “Land and Power: The growing scandal surrounding the new wave of investments in land”, online: <https://policy-practice.oxfam.org.uk/publications/land-and-power-the-growing-scandal-surrounding-the-new-wave-of-investments-in-l-142858>, viewed in November 2017; Sawit Watch, Forest Peoples Program, HuMa and World Agroforestry Centre (2006), “Promised Land - Palm Oil and Land Acquisition in Indonesia: Implications for Local Communities and Indigenous Peoples”, online: <https://www.forestpeoples.org/sites/fpp/files/publication/2010/08/promisedlandeng.pdf>, viewed in November 2017.
  29. RSPO (2017, April), “Summary Report factory PT GPI, Sime Darby Plantation Sdn Bhd”, online: [http://www.rspo.org/uploads/default/pnc/Rantau\\_Panjang\\_POM\\_RSPO\\_ASA4\\_Summary\\_Report\\_Factory\\_PT\\_GPI\\_Sime\\_Darby\\_Plantation\\_Sdn\\_Bhd.pdf](http://www.rspo.org/uploads/default/pnc/Rantau_Panjang_POM_RSPO_ASA4_Summary_Report_Factory_PT_GPI_Sime_Darby_Plantation_Sdn_Bhd.pdf), viewed in October 2017.
  30. RSPO (2017, April), “Summary Report factory PT GPI, Sime Darby Plantation Sdn Bhd”, online: [http://www.rspo.org/uploads/default/pnc/Rantau\\_Panjang\\_POM\\_RSPO\\_ASA4\\_Summary\\_Report\\_Factory\\_PT\\_GPI\\_Sime\\_Darby\\_Plantation\\_Sdn\\_Bhd.pdf](http://www.rspo.org/uploads/default/pnc/Rantau_Panjang_POM_RSPO_ASA4_Summary_Report_Factory_PT_GPI_Sime_Darby_Plantation_Sdn_Bhd.pdf), viewed in October 2017.
  31. Mutu Certification International (2016, June), Assessment report of PT Tamaco Graha Krida, for the RSPO, Depok, Indonesia: Mutu Certification International. online: <http://mutucertification.com/wp-content/uploads/2016/08/RSPO-ASA-4-Assessment-Report-of-Ungkaya-POM-PT-Tamaco-Graha-Krida-Sime-Darby-Plantation-Sdn.-Bhd..pdf>, viewed in february 2018
  32. Chain Reaction Research (2016, November), “Sime Darby: Liberian Crossroads”, online: <https://chainreactionresearch.com/reports/sime-darby-liberian-crossroads/>, viewed in October 2017.
  33. Chain Reaction Research (2017, October), “Sime Darby Submits Plans for Pure-Play Plantation Company, Announces Impairments, Mitigates Liberian Liability”, online: <https://chainreactionresearch.com/2017/10/12/the-chain-sime-darby-submits-plans-for-pure-play-plantation-company-announces-impairments-mitigates-liberian-liability/>, viewed in October 2017.
  34. TuK (2016, November), “Sime Darby’s landgrabbing in Indonesia”, online: <http://www.tuk.or.id/press-release-sime-darby-landgrabbing-in-indonesia/?lang=en>, viewed in October 2017.
  35. Community of Entapang and Kerunang, 21-08-2017. Letter to the RSPO complaint panel. Not published.
  36. The Star Online (2017, March 31), “Sime Darby targets year-end for unit’s IPO”, online: <http://www.thestar.com.my/business/business-news/2017/05/31/sime-darby-targets-year-end-for-units-ipo/>, viewed in October 2017.
  37. TuK Indonesia (2017, January), “Sime Darby urged to resolve long-standing land rights conflict”, online: <http://www.tuk.or.id/sime-darby-urged-to-resolve-long-standing-land-rights-conflict-before-stock-exchange-listing-of-its-plantation-division/?lang=en>, viewed in October 2017.
  38. Profundo (2012, June), Felda Global Ventures: Oil Palm Plantation, Amsterdam, the Netherlands: Profundo.
  39. Forests & Finance (2017), “Case Study – FGV”, online: [http://forestsandfinance.org/wp-content/uploads/2017/10/FGV\\_Case\\_Study\\_2017\\_WEB\\_FINAL.pdf](http://forestsandfinance.org/wp-content/uploads/2017/10/FGV_Case_Study_2017_WEB_FINAL.pdf), viewed in October 2017.
  40. FELDA Global Ventures (2017, April), Annual Report 2016: Consolidate, Optimize, Focus.
  41. Forests & Finance (2017), “Case Study – FGV”, online: [http://forestsandfinance.org/wp-content/uploads/2017/10/FGV\\_Case\\_Study\\_2017\\_WEB\\_FINAL.pdf](http://forestsandfinance.org/wp-content/uploads/2017/10/FGV_Case_Study_2017_WEB_FINAL.pdf), viewed in October 2017.
  42. Chain Reaction Research (2016, April), “FELDA Global Ventures, RSPO credentials at risk, immediate cash flow impacts”, online: <https://chainreactionresearch.files.wordpress.com/2016/04/fgv-21-4-2016-final.pdf>, viewed in October 2017.
  43. Chain Reaction Research (2017, April), “EXCLUSIVE – FGV Risks Supply Chain Exclusion Over Repeat Offenses”, online: <https://chainreactionresearch.com/2017/04/18/the-chain-exclusive-fgv-risks-supply-chain-exclusion-over-repeat-offenses-see-video/>, viewed in October 2017.
  44. Chain Reaction Research (2016, April), “FELDA Global Ventures, RSPO credentials at risk, immediate cash flow impacts”, online: <https://chainreactionresearch.files.wordpress.com/2016/04/fgv-21-4-2016-final.pdf>, viewed in October 2017.
  45. RSPO (2013), “Case Tracker – Duta Palma Nusantara”, online: <https://www.rspo.org/members/complaints/status-of-complaints/view/5>, viewed in October 2017.
  46. Foresthints (2017, September 25), “FGV associate responds to NDPE policy issues”, online: <http://www.foresthints.news/fgv-associate-responds-to-ndpe-policy-issues>, viewed in October 2017.
  47. Value Walk (2017), “The Chain: FELDA Purchases 37 Percent Stake in PT Eagle High Plantation; Cargill Receives Indonesian Sustainability Awards; FGV Seeks RSPO Certification”, online: <http://www.valuwalk.com/2017/01/chain-felda/>, viewed in October 2017.
  48. New York Times (2016, December), “How big banks are putting rain forests in peril”, online: [https://www.nytimes.com/2016/12/03/business/energy-environment/how-big-banks-are-putting-rain-forests-in-peril.html?\\_r=0](https://www.nytimes.com/2016/12/03/business/energy-environment/how-big-banks-are-putting-rain-forests-in-peril.html?_r=0), viewed in October 2017.
  49. Chain Reaction Research (n.d.), “PT Eagle High Plantations Tbk”, online: <https://chainreactionresearch.com/reports/2016-sustainability-benchmark-indonesian-palm-oil-growers/pt-eagle-high-plantations-tbk-bwptij/>, viewed in October 2017.
  50. Greenomics (2015), “Cargill’s supply chain linked

- to deforestation in Papua”, online: [http://www.greenomics.org/docs/IPOP\\_Implementation\\_Report-05\\_Greenomics.pdf](http://www.greenomics.org/docs/IPOP_Implementation_Report-05_Greenomics.pdf), viewed in October 2017; Chain Reaction Research (2014, November), “Initial Risk Analysis: BW Plantation”, online: <https://chainreactionresearch.files.wordpress.com/2014/11/bw-plantation-analysis5.pdf>, viewed in October 2017; Guardian (2016, March 7), “The multimillion dollar palm oil deal we should all be worried about”, online: <https://www.theguardian.com/sustainable-business/2016/mar/07/palm-oil-felda-eagle-high-multimillion-dollar-deal-human-rights-deforestation>, viewed in October 2017.
51. Profundo (2012, June), Felda Global Ventures: Oil Palm Plantation, Amsterdam, the Netherlands: Profundo.
  52. The Wall Street Journal (2015, July 6), “Palm-oil migrant workers tell of abuses on Malaysian plantations”, online: <https://www.wsj.com/articles/palm-oil-migrant-workers-tell-of-abuses-on-malaysian-plantations-1437933321>, viewed in October 2017.
  53. Accreditation Services International (2015, October), Compliance audit and investigation report, Kuala Lumpur, Malaysia and Bonn, Germany: Accreditation Services International.
  54. Wild Asia (2016, March), “Verification Assessment of Social Management and Practices, Felda Global Ventures Plantations (Malaysia) Sdn Bhd”, online: [http://www.feldaglobal.com/wp-content/uploads/2016/10/FGV-Group-Review-and-Field-Report\\_04032016.pdf](http://www.feldaglobal.com/wp-content/uploads/2016/10/FGV-Group-Review-and-Field-Report_04032016.pdf), viewed in October 2017.
  55. Felda Global Ventures (2016, May) “Withdrawal of RSPO principles and criteria certificates”, online: <http://www.feldaglobal.com/wp-content/uploads/2016/05/RSPO-Certificate-Withdrawal-1.pdf>, viewed in October 2017.
  56. Rainforest Action Network et al (2016, September 23), “Letter to whom it may concern, regarding FELDA” online: [https://d3n8a8pro7vhm.xcloudfront.net/rainforestactionnetwork/pages/16936/attachments/original/1475190418/Second\\_FELDA\\_Customer\\_Letter\\_FINAL.pdf?1475190418](https://d3n8a8pro7vhm.xcloudfront.net/rainforestactionnetwork/pages/16936/attachments/original/1475190418/Second_FELDA_Customer_Letter_FINAL.pdf?1475190418), viewed in October 2017.
  57. Profundo (2012, June), Felda Global Ventures: Oil Palm Plantation, Amsterdam, the Netherlands: Profundo.
  58. Chain Reaction Research (2016, April), “FELDA Global ventures, RSPO credentials at risk, immediate cash flow impacts”, online: <https://chainreactionresearch.files.wordpress.com/2016/04/fgv-21-4-2016-final.pdf>, viewed in October 2017.
  59. Forests & Finance (2017), “Case Study – FGV”, online: [http://forestsandfinance.org/wp-content/uploads/2017/10/FGV\\_Case\\_Study\\_2017\\_WEB\\_FINAL.pdf](http://forestsandfinance.org/wp-content/uploads/2017/10/FGV_Case_Study_2017_WEB_FINAL.pdf), viewed in October 2017.
  60. Chain Reaction Research (2016, April), “FELDA Global Ventures, RSPO credentials at risk, immediate cash flow impacts”, online: <https://chainreactionresearch.files.wordpress.com/2016/04/fgv-21-4-2016-final.pdf>, viewed in October 2017.
  61. Profundo (2012, June), Felda Global Ventures: Oil Palm Plantation, Amsterdam, the Netherlands: Profundo.
  62. Chain Reaction Research (2016, April), “FELDA Global Ventures, RSPO credentials at risk, immediate cash flow impacts”, online: <https://chainreactionresearch.files.wordpress.com/2016/04/fgv-21-4-2016-final.pdf>, viewed in October 2017.
  63. Foresthints (2017, September 25), “FGV associate responds to NDPE policy issues”, <http://www.foresthints.news/fgv-associate-responds-to-ndpe-policy-issues>, viewed in October 2017.
  64. Batu Kawan Group (n.d.), “Kuala Lumpur Kepong”, online: [http://www.bkawan.com.my/b\\_klk.html](http://www.bkawan.com.my/b_klk.html), viewed in October 2017.
  65. KLK (2017), Annual Report, online: [http://www.klk.com.my/wp-content/uploads/2018/01/klk\\_ar2017.pdf](http://www.klk.com.my/wp-content/uploads/2018/01/klk_ar2017.pdf), viewed on 31 January 2018.
  66. KLK (2017), 2016 Sustainability Report, Kuala Lumpur, Malaysia: Kuala Lumpur Kepong; Rainforest Action Network (2015, December), “Palm oil giant Kuala Lumpur Kepong Berhad (KLK) plagued by ongoing conflict and exploitation”, online: [https://www.ran.org/palm\\_oil\\_giant\\_kuala\\_lumpur\\_kepong\\_berhad\\_klk\\_plagued\\_by\\_ongoing\\_conflict\\_and\\_exploitation\\_new\\_progress\\_report\\_finds](https://www.ran.org/palm_oil_giant_kuala_lumpur_kepong_berhad_klk_plagued_by_ongoing_conflict_and_exploitation_new_progress_report_finds), viewed in October 2017.
  67. Forestshints (2017, March), “Astra retains link to supplier with ‘busy years ahead’ clearing Papua’s forest”, online: <http://www.foresthints.news/astra-retains-link-to-supplier-with-busy-years-ahead-clearing-papua-forest>, viewed in October 2017; Forestshints (2017, March), “Finger pointed at Felda for ties with controversial palm oil company”, online: <http://www.foresthints.news/finger-pointed-at-felda-for-ties-with-controversial-palm-oil-company>, viewed in October 2017.
  68. Rainforest Action Network (2015, November), Conflict Palm Oil in Practice, San Francisco: Rainforest Action Network; Chain Reaction Research (2016), “KLK Withdraws from Customary Land in Collingwood Bay, Papua New Guinea; KLK Increases Hostile Bid for MP Evans”, online: <https://chainreactionresearch.com/2016/11/28/the-chain-klk-withdraws-from-customary-land-in-collingwood-bay-papua-new-guinea-klk-increases-hostile-bid-for-mp-evans/>, viewed in October 2017.
  69. Rainforest Action Network (2015, November), Conflict Palm Oil in Practice, San Francisco: Rainforest Action Network; Oxfam (2014, April), Banking on Shaky Grounds, Melbourne, Australia: Oxfam Australia.
  70. Rainforest Action Network (2015, November), Conflict Palm Oil in Practice, San Francisco: Rainforest Action Network; Friends of the Earth Malaysia (2016, April), “Kuala Lumpur Kepong, please leave Collingwood Bay”, online: [http://www.foe-malaysia.org/kuala\\_lumpur\\_kepong\\_please\\_leave\\_collingwood\\_bay](http://www.foe-malaysia.org/kuala_lumpur_kepong_please_leave_collingwood_bay), viewed in October 2017.
  71. Sawit Watch (2013, July) “Exposed: Child Labor in the US Food Supply”, online: <http://sawitwatch.or.id/2013/07/exposed-child-labor-in-the-us-food-supply/>, viewed in October 2017; Rainforest Action Network (2015, November), Conflict Palm Oil in Practice, San Francisco: Rainforest Action Network.

72. Bloomberg Businessweek 20-07-2013. Indonesia's Palm Oil Industry Rife With Human-Rights Abuses. Online: <https://www.bloomberg.com/news/articles/2013-07-18/indonesias-palm-oil-industry-rife-with-human-rights-abuses>, viewed 30-10-2017. RAN, 2014. Conflict palm oil in practice. [https://d3n8a8pro7vhmx.cloudfront.net/rainforestactionnetwork/pages/15177/attachments/original/1450219483/KLK\\_Customer\\_brief\\_2015.pdf?1450219483](https://d3n8a8pro7vhmx.cloudfront.net/rainforestactionnetwork/pages/15177/attachments/original/1450219483/KLK_Customer_brief_2015.pdf?1450219483), accessed on 4-10-17
73. Chain Reaction Research (2017, September), "KLK exposed to serious risk from corrupt Sepik palm oil deal", online: <https://chainreactionresearch.com/2015/09/23/klk-sepik-palm-oil-deal/>, viewed in November 2017.
74. Foresthints (2017, March), "Astra retains link to supplier with 'busy years ahead' clearing Papua's forest", online: <http://www.foresthints.news/astra-retains-link-to-supplier-with-busy-years-ahead-clearing-papua-forest>, viewed in October 2017; Foresthints (2017, March), "Finger pointed at Felda for ties with controversial palm oil company", online: <http://www.foresthints.news/finger-pointed-at-felda-for-ties-with-controversial-palm-oil-company>, viewed in October 2017.
75. Genting Plantations (n.d.), "Plantation", online: <http://www.gentingplantations.com/business-divisions/plantation/>, viewed in October 2017.
76. Straits Times (2016, March 28), "Norway fund drops 11 firms over deforestation", online: <http://www.straitstimes.com/asia/se-asia/norway-fund-drops-11-firms-over-deforestation>, viewed in November 2017.
77. RSPO (2013), "Case Tracker - Tanjung Bahagia Sdn Bhd (a subsidiary of Genting Plantations Berhad)", online: <http://www.rspo.org/members/complaints/status-of-complaints/view/38>, viewed in October 2017; Oxfam (2014, April), Banking on Shaky Grounds, Melbourne, Australia: Oxfam Australia.
78. Greenomics (2015), "Wilmar's palm oil products continue to be associated with deforestation", online: [http://www.greenomics.org/docs/IPOP\\_Implementation\\_Report-09\\_Greenomics.pdf](http://www.greenomics.org/docs/IPOP_Implementation_Report-09_Greenomics.pdf), viewed in October 2017; Foresthints (2017, August 29), "GenP held to account for promises despite exit strategy", online: <http://www.foresthints.news/genp-held-to-account-for-promises-despite-exit-strategy>, viewed in October 2017.
79. Friends of the Earth (2017, April), "Friends of the Earth Announces Historic Verdict in Indonesia's Fight Against Deforestation", online: <http://www.walhi.or.id/2017/04/07/friends-of-earth-announces-historic-verdict-indonesias-fight-deforestation/>, viewed in October 2017.
80. RSPO (2013), "Case Tracker - Tanjung Bahagia Sdn Bhd (a subsidiary of Genting Plantations Berhad)", online: <http://www.rspo.org/members/complaints/status-of-complaints/view/38>, viewed in October 2017; Oxfam (2014, April), Banking on Shaky Grounds, Melbourne, Australia: Oxfam Australia.
81. RSPO (2016, October), Letter on the Complaint against Genting Plantations Bhd/Tanjong Bahagia Sdn Bhd -Tongod community closure, Kuala Lumpur Kepong, Malaysia: RSPO.
82. RSPO (2013), "Case tracker - Genting Plantations Berhad", online: <http://www.rspo.org/members/complaints/status-of-complaints/view/36>, viewed in October 2017.
83. RSPO (2014), "Letter to Genting regarding complaint by BORA", online: [http://www.rspo.org/file/Letter\\_to\\_GPB\\_15Apr\\_2014\\_BoG.pdf](http://www.rspo.org/file/Letter_to_GPB_15Apr_2014_BoG.pdf), viewed in October 2017.
84. RSPO (2014), "Letter to Genting regarding the lifting of the 'stop work order'", online: <https://www.rspo.org/file/Letter%20to%20GPB%20on%20NPP-BORA%20Complaint%20%2026%20Sept%202014-%20CP%20FINAL.pdf>, viewed in October 2017; RSPO (2016, March), "Letter to Genting regarding complaint by Bora", online: [www.rspo.org/files/download/64d7b17622ee510](http://www.rspo.org/files/download/64d7b17622ee510), viewed in October 2017.
85. Genting (2016), RSPO Annual Communications of Progress 2016, online: <http://www.rspo.org/file/acop2016/submissions/genting%20plantations%20berhad-ACOP2016.pdf>, viewed in October 2017.
86. Genting (2015), RSPO Annual Communications of Progress 2015, online: <http://www.rspo.org/file/acop2015/submissions/genting%20plantations%20berhad-ACOP2015.pdf>, viewed in October 2017.
87. Foresthints (2017, August 29), "GenP held to account for promises despite exit strategy", online: <http://www.foresthints.news/genp-held-to-account-for-promises-despite-exit-strategy>, viewed in October 2017; Foresthints (2017, September 22), "Clearing begun on Bornean orangutan habitat worth USD3.2 million", <http://www.foresthints.news/clearing-begun-on-bornean-orangutan-habitat-worth-usd3-2-million>, viewed in October 2017.
88. Norges Bank Investment Management (2015, August), "Decision on exclusion of companies from the Government Pension Fund Global", online: <https://www.nbim.no/en/transparency/news-list/2015/decision-on-exclusion-of-companies-from-the-government-pension-fund-global/>, viewed in October 2017.
89. Chain Reaction Research (2015, May), "New Analysis: Palm Oil Producer Triputra Agro Persada's Lack of Transparency and Responsibility Puts Rapid Growth at Serious Risk", online: <https://chainreactionresearch.com/2015/05/21/triputra/>, viewed in October 2017.
90. Chain Reaction Research (2015, May), "New Analysis: Palm Oil Producer Triputra Agro Persada's Lack of Transparency and Responsibility Puts Rapid Growth at Serious Risk", online: <https://chainreactionresearch.com/2015/05/21/triputra/>, viewed in October 2017.
91. Chain Reaction Research (2015, May), Triputra Agro Persada: Palm oil company, online: <https://chainreactionresearch.files.wordpress.com/2015/05/triputra-agro-persada-crr-report.pdf>, viewed in October 2017.
92. Environmental Investigation Agency (2013), Banking on Extinction: Oil Palm, Orangutans and the Certified Failure of HSBC's Forest Policy, online: <https://eia-international.org/wp-content/uploads/EIA-Banking->

- on-Extinction-FINAL-lo-res.pdf, viewed in October 2017.
93. Chain Reaction Research (2015, May), Triputra Agro Persada: Palm oil company, online: <https://chainreactionresearch.files.wordpress.com/2015/05/triputra-agro-persada-crr-report.pdf>, viewed in October 2017.
  94. Chain Reaction Research (2015, May), Triputra Agro Persada: Palm oil company, online: <https://chainreactionresearch.files.wordpress.com/2015/05/triputra-agro-persada-crr-report.pdf>, viewed in October 2017.
  95. Chain Reaction Research (2015, May), Triputra Agro Persada: Palm oil company, online: <https://chainreactionresearch.files.wordpress.com/2015/05/triputra-agro-persada-crr-report.pdf>, viewed in October 2017.
  96. Chain Reaction Research (2015, May), Triputra Agro Persada: Palm oil company, online: <https://chainreactionresearch.files.wordpress.com/2015/05/triputra-agro-persada-crr-report.pdf>, viewed in October 2017.
  97. Triputra Agro Persada (2017), RSPO Annual Communications of Progress 2016, online: <http://www.rspo.org/file/acop2016/submissions/pt.%20triputra%20agro%20persada-ACOP2016.pdf>, viewed in October 2017; Chain Reaction Research (2015, May), "New Analysis: Palm Oil Producer Triputra Agro Persada's Lack of Transparency and Responsibility Puts Rapid Growth at Serious Risk", online: <https://chainreactionresearch.com/2015/05/21/triputra/>, viewed in October 2017.
  98. Chain Reaction Research (2015, May), "New Analysis: Palm Oil Producer Triputra Agro Persada's Lack of Transparency and Responsibility Puts Rapid Growth at Serious Risk", online: <https://chainreactionresearch.com/2015/05/21/triputra/>, viewed in October 2017; Environmental Investigation Agency (2013), Banking on Extinction: Oil Palm, Orangutans and the Certified Failure of HSBC's Forest Policy, online: <https://eia-international.org/wp-content/uploads/EIA-Banking-on-Extinction-FINAL-lo-res.pdf>, viewed in October 2017.
  99. Environmental Investigation Agency (2013), Banking on Extinction: Oil Palm, Orangutans and the Certified Failure of HSBC's Forest Policy, online: <https://eia-international.org/wp-content/uploads/EIA-Banking-on-Extinction-FINAL-lo-res.pdf>, viewed in October 2017.
  100. Triputra Agro Persada (n.d.), "Sustainability-CSR", online: <http://www.tap-agri.com/penanganan-keleluhan>, viewed in October 2017; Chain Reaction Research (2015, May), "New Analysis: Palm Oil Producer Triputra Agro Persada's Lack of Transparency and Responsibility Puts Rapid Growth at Serious Risk", online: <https://chainreactionresearch.com/2015/05/21/triputra/>, viewed in October 2017.
  101. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  102. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  103. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  104. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  105. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  106. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  107. RSPO (2013), "Case Tracker - PT Gunta Samba Jaya/Salim Ivomas Pratama Tbk", online: <http://www.rspo.org/members/complaints/status-of-complaints/view/30>, viewed in October 2017.
  108. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  109. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  110. RSPO (2016), "Case Tracker - PT PP London Sumatra Indonesia Tbk", online: <http://www.rspo.org/members/complaints/status-of-complaints/view/92>, viewed in October 2017.
  111. TuK Indonesia (2017), Unedited field report.
  112. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  113. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  114. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  115. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier.
  116. Rainforest Action Network with Profundo (2017, June), Every Investor has a Responsibility: A Forests & Finance Dossier, p. 5.
  117. Malayan Banking (2017), Leading Asia: Connecting Lives in Our Digital World – Sustainability Report 2016, p. 8.

**February 2018**

## **Disclaimer**

Profundo and TuK observe the greatest possible care in using information and drafting publications but cannot guarantee that this report is complete and assumes no responsibility for errors in the sources used. The report is provided for informational purposes and is not to be read as providing endorsements, representations or warranties of any kind whatsoever. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. Profundo and TuK will not accept any liability for damage arising from the use of this publication.



# Maybank

THE SINGLE LARGEST PALM OIL  
FINANCIER

 profundo

 SWI INDONESIA