



# PALM OIL'S BLACK BOX

How agribusiness giant Olam's emergence as a major palm oil trader is putting forests in Southeast Asia and Gabon at risk

Prepared by Mighty With the help of Brainforest December 2016



Photograph of Olam palm oil plantation, Ngounié, Gabon, March 2014

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## **Executive Summary**

In four years, one of the world's biggest agribusiness traders, the Singaporean company Olam, expanded its global palm oil business from a marginal position to global significance, now trading or handling 2.5% of global oil palm. Despite some recent progress in its sustainability commitments and policies, this supplier of many of the world's internationally recognized brands is keeping its sources secret, embracing shoddy plantations standards, violating a group-wide commitment to the Forest Stewardship Council (FSC) to avoid deforestation and is threatening large swaths of tropical forests in what is slated to become Africa's biggest palm oil plantation.

In 2011 – 2012, Olam reported processing or trading<sup>1</sup> just 71,000 metric tonnes of palm oil and palm oil derived products – a small amount compared to global heavy hitters in the industry, who faced scrutiny from green groups while Olam flew under the radar. However, by 2014, it was handling over 1.07 million tonnes (mt) of palm oil and palm oil derived products.<sup>2</sup> In 2015, Olam reported handling 1.53 mt of palm oil and palm oil derived products.<sup>3</sup> Otherwise said, in just 5 years Olam ended up handling over 20 times more palm oil and palm oil derived.

As such, its policies to prevent deforestation for palm oil – or lack thereof – just became vitally important. The newly acquired power and influence of this Singaporean agricultural commodities trading giant have not come hand-in-hand with transparency or true environmental leadership. On the contrary, in 2015, Olam failed to publicly disclose the names of its suppliers, the locations of its mills, or any information about supplier performance on sustainability, creating a massive black box that could be hiding deforestation, peatland clearance, and human rights abuses in its supply chain. Moreover, Olam's deadline for supplier compliance with its palm oil sustainability policies isn't until 2020, which could have the perverse incentive of creating amongst its suppliers a race to deforest for up to four more years. Olam is lagging its competitors, such as Wilmar, Musim Mas, Golden-Agri Resources and many others who have commited to supply chain transparency and who are requiring supplier compliance immediately.

According to its own reports, only 0.4% of Olam's 1.53 mt were certified through the Roundtable on Sustainable Palm Oil (RSPO), an industry association promoting 'sustainable' palm oil – whereas 17% of the world's total palm oil production is RSPO certified.

Olam's 'Sustainable palm oil policy' tips its hat to the principle of "no deforestation" on its plantations but leaves significant wiggle room for forest clearance by adopting a weaker definition of deforestation than the widely accepted industry and NGO standard, referred to as the High Carbon Stock Approach (HCSA). Through expert analysis of satellite images, our team of researchers found that since March 2012, Olam has cleared around 19,000ha of forests within Olam's oil palm concessions in Gabon. This estimate is nearly double the Forest Stewardship Council's (FSC) 10,000 ha threshold for 'unacceptable' forest conversion, meaning that Olam risks losing its status of 'managers of one of the largest contiguous FSC certified tropical forest in the world.'

Olam needs to guarantee transparency in its supply chain, immediately require its suppliers to comply with its sustainability policies, and embrace a strong 'No Deforestation, No Peat, and No Exploitation' (NDPE) commitment that adheres to the HCSA methodology. The FSC should investigate and suspend Olam's membership and certificates, and Olam's owner—the

Singapore national wealth fund Temasek—and other investors, banks, and buyers should all do their part to ensure this industry leader walks the global path of true environmental leadership.

## I. Olam Company Profile, Temasek, and Other Investors

#### Company profile



Olam International Limited (Olam Group) is the holding company for all Olam subsidiaries worldwide.<sup>4</sup> The Olam Group is a Singapore-based company listed on the Singapore Stock Exchange (SGX).<sup>5</sup> The group produces, sources, processes and trades agricultural commodities.<sup>6</sup>

Olam is the world's largest supplier of cocoa beans and products and the second largest supplier of coffee, cotton and rice. Olam also holds the largest area of logging concessions in the tropics that are certified to Forest Stewardship Council (FSC) standards. <sup>7</sup> As of 2014, the land required for Olam's sourced raw materials stood at 14.9 million hectares.<sup>8</sup>

#### Customers



#### Olam's principal shareholder, Temasek

Temasek Holdings (Private) Limited is Olam's largest shareholder, controlling a majority stake (52.1%) of the company, and also has equity stake through its wholly-owned subsidiary Seletar Investments.<sup>10</sup> Temasek is a government-owned investment fund,<sup>11</sup> usually described

as Singapore's sovereign wealth fund,<sup>12</sup> and has been investing in Olam since 2004.<sup>13</sup> Temasek, a S\$242 billion ((US\$180 billion) investment fund, became the majority shareholder of the sprawling agribusiness giant in 2014.

Olam is thus in a sense majority-owned by the people of Singapore through their national wealth fund Temasek. Ironically, through Temasek's investments in Olam, the people of Singapore have unwittingly financed a black box for the kind of unsustainably produced palm oil that fuels forest fire smoke, which is taking a severe toll on on public health and the economy in Singapore. In 2015 alone, more than two million hectares of Indonesian forest and peatland went up in smoke, due in significant measure to purposeful burning to clear land for palm oil and paper plantations. For months, toxic haze reached from Indonesia across Singapore, and as far as Guam. Indonesian forest fire smoke emissions in 2015 outstripped the entire US economy's emissions for 38 out of 56 days in a row<sup>14</sup> (the US economy is roughly 19 times the size of Indonesia's economy<sup>15</sup>). The cost to Indonesia's economy from the toxic smog was more than US\$16 billion, which resulted in a 1.8% loss to Indonesia's GDP<sup>16</sup> – and the cost to Singapore's economy has yet to be calculated adequately. Six Indonesian provinces declared a state of emergency.<sup>17</sup>



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69 million people across the region were exposed to toxic haze as a result of last year's devastating wildfires in Indonesia<sup>18</sup>; an estimated half a million people in Indonesia sought medical care because of haze<sup>19</sup> and Singapore recorded over 77,000 visits to clinics and polyclinics for haze-related ailments.<sup>20</sup> Harvard and Columbia scientists recently estimated that 100,300 people likely died prematurely as a result of inhaling smoke particles from the 2015 toxic haze emanating from Indonesia's vast forest and peat fires.<sup>21</sup> In Singapore specifically, they estimated 2,200 premature deaths<sup>22</sup> occurred. The 2015 haze prompted

waves of public concern in Singapore. Schools were shut, flights were cancelled, tens of thousands needed medical attention, and businesses struggled. In response, the Singaporean government approved the Transboundary Haze Law,<sup>23</sup> giving it the authority to pursue civil and criminal penalties against companies whose deforestation and forest burning in Indonesia or Malaysia contributed to haze in Singapore.

Despite such bold and innovative action however, the Government of Singapore did not ensure that Temasek – as Olam's shareholder – was fulfilling the fund's mission to "generate sustainable returns beyond our present generation" as "a responsible corporate citizen,"<sup>24</sup> and that it was upholding its pledge to recognize environmental, social and governance factors by insisting that Olam raise its practices to at least industry-wide standards.

In late 2016 after dialogue with civil society that also included Temasek, Olam embraced a "No Burning" pledge throughout all its supply chains. Temasek staff stated "We also fully support no burn policies for land clearance, and would urge all companies and plantation owners to do the same."<sup>25</sup> This is all positive. While it's impossible to verify Olam's compliance with "No Burning" because of its opacity, it was at least a step in the right direction on paper. Banning burning, though, does not mitigate hazardous practices that raise risks of forest and peat fires, such as draining peat swamps (which makes the landscape highly vulnerable to fire) or bulldozing forests and leaving flammable slash all over the ground (making the landscape susceptible to fire also).



#### Bankers and smaller shareholders

Olam's principal bankers include Australia and New Zealand Banking Group Limited, BNP Paribas, Natixis, Commerzbank AG, Credit Suisse Group, JPMorgan Chase Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd, among others. Those providing Olam with loans for its Gabon palm oil operations include: Ecobank, Afreximbank, BGFI Bank Gabon and the Central African State Development Bank (BDEAC). Many of these banks have committed to environmental and social responsibility, and in some cases, forest protection.

Mitsubishi Corporation is the second largest shareholder, and the World Bank's International Finance Corporation (IFC) has an equity stake, while Norway's pension fund (Norges Bank Investment Management or NBIM) holds shares in Olam. Both the World Bank Group<sup>26</sup> and NBIM have made numerous commitments to sustainable development, environmental protection, and specifically forest protection. NBIM, for instance, states "Companies should adopt, where relevant, industry standards and best practices in climate change risk management and the sustainable management of forests."<sup>27</sup> The IFC states that it "plays a critical global leadership role by ensuring that its projects set an example of environmental and social stewardship" in the forestry sector.<sup>28</sup>

(\*See Appendices for detailed information on the company, a full list of major bankers and sources of loans as well as a chart on the 2014 land required for Olam's sourced raw materials 2014)

## II. Olam's Palm Oil Activities in Africa

## A. Expanding Palm Oil Development across Africa

Africa has become a new frontier for palm oil expansion. Several companies with a track record of deforestation for agribusiness in Indonesia or Malaysia have attempted to move to the Congo Basin to deforest there with potentially irreversible environmental and social impacts on the second largest contiguous rainforest in the world. In this region, where civil society, free press and the rule of law are under constant threat, the risks of problematic deforestation practices are high.

Olam has recently been expanding its operations in Central Africa, where it is clearing rainforest for industrial palm oil plantations and timber. Olam is now one of the biggest logging companies in the Congo basin. Moving beyond its traditional role as a major trader, shipper, and processor of commodities like timber, cocoa, cotton, coffee, sugar, cashews, and palm oil, this global agricultural commodity trader has been seeking to break into the top ranks of oil palm producers through development of plantations in Gabon.

Olam has ties to the biggest palm oil refinery in Africa and other major investments which could prove influential for Africa. Indeed, Olam can shape how the industry establishes itself throughout the continent in terms of norms, standards, and accountability. This makes it all the more important for Olam to embrace a clear, strict "No Deforestation, No Peat, and No Exploitation" policy across all its operations.

#### Ivory Coast

In the Ivory Coast, on 15 November, 2007, Olam announced the establishment of a 50:50 joint venture called Nauvu Investments with Wilmar International Limited, the biggest palm oil trader in the world. The joint venture was established in December 2008. Nauvu had a share of 27% in the SIFCA Group as of 31 December 2013,<sup>29</sup> one of Africa's largest agro-industrial groups with diversified interests across palm oil, cotton seed oil, natural rubber and sugar

sectors in Africa.<sup>30</sup> SANIA (an affiliate of SIFCA) holds Africa's largest palm oil refinery, which is based in Abidjan.<sup>31</sup> SIFCA had a total of 39,641 ha plantation at the end of 2013, and 144,784 ha under an 'outgrower' scheme.<sup>32</sup>

## East Africa

Olam has also expanded into refining in East Africa. On 5 October 2012, Olam announced that it had acquired 50% of the shares and voting rights in Acacia Investments, a business group based in the United Arab Emirates with a significant presence in edible oil refining and distribution, including palm oil, in in East Africa.<sup>33</sup> Later, it was reported that Olam had acquired the 100% of shares and voting rights in Acacia Investments. Further, Olam has a palm oil refinery in Beira, Mozambique.<sup>34</sup>

## <u>Gabon</u>



Olam is developing what is slated to become Africa's biggest palm oil plantation. It will make Gabon the second largest palm oil producer in Africa. Since 2012, Olam has been clearing or logging rainforests for palm oil, although they previously started logging for timber.

Gabon is a Noah's ark for biodiversity with rainforests covering over 80% of the territory, around 700 types of exotic birds and 320 species of orchids. The country boasts forests more than two million years old that are home to an impressive range of iconic African wildlife such as gorillas, chimpanzees, forest elephants and mandrills. Gabon has committed to setting aside 13% of its landmass as protected forest parks, and Gabon's Lopé-Okanda National Park (located close to some of Olam's concessions) is a World Heritage Site.<sup>35</sup> Gabon is home to a significant forest-dependent indigenous population, including up to 30,000 indigenous Baka and Babongo people (historically called pygmies, a term that is no longer considered respectful.)



In Gabon, Olam is by far the major palm industry player, and is operating in an area at high risk of deforestation, characterized by corruption, lack of a free press, weak civil society, and poor governance. "The official website of Gabon's President has stated that the country is aiming to develop oil palms on 'hundreds of thousands of square kilometers of land (although the surface area of Gabon is just shy of 270,000 square kilometers in total, or 27 million square ha) and to become Africa's largest producer of palm oil."<sup>36</sup>

Since 2010, Olam has entered into two separate joint ventures with the Government of the Republic of Gabon to develop its palm oil business: one for establishing its own plantations and the other for getting thousands of smallholders to plant oil palm, which they will then sell to Olam via an intermediary.

## Joint Venture No 1 – Olam's recent expansion into Gabonese oil palm plantations

In November 2010, Olam signed an agreement with the Government of Gabon to establish oil palm plantations.<sup>37</sup> The 70%/30% Olam/Government joint venture<sup>38</sup> to establish oil palm concessions in the districts of Awala and Mouila is part of a bigger investment package with the government. (Olam's other interests in Gabon have spanned rubber concessions at Bitam in the north, fishing, wood processing, fertilizer, a special economic zone, and more). Olam received a 16-year income tax holiday beginning in Fiscal Year 2011, exemptions on payment of duties or tax on machinery, gas, oil, fertilizers, or other inputs,<sup>3940</sup> and a 300,000 ha pledged landbank from the Gabonese Government (an area over 4 times the total land area of Singapore, the country where Olam is headquartered). On the basis of successful implementation of the first phase of the joint venture, the Republic of Gabon committed to increase its stake in Olam Palm Gabon SA from 30% to 40%.<sup>41</sup>

The terms of its leases are very favorable to Olam. The price of land is set at 500 CFA francs (approximately 1USD) per hectare, per year, for all of the land transferred. From the 17th year of the lease a five-year readjustment of the ground rent is planned, in the form of a 20% increase. As such, at the end of the initial lease, set for a period of 50 years, the ground rent will be equal to 1244 CFA francs, that is to say roughly 2.5 dollars per hectare, per year. The lease is also easily extendable to 99 years.<sup>42</sup>

Within the 300,000 ha pledged landbank, Olam pledged to *'identify areas suitable for plantation development in multiple phases'*.<sup>43</sup> Olam committed to refrain from destroying areas of High Conservation Value (HCV) such as primary forest, intact forest and Ramsar sites. In fact, Olam has stated that it returned 63,780 ha to the government as 'unsuitable' and set aside other areas because they had such high social or environmental value<sup>44</sup> that they should never have been given away for concessions in the first place. (See Section B for more details.) This, and a number of other positive decisions, show that Olam has undertaken some steps to manage its concessions more responsibly. However, serious problems persist with Olam's deforestation in Gabon, as described in this report.

#### TERMINOLOGIES

## What is a forest? What lands should be protected?

Some key ways to define and classify forests or assess lands worthy of protection:

**High Conservation Value (HCV)** lands typically contain very significant biodiversity or endangered ecosystems; or provide basic services like watershed protection. HCV also includes forests essential for basic needs of local communities or their cultural identity. If a forest is deemed to be HCV, it should not be cut down.

**The High Carbon Stock Approach (HCSA) methodology** is the industry standard for putting "No Deforestation" policies into practice. It is an integrated approach for assessing lands with ecological and social values, including high carbon content, biodiversity habitats (HCV), and community lands (following the FPIC procedure). Companies commited to this approach conduct HCSA assessments prior to expansion or new plantings to determine lands suitable for development and lands that should remain protected.

**Free, Prior and Informed Consent (FPIC)** is a process for respecting the right of local communities to give or withhold their approval to development on their lands.



## Plantation areas in Gabon:

Olam is developing around 128,000 ha of palm plantations over two phases, out of a total pledged landbank of 300,000 ha from which Olam states that 'only suitable land is selected for both our rubber and palm plantations; this includes area managed for smallholders' development.'<sup>45</sup>

Olam's website states that Olam Palm Gabon currently has an allocated gross concession area of 111,419 ha.<sup>46</sup> It has an additional 8,411 ha that is managed by Olam Palm Gabon, including 5,809 ha of plantation that were established in the 1980s.<sup>47</sup>

#### Phase 1 of the joint venture:

Within its two concessions in the districts of Awala and Mouila, Olam aims to develop 50,000 ha of oil palm plantations by the end of 2017.<sup>48</sup> Olam claims it on track to finish the rest of the 50,000 ha by 2017.

- Awala concession: Olam planted 6,802ha<sup>49</sup> in this concession (formally Lot 8), which covers a gross area of 20,030 ha.<sup>50</sup> In December 2015, Olam sold the lease rights to this concession to YCAP Asset Management (Luxembourg), but still retains the rights to operate the concession.<sup>51</sup>
- Mouila concessions: Olam has planted 31,000 ha in its three Mouila concessions, which cover a gross area of 86,881ha.<sup>52</sup> In August 2016, Olam bought palm oil assets from SIAT Gabon, which includes palm plantation, a CPO mill, refinery and associated infrastructure near Makouke, Gabon.<sup>53</sup> SIAT held 7,600 ha of established oil palm plantations in Gabon.<sup>54</sup>



## Processing capacity in Gabon:

Olam's first palm oil processing plant, in Awala<sup>55</sup>, was opened by Gabonese President Ali Bongo Odinga in September 2015.<sup>56</sup> In December 2015, Olam Palm Gabon entered into a 'sale and lease-back' agreement with YCAP Asset Management (Luxembourg) for this mill.<sup>57</sup>

Its second palm oil processing plant is due to start up in Mouila in January 2017.<sup>58</sup> Another two mills are currently planned for launch in 2020, once the Phase 1 plantations (50,000ha) reach maturity.<sup>59</sup> At full operating capacity, the four mills are expected to produce 217,500t of Crude Palm Oil (CPO) and 18,300t of Palm Kernel Oil (PKO).<sup>60</sup> Assuming Olam's target Fresh Fruit Bunch (FFB) and CPO yields of 5.2t/CPO/ha are met, these four mills would require 41,828 ha of oil palm plantation to be developed by 2017.

## Joint Venture No 2 – "GRAINE" and the Risk of Deforestation by Gabonese Smallholders Selling to Olam

In March 2015, Olam announced a second joint venture with the Republic of Gabon,<sup>61</sup> through Society Gabonaise De Transformation Agricol (SOTRADER).<sup>62</sup> The Republic of Gabon holds 51.0% equity ownership and Olam owns 49.0%.<sup>63</sup> Through this 'Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés' (GRAINE) 'outgrower' program, the Republic of Gabon provides land and financial resources for developing smallholder plantations and logistics infrastructure, while Olam leads in the development and management of smallholder plantations.<sup>64</sup>

GRAINE mirrors smallholder schemes in Malaysia and Indonesia, whereby small farmers are incentivized to work directly with a given company within or near its oil palm concession, planting palm oil on their own small farms and selling it directly to the larger company.<sup>65</sup>

Smallholder schemes in Indonesia and Malaysia have been criticized on environmental and sustainable development grounds. Smallholders in such programs have often found themselves trapped with only one place to mill and sell their products and little leverage on what price they can charge, as well as few of the protections or benefits that come with being an employee. Another risk concerns the transition from a subsistence farming/forest economy to a paid economy, and the impact that an influx of laborers can have on local food security and the local economy. In Southeast Asia, some palm oil companies have incentivized smallholders to cut forests by buying up all their deforestation palm oil, no questions asked, only to blame smallholders for deforestation when authorities or activists complain.

As of 31 October 2016, 15,659 Gabonese have been enrolled in the GRAINE scheme, each of whom will receive approximately seven hectares,<sup>66</sup> and who will then sell their oil palm harvests (i.e. Fresh Fruit Bunches FFB) to Olam. However, local press reports that officials within the government and Olam have stated that the program will be rolled out in nine provinces and aims to cover <u>a total of 200,000 ha with 30,000 participants across 1,600 villages by 2020</u>.<sup>67</sup>

In late August 2016, the government and Olam International signed an historic \$140 million deal with US equipment company Caterpillar to purchase 475 bulldozers in order "to clear the 200,000 ha... targeted for development by GRAINE, as well as 3,000 km of access roads to the future plantations."<sup>68</sup>

Important clearing might be taking place in the context of GRAINE but detailed maps are not available to identify and assess any existing and future possible deforestation.

Thus there is a concern that Olam could outsource additional deforestation to local Gabonese farmers by incentivizing them to cut forests and grow palm oil as GRAINE "smallholders." The GRAINE scheme appears to have inadequate protections in place to prevent deforestation and exploitation. The program has an unclear commitment to expert, independent, free and fair third party monitoring of deforestation. GRAINE plantations are subject only to Olam's Sustainable Palm Oil Policy, described in section III, with parcels subject to environmental and social due diligence validated by the Gabonese Administration (which has previously demonstrated disregard for forest conservation and wildlife habitat protection by granting primary forests and Ramsar-designated wetlands as concessions for agribusiness).

According to Olam's March 2015 press release.<sup>69</sup> 'The plantations will be spread across multiple areas within 100-500 kilometers from Libreville port on degraded land.' To date, an Environmental and Social Impact Assessment (EISA) and High Conservation Value (HCV) assessment' was undertaken and due diligence conducted by Olam to ensure compliance with its palm oil sustainability policy has been completed for one GRAINE concession of 58,400 ha.<sup>70</sup> Olam states that 'Of this, 30,000 ha is appropriate for planting while the remaining area is to be protected as HCV. In terms of vegetation and carbon stock, more than 40,000 ha are located on savannah (<10tC/ha). 14,000 hectares have been classified as HCS and are protected from any land clearance along with HCV areas.'<sup>71</sup>

SOTRADER joined the Roundtable on Sustainable Palm Oil (RSPO) and completed ESIA, HCV and Free, Prior, and Informed Consent (FPIC) procedures, which are designed to respect the right of local communities to give or withhold consent to development on their lands. However, the Gabonese organization Brainforest, which conducted the field investigation for this report, found that Olam's concessions were impacting forest livelihood activities and harming cultural and sacred sites, which can often be located on "degraded" lands. They also found that frequently communities were inadequately informed about the project prior to giving consent for it – raising questions about the whether FPIC was properly administered.



Gabonese officials and Olam have expressed interest in GRAINE farmers being RSPO certified. In 2015, Olam International Ltd teamed up with a Malaysian company, Felda Global Ventures Holdings Berhad (FGV), to provide a training program in oil palm plantations to GRAINE smallholder farmers to help them become RSPO certified.<sup>72</sup>

FELDA'S TRACK RECORD ON COMPLIANCE WITH RSPO STANDARDS

In 2015, <u>The Wall Street Journal</u> published an expose on human trafficking, withholding of wages, and forced labor in oil palm plantations in Malaysia, which belonged to Felda Global Ventures, a member of the RSPO since 2004.<sup>73</sup>

Felda has a poor track record when it comes to compliance with its own RSPO certification, having withdrawn its RSPO certificates for 58 of its Malaysian complexes in May 2016.

GRAINE should be explicitly committed to HCSA, HCV, FPIC, and to expert, independent, free and fair third party monitoring around deforestation. Olam and all government officials responsible for GRAINE should clearly embrace labor rights protections.



## Labor Rights Risks and Opportunities for Improvement on Olam Plantations and in GRAINE

Mighty and Brainforest did not undertake a comprehensive evaluation of labor rights conditions in our field investigation. This section is focused on policy gaps and identification of potential risks and opportunities.

Olam states that it is improving the lives of farmers, employees, and others and cites its "Livelihood Charter"<sup>74</sup> that focuses on Olam's efforts to help rural communities in the developing world. Olam also publishes a lengthy annual "Sustainability Report."<sup>75</sup> In its own concessions, Olam's policies comply with all applicable International Labor Organization standards in line with its Plantation Code. Many elements in these documents are positive.

However, if Olam wants to lead the field of sustainable development, providing decent livelihoods, and good working conditions, the company should commit to 'The Free and Fair Labor Principles' (FFLP) for oil palm plantations, which constitute the industry gold standard. These principles were developed by the international Labor Rights Forum (FFLP) and are particularly important in a country like Gabon where labor rights are not adequately protected by the authorities. Industry leader Ferrero<sup>76</sup> already signed onto<sup>77</sup> the FFLP, and leading companies like Sime Darby<sup>78</sup> have adopted parts of the FFLP. The Palm Oil Innovation Group (POIG) has borrowed several of the FFLP principles in creating its verification indicators which are meant to be auditable standards that are additional to the RSPO.<sup>79</sup> Companies like Agropalma, Danone, and Musim Mas are signed up to POIG.

Working conditions in oil palm plantations can pose numerous risks for labor rights abuses, making it all the more important for companies to adhere to the highest standards. Most jobs in palm oil plantations are for casual workers, with little job security, and often low quality work. Wages can be low - at or below the minimum wage, which is itself often not a living wage. Olam should practice responsible hiring and employment, limiting casual or day labor to jobs that are truly temporary or seasonal. Olam must ensure free and fair labor in palm oil production: with reasonable production targets, reasonable working hours, leave entitlements, and a living wage. Moreover, to ensure all this in practice, Olam should allow employees the right to establish trade unions and to organize and bargain collectively. Olam should ensure in practice that its smallholder programs such as GRAINE commit to the principles enshrined in ILO standards as well.

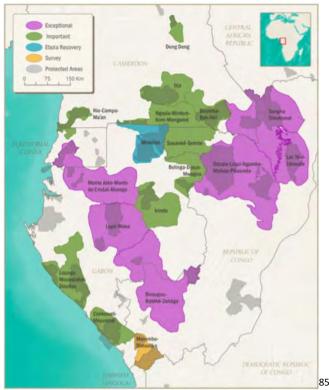
Olam should establish a legitimate, accessible, and transparent complaint and grievance mechanism, as many of its competitors have implemented. It will also be crucial for Olam to commit to transparency with fully traceable supply chains, disclosure of human rights policies, and data on labor and employment – with independent, third-party verification following best practice in labor assessments.

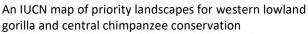
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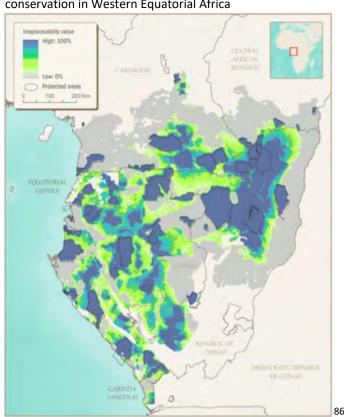
## **B.** Operating in Gabon: The Implications for Olam

In Gabon, civil society and media can face substantial obstacles in ensuring that companies such as Olam are acting in conformity with industry best practice, human rights principles, and the rule of law. (See the appendix for more on Gabon's record on governance.)

The Gabonese government has pledged a total of 300,000 ha of forest land to Olam to develop oil palm operations. However, two out of the three first batches of concessions allocated to Olam were *entirely* located inside a key Ramsar-listed wetland populated by West African manatees. One of these areas was also mostly untouched primary forest within an area of intact forest landscape.<sup>82</sup> A large part of the third concession was home to chimpanzees and forest elephants, and most of it was too steep for clearance without serious erosion and pollution of rivers flowing into nearby Pongara National Park and the adjacent Komo Estuary.<sup>83</sup> Moreover, the earmarked areas were vital to livelihoods of forest-dwelling communities. The NGO Rainforest Foundation UK concluded: *'perhaps most worrying is the fact that almost 70 per cent of the rest [of the] 87,000 hectares allocated by the Gabonese government for the planting of oil palm by Olam was found to be extremely valuable forest, including areas of intact forest landscape, Ramsar wetlands, great ape and elephant habitat, and areas with crucial livelihood functions.'<sup>84</sup> In response, Olam took the progressive step of returning the two concessions and 63,780 ha of the third concession, and commited to conservation of HCV areas.* 







Irreplaceability values generated by Marxan that were used as a basis for defining priority landscapes for great ape conservation in Western Equatorial Africa

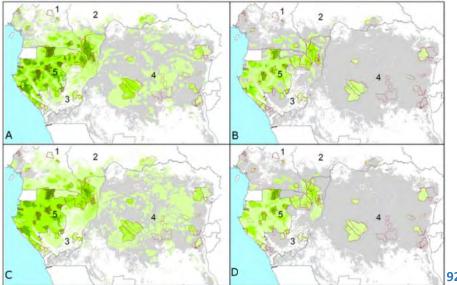
Nonetheless, serious deforestation problems persist with Olam's Gabonese palm oil operations.

The state has a track record of taking steps that threaten and destroy forests when it faces financial crises: "in the late 1990s, when oil prices dropped steeply... the cash-strapped Gabonese government granted large logging concessions."<sup>87</sup> By November 1997, according to Global Forest Watch, an initiative of the World Resources Institute, there were only 100 agents "available to monitor and inspect 332 logging concessions covering 86,000 square kilometers—an area roughly the size of Austria."<sup>88</sup>

Although in 2009 Gabon banned the export of raw logs,<sup>89</sup> it refocused on developing timber processing, and there has been ongoing construction of logging roads. Typically, in the Congo basin, such logging roads open up forest areas for poachers,<sup>90</sup> mining, and other threats to forests and the animals living in them like forest elephants or gorillas.

Also of concern is the issue of landlessness and land-grabbing.<sup>91</sup> In Gabon, land is owned by the state, particularly forests, making many forest communities essentially landless. Recognising these local realities and adapting to them would require that largescale agro-industrial projects should require FPIC from communities monitored by independent third parties.

Without a free press or strong civil society in Gabon, the onus is on Olam to ensure and verify that the highest possible standards of responsible development are being adhered to and to seek independent third party monitoring.



A map of forest elephants' catastrophic decline by 62% from 2002 to 2011

## III. Transparency, Policies and Forest Stewardship Council Compliance

## A. Olam's Global Palm Oil Trade – 99.6% from Uncertified and Undisclosed Sources

In 2011–2012, Olam reported processing and/or trading only 71,000 metric tonnes of palm oil and palm oil-derived products. By 2014, it jumped to over 1.07 million tonnes (mt): nearly two-thirds<sup>93</sup> was Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) - the two key traded commodities of the palm oil sector.<sup>94</sup> By 2015, the figure was 1.53 mt of palm oil and palm oil derived products<sup>95</sup> (Olam did not disclose how much of its palm oil in 2015 was CPO and PKO).<sup>96</sup> Today, Olam processes and trades around 2.5% of global oil palm production.<sup>97</sup>

In 2015, only 0.4% of the 1.53mt Olam reported processing and/or trading was certified through the Roundtable on Sustainable Palm Oil (RSPO) scheme, an industry certification body. By contrast, 17% of the world's total palm oil production is RSPO certified.<sup>98</sup> (See Appendices for a breakdown on amount of palm oil Olam trades vs. processes and a chart of Olam's palm oil processing and trading as disclosed to the RSPO.)

Olam has a high-risk profile when it comes to its involvement in palm oil. Virtually all (99.99%) of Olam's expanding business in palm oil is sourced from third-parties and uncertified suppliers. In 2016, the majority of Olam's 'physically procured and processed' palm oil (as opposed to traded on paper) was sourced from Indonesia, totalling 250,000t.<sup>99</sup> In Indonesia, the palm oil industry still has high prevalence of deforestation, forest and peat fires, peat exploitation, and social conflicts.

Despite multiple requests for transparency from Mighty and others, the company has not divulged its suppliers and supply locations, or their suppliers' policies or assessments on forest protection or human rights. We are thus not able to find out how many of Olam's third party suppliers have committed to eliminating deforestation, draining and developing on peatlands, or human rights abuses. By contrast, companies such as Wilmar, Golden Agri Resources (GAR), Musim Mas, and even IOI (previously suspended by the RSPO) have published their suppliers.<sup>100</sup>

In response to civil society pressure, in June 2015, Olam updated its *Sustainable Palm Oil Policy to 'reflect the expansion of* [its] *palm business into trading (2013) and therefore includes a roadmap to sustainable and traceable third party sourcing.'* 

This is a very welcome development, although the company decided to give its suppliers until 2020 to clean up their act. The risk is that rogue suppliers will view this as a green light to continue destroying peatland and clearing rainforests for three more years, creating a possible race to deforest before the deadline. By contrast, other global palm oil traders' third party policies are effective immediately, such as the policies of Wilmar and GAR.

Olam has stated that it has started to hold some third party suppliers to account. In its *Interim Progress Report on Olam Palm Sustainable Supply Chain and Traceability* of October 2016, Olam stated that "Since our time bound commitment to move towards fully sustainable supply chain for 3rd party trading commenced, our supplier base has been reduced from 48 in 2014 to a total of only 11 in 2016 as the suppliers who were unable to show compliance to our Supplier Code (or demonstrate they had a similar Code for ensuring traceability and sustainable supply) were removed from the supply chain." Olam also claims it has a 'total of 14 suppliers from Indonesia and Malaysia for all of our processing and trading business.<sup>101</sup> Whilst Olam has not disclosed the full number of palm oil mills these suppliers are exposed to, it has reported that just three of these companies have a sourcing network of some 800 individual palm oil mills.<sup>102</sup> Whether it has reduced to 11 or to 14, this shows that Olam may be in the process of enforcing its policies with third party suppliers, but it is impossible to evaluate this progress due to the lack of transparency. In addition, Olam's existing policies still do not require zero deforestation.

To eliminate its "black box" supply chain, Olam needs to put in place a strict 'No Deforestation, No Peat, No Exploitation' standard that applies immediately to its third-party suppliers, to disclose the names and locations of its suppliers and mills, transparently report on supplier progress with compliance to its policy, issue clear non-compliance protocols, and establish a public grievance mechanism.

## **Olam Proves Potential for Positive Change by Adopting No Burning Policy**

Until recently, Olam failed to adopt an explicit 'no burning' policy for its suppliers as is the norm amongst palm oil traders and producers, especially in the wake of the 2015 haze crisis. Olam did have a 'no burn' policy for its own plantations ('*Since we first started developing plantation in 2011/2012 Olam has committed to no use of fire during new plantings*'<sup>103</sup>), but this had little impact since only around 0.01% of its traded palm oil palm oil was from Olam's own plantations, and the policy previously did not cover the 99.9% of palm oil produced from third-party suppliers.

However, after internal reviews and communications with Olam sustainability staff around

the issue of burning, as well as civil society dialogue with Temasek, Olam has changed its policy and can now be considered to be doing the right thing on the issue of burning – showing that the company can make positive changes and demonstrating the potential for further reform. As of October 2016, Olam's Palm Policy states: 'We do not use fire in land preparation for planting or replanting, or accept this practice in our supply chain.'<sup>104</sup> This means that going forward, Olam would be expected to expel suppliers that are found to be burning forests or peat from their supply chain.



© Greenpeace

## **B.** Failure to Commit to 'No Deforestation'

In 2011, Olam published its *Sustainable Palm Oil Policy*, outlining its commitment to the Round Table on Sustainable Palm Oil (RSPO) standard, protection of High Conservation Value (HCV) Forests and ecosystems, High Carbon Stock (HCS) forests, peatlands, and improving the livelihood of rural communities.<sup>105</sup> The policy was updated in June 2015; however, there is no press release on its website associated with the announcement of its revised policy. It would appear from Annex 3 of the policy<sup>106</sup> (*Implementing Olam Sustainable Palm Oil Policy in Gabon*) that Olam developed its policy to largely align with Gabon's 2015 Climate Action Plan for the UNFCCC. Under this Action Plan, Gabon committed to reduce its GHG emission by 50%, in 2025, relative to its 2000 baseline. The policy document specifically states that achieving this reduction will depend on the *'rational use of Gabon's forests and agricultural land resources'*, based on:

(a) The adoption of a new Forestry Code to '*prevent forest degradation*' and a National Land Use Plan that allocates land for different uses and '*explicitly excludes intact forest, high conservation value forests and forests which are particularly rich in carbon*' and;

(b) The creation of 13 National Parks (created mostly in 2002) and other restriction on land clearance.

Olam's Sustainable Palm Oil Policy<sup>107</sup> then states that according to Gabon's developing Climate Action Plan framework, 'some areas of logged-out, degraded or secondary forests, where the fauna has been depleted or eliminated by strong hunting pressures and with lower than average carbon stocks, may be suitable for agricultural conversion. These areas need to be very carefully considered for their agricultural suitability with their respective landscapes, and any decision on agricultural conversion also needs to comply with the developing Land Use Plan and national target of 50% reductions in GHG emissions.'

'Sustainable Palm Oil Policy' is not the same as a No Deforestation Policy

Olam's *Sustainable Palm Oil Policy* does not commit its palm oil business to end all deforestation across it global supply chains. Olam uses a weak definition of deforestation and is only requiring suppliers to comply by the end of 2020.

Weaknesses in Olam's 'Sustainable Palm Oil Policy':

1. Olam policy element: 'No development in high carbon stock forests, determined through a multi-stakeholder process in key origins, as defined though a recognized national or international process. This may be in the form of a national land use planning framework and zoning, or in the form of a nationally applicable threshold established through a multi stakeholder dialogue'.

The term High Carbon Stock (HCS<sup>108</sup>) forest was first added to the 2011 version of Olam's 'Sustainable Palm Oil Policy.'<sup>109</sup>

The policy allows Olam to deforest rainforest areas that fall under the Above Ground Carbon (AGC) High Carbon Stock (HCS) threshold, 'as defined through a recognized national or international process.' According to the HCS Plus Study commissioned by Olam, the AGC threshold for 'HCS forest' is 75t C/ha (equivalent GHG of 275t CO2/ha).

**Problem**: Hence, Olam could convert those areas of natural forest measured with less than 75t C/ha (if there was no '*presence*' of HCVs that would need protecting).



Screenshots of an undercover video of Olam deforestation © Brainforest, October 2016

2. **Olam policy element**: No development in high conservation value forests and ecosystems:

The policy forbids the company to carry out any 'deforestation or conversion activities in high conservation value (HCV) forests, including both primary forest, and other ecosystems such as wetlands which are required to maintain or enhance national and global priorities'. The language used by the Head of Environment and Sustainability for Olam Palm Gabon SA, Dr. Christopher Stewart, in an online Q&A, is more descriptive than the policy: <sup>110</sup> 'While grassland, savannah and scrub are the preferred landscape for our plantation development, it has been supplemented with some areas of low density logged over forest. These areas are where carbon stocks are significantly lower than mature forest, and only where a third party assessment with full public and expert consultation has not revealed the presence of High Conservation Values.'

**Problem**: The policy therefore allows Olam to deforest 'areas of low density logged over forest' if they do not contain any High Conservation Values. But a "logged over forest" can simply mean 'secondary' forests that still provide ecosystem services, habitat for biodiversity, and climate benefits, and the forests we found in our investigation included substantial numbers of mature trees.

3. **Olam policy element:** *No development on peatlands.* 

One positive aspect of the policy is that it forbids the company to carry out any 'deforestation or conversion of peatlands [...] Peatlands, and especially tropical peat swamp forests, are particularly fragile ecosystems, who clearance for agriculture contributes disproportionately to man-made carbon emissions. We do not operate in or convert peatlands.'

**Problem:** While this is good on paper, Olam's main risk with peatland degradation is not with Olam's own plantations – which are not located on peat anyway<sup>111</sup> – but with Olam's third party suppliers in Indonesia or Malaysia. Vast areas of peatland forests have been developed and degraded by oil palm companies in Indonesia and Malaysia, where Olam sources nearly all of its palm oil. Olam's newly revised palm oil policy does not yet forbid third party suppliers from developing new plantations on peatlands. Thus, Olam's peat policy fails to address this true high risk area.

#### 4. Olam policy element: Scope of policy

The current policy regarding third party suppliers is purely focused on the integrity of the palm oil chain (i.e. only the physical product its sources)

**Problem:** It does not address unacceptable activities in supplier operations at a group company level. This means that Olam can source palm oil from a plantation not engaged in deforestation or peatland destruction that is owned by a group that is

involved in deforestation or peatland destruction elsewhere without the policy being violated.

#### 5. Olam policy element: Timeline

Suppliers are required to 'eliminate uncontrolled and unsustainable sources of Palm Oil including sources which do not conform to our Commitment on Forest Conservation' by 2020.<sup>112</sup>

**Problem:** This can create a perverse intentive amongst Olam suppliers to race to deforest and destroy peatlands up until 2020. Putting off the implementation date is like waving a green flag at rogue palm oil companies telling them to get as much deforestation as possible done now – before the sustainability policy kicks in.

## C. Olam's Nascent Approach to Policing its Third-Party Suppliers

Olam's 2015 CSR report states that it is 'partnering with other international organizations, such as World Resources Institute (WRI), to monitor the supply base around a 50 km radius of a specific mill, a common distance. This will assist our team to prioritize field inspections to verify compliance and design engagement actions with our progressive suppliers.' <sup>113</sup> (It is assumed that this relates to Olam's third party CPO suppliers rather than GRAINE suppliers in Gabon, but theoretically it could cover GRAINE).

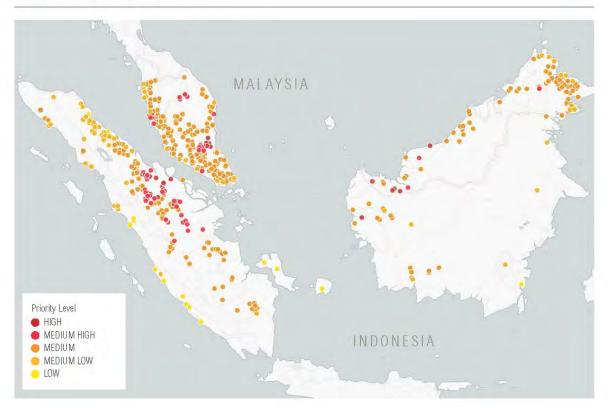
Olam's interim progress report, published in October 2016,<sup>114</sup> details progress on third party mapping with WRI, which has made headway in helping to both map and independently assess and rank the identified mills based on environmental risk factors to inform sustainable sourcing and prioritize supplier engagement.<sup>115</sup>

WRI's Global Forest Watch has developed an online mapping platform that uses satellitebased data to identify 'potential' deforestation risks for nearly 800 palm oil mills. The PALM (Prioritizing Areas, Landscapes and Mills) Risk Tool conducts an automatic analysis of satellite imagery and other spatial data within 50 km of each CPO mill to determine the current threats to nearby forests. It then ranks each mill with a given priority risk category based on past deforestation and proximity to remaining forests, carbon-rich peat soils, protected areas, and recent fires.<sup>116</sup>

Each mill is given a risk categorization of high, medium, or low. This depends on whether the potential deforestation is located in important ecological landscapes such as primary forests and carbon-rich peatlands. <sup>117</sup> A high risk mill will also be one where there is high historical deforestation and high potential for future deforestation.<sup>118</sup> A low risk mill on the other hand, will be one where there are no longer any forests remaining in the given 50 km radius and where the area is completely free of carbon-rich peatlands.<sup>119</sup>

The map below shows the level of risk for all mills identified in Malaysia and Indonesia.<sup>120</sup> It indicates that few mills are currently considered low-risk.

Figure 1 | Sample Map Output for Indonesia



As Olam is heavily dependent on buying palm oil and palm oil products from third party suppliers, the PALM Risk Tool is only a first indicator of the potential risks of deforestation for a given CPO mill supplying Olam's various palm oil products. Olam still needs to go to the field to thoroughly investigate whether a given CPO mill is sourcing from areas involved, and whether suppliers are engaged in deforestation or peatland destruction.

Olam states that the PALM Risk Tool will 'assist our team to prioritize field inspections to verify compliance and design engagement actions with our progressive suppliers.' In late 2016, or early 2017, the PALM Risk Tool website will incorporate all those mills that Olam sources from and will provide the relevant risk factor. Simply put, many mills will be published and ranked. However, it appears WRI's website will *not* disclose which mills Olam sources from. Unless this changes, Olam may have enough information to decide which mills to drop based on poor environmental performance, but the public will not be able to verify this or hold Olam accountable.

Disclosure is crucial for transparency and accountability around deforestation. Olam's competitors – including Wilmar, GAR, and IOI – have already disclosed their mills. Olam should join these companies in making its mill locations available to the public on Global Forest Watch.

## D. Olam's 'Responsible Conversion of Forest' is greenwash -Changing Definitions of Forests to Justify Deforestation

Olam has undertaken some positive steps to protect some important areas of forests in Gabon, including returning large areas forest to the government. However, the company has

been clearing forests in Gabon for the past five years and continues to threaten forest through new development. Perhaps in an attempt to shirk full responsibility for its deforestation, Olam has worked to undermine a the definition of what constitutes a forest. Olam argues that the definition of what constitutes a forest is 'contextual' and should be determined through a vague 'multi-stakeholder process in the country of origin.'<sup>121</sup> This gives Olam latitude to clear viable areas of rainforests, for example, in its forested concessions in Gabon, while still claiming to be compliant with its commitment to protect HCS and HCV forests, all because it is redefining deforestation on its own terms. For example, in a letter Olam wrote for the Arcus Foundation about their efforts to protect great ape habitat, it stated:

'Excluding all potential ape habitat from development would effectively preclude any kind of agricultural expansion, which is not compatible with the goals of the government's "Gabon Emergent" strategic plan; classifying habitat as HCV on the sole basis of the presence of any number of apes—rather than significant populations or concentrations—would have a comparable effect, precluding any responsible company from investing in Gabon and perhaps opening the door to less scrupulous developers.'<sup>122</sup>

The core of the issue is the question of which areas of forests remain ecologically viable and therefore should be protected. For the majority of companies with "No Deforestation" policies, this is determined by the widely accepted High Carbon Stock Approach (HCSA) methodology, endorsed by a mutli-stakeholder group including NGOs such as Greenpeace, companies across the supply chain, and forestry experts. The HCSA is a methodology for assessing which forests should be protected and which lands are suitable for development, based on ecological and social values including biodiversity, carbon content, and community land rights.

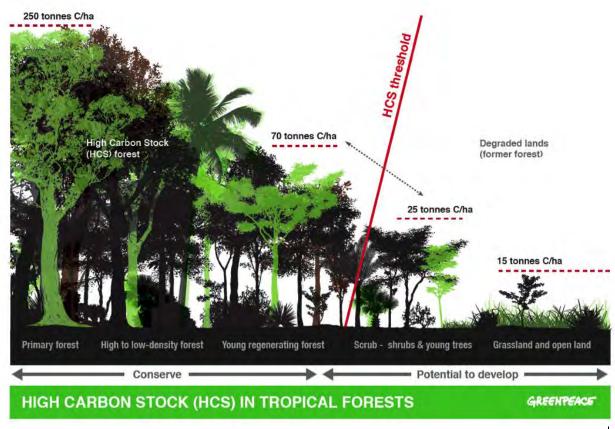
To get around this framework for forest protection, Olam helped develop an alternative to the HCSA standard based on a carbon offset approach to deforestation, called "HCS Plus". This 'responsible conversion of forest' approach (rather than the 'No Deforestation' approach), seeks carbon neutral development but still allows some clearance of forests. It was developed off the back of a "High Carbon Stock study", for which Olam's plantations in Gabon were used as a case study. In 2015, Olam decided to adopt the HCS Plus approach, rather than accept the HCSA methodology.

See Appendix: Olam's role in the High Carbon Stock study and development of HCS Plus

High Carbon Stock Approach (HCSA)

HCSA was developed in a collaboration between Greenpeace, The Forest Trust (TFT) and an Indonesian palm oil company called Golden Agri-Resources (GAR), in order to identify 'ecologically viable' areas of natural forest for protection and/or restoration. This approach was specifically developed to help oil palm and pulp companies implement no deforestation policies across their entire supply chains. It allows a company to identify areas for development opportunities without impacting ecologically viable areas of natural forest, biodiversity, high carbon content, and community lands. The HCSA is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and low biodiversity values that may be developed. Essentially, it maps out where companies can expand and where they cannot. The HCSA helps companies put 'No Deforestation' commitments into practice.<sup>123</sup>

The amount of carbon and biodiversity stored within an area of land varies according to the type of vegetative cover. Analysis of satellite images and field plot measurements divides the natural vegetation into six different classes (1) High Density Forest, (2) Medium Density Forest, (3) Low Density Forest, (4) Young Regenerating Forest, (5) Scrub and (6) Cleared/Open Land: The first four classes are considered potential High Carbon Stock forests that should not be developed.<sup>124</sup> The process also includes following the Free, Prior, and Informed Consent (FPIC) procedure, in which local communities give or withhold their consent to development on their lands.



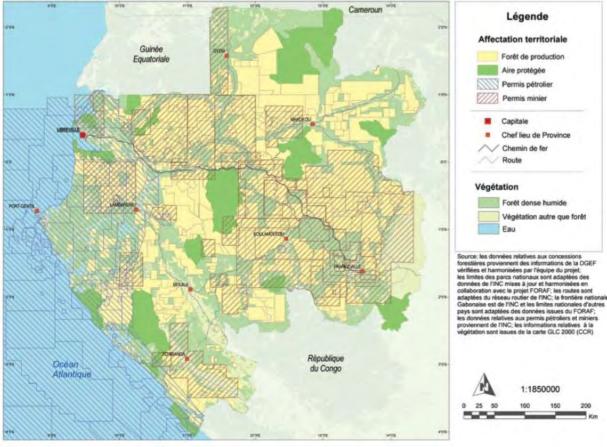
To date, some of the world's largest palm oil companies are using this ground-breaking HCSA methodology to implement their no deforestation policies. This includes Wilmar (the world's largest trader and processor of palm oil), Asian Agri, Musim Mas, New Britain Palm Oil, Golden Veroleum Liberia, and Agro Palma.<sup>125</sup> In addition, the two largest pulp and paper companies in Indonesia are using this same HCSA: Asia Pulp & Paper (APP)<sup>126</sup> and Asia Pacific Resources International Ltd (APRIL).<sup>127</sup>

#### Will Olam accept the convergence of HCSA and 'HCS Plus'?

The most recent statement from Olam, dated October 2016, states that it has provided its 'data to the HCS Approach Steering Group in order to contribute to a convergence of views on the definition and measurement of High Carbon Stock forests.' On 8 November, an agreement was reached on the convergence between the High Carbon Stock Approach (HCSA) and HCS Plus methodologies. This means there is now a single, coherent set of principles for implementation of companies' commitments to 'no deforestation' in their palm oil operations and supply chains. The website states that 'the agreement will be reflected in the policies and positions of the organisations endorsing this agreement and the revised HCSA toolkit will be *implemented by the companies when it is issued in early 2017.*' It lists the organizations supporting the agreement: Asian Agri, Cargill, Forest Peoples Programme, Golden Agri-Resources, Greenpeace, IOI Corporation Berhad, KLK, Musim Mas, Rainforest Action Network, Sime Darby, TFT, Unilever, Union of Concerned Scientists, Wilmar International and WWF. It is not clear from Olam's October statement, or recent communications with the company, whether Olam plans to support the converged HCS approach, but now that there is clearly one industry-NGO standard for assessing forest conservation, Olam is out of excuses. Committing to HCSA is critical to Olam improving its sustainability performance.

Sticking with 'HCS Plus' would give Olam latitude to keep clearing secondary rainforest in Gabon. Such a possibility is troubling in a Gabonese context, where many forest areas have already been granted by the government as concessions for petroleum, mining, and logging companies. Once this type of resource extraction damages the forests, will they be considered "degraded" secondary forest and thus no longer deserving of protection, and suitable for palm oil plantations?

Map showing the numerous overlapping mining, petroleum, and other concessions already covering much of Gabon's forests



CARTE 2 Affectation du Domaine Forestier National

128

## E. Breaking its Commitment to the Forest Stewardship Council

Beyond its investments in palm oil and other commodities, Olam also holds the largest area of logging concessions in the tropics that are certified to Forest Stewardship Council (FSC) standards. As its annual report (2015) declares, Olam now holds the world's '*largest FSC certified contiguous tropical forestry concessions*'.<sup>129</sup>

Acquired in 2011, Congolaise Industrielle des Bois (CIB) in the Republic of Congo Brazzaville is a wholly-owned subsidiary of Olam International.<sup>130</sup> Olam International Ltd is the holding company for all Olam subsidiaries worldwide, including CIB.<sup>131</sup>As of February 2016, CIB held three FSC Forest Management and Chain of Custody certificates covering 1.465 million ha of forest.<sup>132</sup> CIB also has a Chain of Custody certificate for its company in Belgium. Further, CIB (Belgium)<sup>133</sup> and Olam International Ltd (Singapore) hold Chain of Custody certificates.<sup>134</sup> The acquisition of CIB was in line with Olam's Wood Products strategy to acquire FSC certified forestry concessions in the Congo basin with the *'aim of becoming the largest supplier of FSC certified tropical hardwoods and to become the benchmark for SFM [sustainable forest management] practices out of Africa.'<sup>135</sup>* 

When the Olam Group became associated with the FSC, in 2011 in Congo Brazzaville, it was required to sign a Self-Declaration with the FSC,<sup>136</sup> explicitly agreeing that 'currently and in the future', as long as it has a relationship with FSC, it was not to be directly or indirectly involved in any 'unacceptable forest activities', as defined in the '*Policy for the Association of Organizations with FSC*' (FSC-POL-01-004).<sup>137</sup> Through its connection to the FSC in Congo Brazzaville, Olam International bound itself not to engage in unacceptable forest activities anywhere in the world. Thus, as defined in the FSC Policy for Association, even Olam's operations in Gabon have to adhere to minimum benchmarks set by FSC, in order for Olam's Congo Brazzaville operations to keep its FSC certification (incidentally, CIB's FSC certification was previously suspended, then reinstated,<sup>138</sup> and has not been without controversy itself<sup>139</sup>).

The FSC's Policy for Association lists five forest-related activities that are considered unacceptable and *'harmful to FSC's reputation and ultimately to its ability to deliver on its mission'*: <sup>140</sup> Two such activities are the *'destruction of high conservation values in forestry operations'* and/or the *'Significant conversion of forests to plantations or non-forest use'* – both are relevant to Olam's operations in Gabon.

For the purposes of the FSC Policy for Association, the term 'Organization' refers to the totality of legal entities to which the entity/company applying for association is affiliated, including subsidiaries, parent companies, and joint ventures.

The Policy for Association applies in situations in which: 141

- a) 'The associated organization or individual is first hand responsible for the unacceptable activities;'
- b) The 'associated organization or individual, with a minimum ownership or voting power of 51%, is involved as a parent or sister company, subsidiary, shareholder or Board of Directors to an organization directly involved in unacceptable activities.'

Hence, any Olam Group subsidiary is covered by the policy and therefore any 'significant conversion of forests' by Olam Palm Gabon SA would mean that Olam International Limited was in violation of the FSC Policy for Association.

The Policy states that conversion is considered 'significant' where there is, for example:<sup>142</sup> 'Conversion of more than 10,000 ha of forests under the organization's responsibility in the past 5 years.'

Olam International Limited (the Organization under the terms of the Policy for Association) through Olam Palm Gabon SA, thus could not convert more than 10,000 ha of any type of 'natural forests', as defined by the FSC.<sup>143</sup>

The Policy for Association notes that: 'failure of the 10,000 ha threshold does not lead to disassociation [with the FSC] per se, but will lead to a case by case investigation by an independent Complaints Panel.'<sup>144</sup>

Since 2011, Olam greatly expanded and developed its operations in Gabon, involving extensive forest clearance. Mighty carried out satellite map analysis of four of Olam's oil palm concessions in Gabon in Awala (formaly Lot 8) and in Mouila.

#### Mighty estimates of deforestation since March 2012 through to July 2016:

Between January 2012 and April 2016, there was at least 19,000 ha of deforestation in four Olam oil palm concessions in Gabon.

- > In the Awala concession, roughly 6,500 ha of forest was cleared.
- > In two of of the three Mouila concessions, 12,500 ha of forest was cleared.

Moreover, we analyzed Olam's own documents regarding its *zoning plans* for oil plam development in its three Mouila concessions. Based on landcover analysis for May 2013, published in a 2015 HCS Plus report, as well as Olam's own data relating to the HCS Plus report:

- We estimate that Olam needed to clear between 12,262 ha and 14,824 ha of natural forest (since May 2013) in its three Mouila concession order to complete plantation development in the 44,927 ha area earmarked for plantation development.
- The higher estimate corresponds closely with the total actual deforestation in Mouila from March 2012 through to July 2016.

#### Conclusions:

- Olam has cleared an estimate of 19,000 ha of forest in the past five years in Gabon. This represents nearly double the FSC Policy for Association 10,000 ha threshold (Likewise, the estimate for Olam's *planned* deforestation in its three Mouila concessions provided in the next section – i.e. between 12,262 ha and 14,824 ha of forest needed to be cleared since May 2013 for Olam to complete its plantation development, also surpasses the 10,000 ha threshold).
- 2. Thus, Olam is in apparent violation of it group-wide commitment to the FSC Policy of Association.
- 3. Furthermore, the FSC 10,000 ha threshold applies to all other legal entities that are subsidiaries of Olam International Ltd which could have been engaged in forest conversion during the past 5 years (e.g. for oil palm, rubber, coffee, etc.). In addition to deforestation for palm oil, Olam is responsible for any forest conversion in the last five years conducted by Olam Rubber Gabon SA and, beyond Gabon, across the world in other operations owned through Olam International Ltd, meaning the actual

amount cleared by the company worldwide is most likely higher. We have not conducted analysis of this additional deforestation.

- 4. When Olam published its Sustainable Palm Oil Policy in 2011, specifically for its palm oil division (as described above), the company failed to align its policy commitments with higher standards set out in the FSC Policy for Association. Olam effectively created a double standard one for oil palm division and one for it timber division.
- Given the above evidence and that fact that Olam has stated it wants to develop new concessions in 2017, Mighty plans to file a complaint against Olam under the FSC complaint procedures.<sup>145</sup>
- 6. FSC should launch an investigation to verify Olam's violations of the Policy for Association identified in this report and to establish whether these or other violations extend to Olam-owned operations and divisions. Filing this complaint requires that the FSC ensures an investigation is conducted by an independent Complaints Panel, in line with the Policy for Association. Equally, the FSC needs to take urgent measures to ensure that none of Olam's group operations conduct any further forest clearance pending the outcome of this investigation.



Photograph of Olam palm oil plantation, Ngounié, Gabon, March 2014

## **Potential Deforestation by Olam for Other Commodities**

As stated above, the 10,000 ha FSC threshold applies to all other legal entities that are subsidiaries of Olam International Ltd which could have been engaged in forest conversion during the past 5 years. This would potentially include any forest conversion conducted in Gabon or worldwide, by:

- 1. Olam Rubber Gabon SA has been developing rubber plantations in Bitam, northern Gabon. Olam International Limited as a 60% stake in Olam Rubber Gabon SA, with the Republic of Gabon holding 40%.<sup>146</sup> As of 2015, Olam Rubber Gabon SA has successfully planted 7,500 ha of rubber plantations in Bitam as part of Phase 1 development of 28,000 ha. Olam is on track to complete planting by 2018.<sup>147</sup> Olam is reported to want to reach a production of at least 60,000 tonnes of rubber by 2016 in Gabon.<sup>148</sup> Mighty was unable to conduct deforestation analysis for these areas, as there are no publicly available suitable maps with geographical coordinates. Further investigations are needed to determine this.
- 2. Outspan Bolovens Limited, Laos and deforestation for coffee. Outspan Bolovens Limited is a wholly owned subsidiary of Olam International Limited.<sup>149</sup> In June 2012, Outspan Bolovens Limited was accused of being involved in deforestation in Laos for coffee, with evictions of villagers, unfair compensation, impoverishment of the local communities,<sup>150</sup> and of corrupting Laotian officials in order to seize ancestral land from villagers to plant coffee plantations.<sup>151</sup> According to a report by the Land Issues Working Group (LIWG) in Laos, deforestation took place in 2010 whereas the Concession Agreement was not signed until Dec 2011 (i.e. potentially the clearance was illegal).<sup>152</sup> LIWG report states that Outspan Bolovens Limited recognized that it made errors and even committed to a conflict redress process.<sup>153</sup> To date, Olam reports that it has planted 1,857 ha of coffee plantations out of a target area of 30,000ha.<sup>154</sup> It is unclear whether Olam has conducted or plans to conduct further deforestation since the case report by LIWG.

In terms of the FSC threshold for deforestation, any forest conversion conducted in the last five years by Rubber Gabon SA or Outspan Bolovens Limited, or any other Olam International Limited subsidiary, would be additional to the estimate for forest cleared for its Awala and three Mouila concessions by Olam Palm Gabon SA.

#### **Other Risks of Violations to FSC Policy for Association**

The section above primarily focuses on Olam's risks of 'unacceptable activities' in its plantations business.

Olam has been involved in the timber sector for some years. An initial report by Greenpeace (April 2007)<sup>155</sup> alleged that Olam International Ltd received logging concessions in the DRC in breach of the World Bank 2002 moratorium on the allocation of new concessions. <sup>156</sup> Under the FSC Policy for Association, a violation would include a failure to comply with the 'laws related to the acquisition of harvesting rights from the rightful owner.'<sup>157</sup> At the time Olam issued a statement suspending its operations.<sup>158</sup>

According to a 2003 statement on the IFC website, Olam's timber business regularly provides 'operating financing' and equipment to its partners in its countries of operation.<sup>159</sup> A follow up investigation by Greenpeace in November 2007, showed that Olam was also pre-financing logging operations in the DRC, providing equipment and supervising forestry activities. This included the alleged illegal logging of CITES Appendix II listed species Afrormosia (Pericopsis elata).<sup>160</sup>

Before FSC entered into an association with the Olam in 2011, the FSC Secretariat would have conducted a due diligence evaluation to assess whether the company was directly or indirectly involved in any unacceptable activities. This is a requirement of the Policy for Association.

As part of filing of a complaint under the Policy for Association, Mighty is asking the FSC to take a closer look at Olam's involvement in the timber sector, given its role as a prefinancer of logging operations. This would include Olam's significant role in the teak trade, including in Myanmar.

## IV. Assessment of Olam's deforestation in Gabon

## Mapping analysis methodology

The mapping analysis conducted for case studies 1-4 are based on the best freely available data, including satellite images and publicly available maps from Olam publications.

Satellite imagery for the west Africa region, including Gabon, has regular problems with cloud cover. This can influence the results, but not significantly. The Landsat images used for this analysis have medium quality resolution, which means that very small changes cannot be detected, for example, around river banks or other water bodies. Therefore, where Olam's reference maps provided the location for buffer zones for major and medium sized rivers inside the concession, this was taken into account in the analysis – i.e. the 100m and 50m buffer zones (both sides of rivers) were automatically excluded from the analysis.

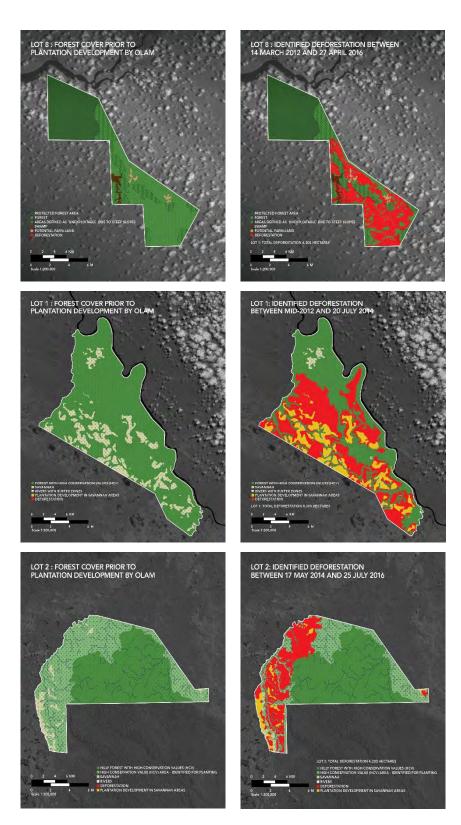
Since 2014, the RSPO has made it *'mandatory for grower members to make their existing concession boundaries publicly available in digital format (shapefile) via the RSPO website.'<sup>161</sup> However, the RSPO website states that the link to shapefiles for Olam's concessions were removed:<sup>162</sup> 'We are sorry for this inconvenience but the file you requested has been removed due to administrative issues.' (This may be due to challenges with Malaysian and possibly Indoensian law.)* 

It would appear that this is not limited to Olam – other RSPO members' concession boundaries are also no longer available. Hence, it appears that the RSPO has reversed this 'mandatory' transparency requirement of its members or is failing to enforce it.

Given Olam's concession boundaries are no longer available on the RSPO website, the boundaries for Case studies 1-4 were digitally reproduced from maps available in Olam publications and geographical features aligned with the coordinates presented in the various documents. In the case of Lot 2, the coordinates on Olam's own reference maps were inaccurate and had to be manually corrected to align with the geographical features in the landscape and other reference points.

For Lot 8, there were limited cloud-free Landsat images available for this area during the time span of Olam's oil palm development. The analysis provided is based on a composite of images. The total deforestation estimate for Lot 8 is most likely to be a conservative estimate.

## **Overview: How Much Forest has Olam Already Cleared in Gabon**



This section of the report provides mapping analysis for two out of three of Olam's Mouila oil palm concessions and its Awala concession in order to determine how much forest has been converted by Olam since it started developing its concessions. The in-depth mapping analysis conducted for these case studies is based on the best freely available data, including publicly available maps and data from Olam.

## Findings:

- 7. An estimated 12,500ha of forest was cleared in two out of the three Olam's Mouila concessions during the period mid-2012 to 25 July 2016.
- 8. An estimated 6,500ha of forest was cleared in the Awala (former Lot 8) concession between the period 14 March 2012 and 27 April 2016. (This was cleared during the time Olam owned the concession, before it was sold in late 2015.)
- 9. Olam has therefore cleared a total of around 19,000ha of forests within three out of four of its oil palm concessions in Gabon between March 2012 and 25 July 2016 (i.e. within the FSC's Policy for Association five-year time span threshold).
- 10. The additional estimates provided below, indicate that Olam originally planned to convert between 12,262ha and 14,820ha of forests across its three Mouila concessions, which is in line with the actual deforestation observed.
- 11. These estimate provided in this report -based on best available information do not neccessarily reflect the full picture of forest clearance conducted in Olam's four concessions in Gabon. Hence, further detailed mapping and ground surveys would need to be conducted to document the full extent of the deforestation.

#### Olam's Most Recent Oil Palm Concession Development in Gabon: Forest Loss since 2012

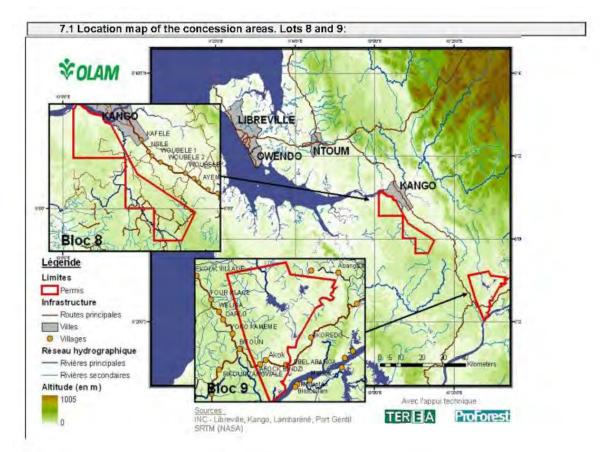
Olam Palm Gabon SA oil palm concessions	Gross concession area (ha)	Forest loss identified since 2012 (time period)	Estimated forest loss identified (ha – figures rounded)
Lot 1 (Mouila)	35,354	up until 20 July 2014	~8,300
Lot 2 (Mouila)	31,800	up until 25 July 2016	~4,200
Lot 3 (Mouila)	23,780	up until 4 April 2016	Analysis not finalised
2 out 3 Moulia concessions			12,500
Awala (formally Lot 8)	20,030	up until to 27 April 2016	~6,500
Total forest loss identified			~19,000

## Case Study 1: Awala Concession (formally Lot 8)

**Olam Palm Gabon SA in its Awala concession covering 20,030 ha.** Olam developed an oil palm concession in north Gabon. Three concessions covering 51,920 ha in the Kango regions were granted to Olam Palm Gabon SA in November 2010 (Lots, 8, 9 and 11) <sup>163</sup> in the Estuaire and Moyen-Ogooué provinces, just to the south of the capital, Libreville. Two of these concessions – Lots 9 and 11 – covering 31,890 ha, were handed back to government, after the company assessed their high environmental and social value. They were *'identified to be located within the newly designated Bas-Ogooué Ramsar site which is an internationally recognized conservation priority area under the intergovernmental Ramsar Convention'*.<sup>164</sup> In the end Olam identified only 8,334 ha as suitable for planting or a mere 16% of the government's initial land allocation.

According to a review of Landsat 7 images of this area, Olam Palm Gabon SA started clearance in the Awala (formally Lot 8) concession between the period 22 April 2011 – 31 Oct 2011. An actual date cannot be determined due to extensive cloud coverage in the Landsat images. However, Olam stated that it expected to 'start the land clearing upon completion of due diligence in early May 2011.'

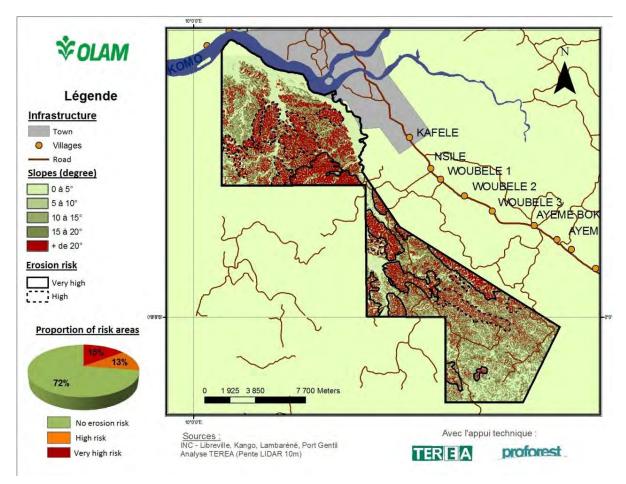
As stated above, in December 2015, Olam sold the lease rights for this concession to YCAP Asset Management (Luxembourg), but still retains the rights to operate the concession.<sup>165</sup> However, any deforestation conducted prior to this date was 100% under the responsibility and control of Olam Palm Gabon SA.



Map 1.1 shows the locations of Lot 8 and Lot 9.

The High Conservation Value assessment, required for RSPO certification, for Lot 8 identified around 8,334 ha, below 20-degree gradient, suitable for oil palm development out of the total gross concession size of 20,030ha. The area in the northern section of Lot 8 was deemed *'unplantable'* because it was found to be an area of High Conservation Value.<sup>166</sup>

Map 1.2 shows the slope above 20 degrees (red areas) that should be excluded from planting due to high erosion risk.  $^{\rm 167}$ 



The HCV Assessment report for Olam concludes: 168

- The consequences of inappropriate management of slopes especially in Lot 8 could potentially lead to degradation of water quality by the accumulation of sediments in rivers, direct blocking of river flows and damage to the river buffer zones. This function of forests on slopes is very closely linked with HCV 4.1 [from the RSPO Principles and Criteria].
- 2. In order to provide specific guidance to Olam Palm to properly manage these slopes according to RSPO criterion 4.3 the hilly areas of Lot 8 have been categorized into three main classes and mapped. The three main classifications are:

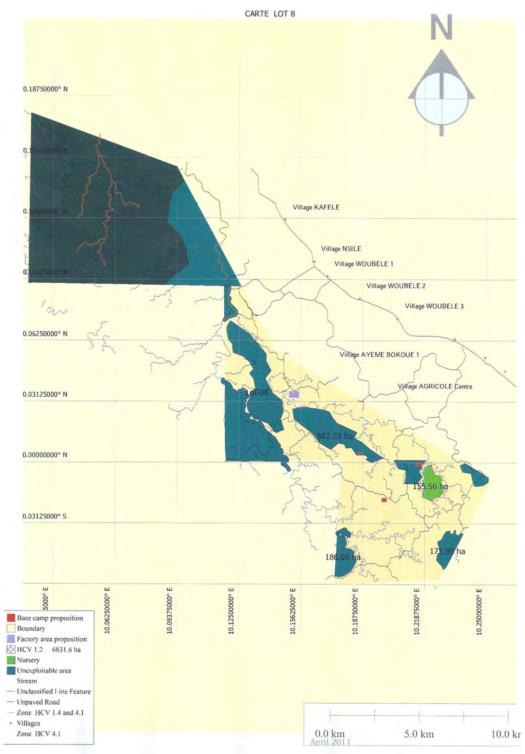
a) Slopes of 0 to 5 degrees: No specific measures are required

b) Slopes of 5 to 20 degrees: Specific measures to control erosion need to be implemented

c) Slopes above 20 degrees: Conversion and planting should not occur in such areas

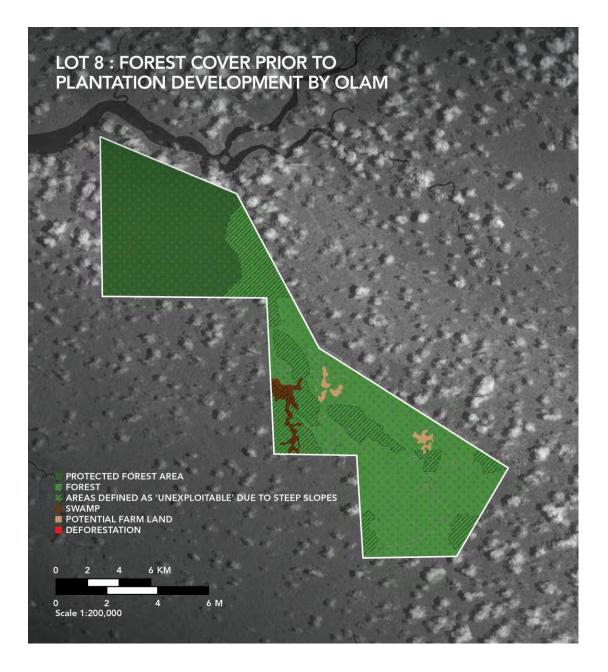
3. Areas surrounded with a continuous line are areas with very high risk of erosion and must be set aside for slope and watershed protection, unless there is a robust proof from the field that those areas are below 20 degrees. Areas surrounded with a dashed line are high erosion risk areas. The slopes of these areas should be carefully evaluated prior to any conversion operations.'

Map 1.3 identifies the location of '*unexploitable areas*', where slopes are above 20 degrees where '*Conversion and planting should not occur in such areas*'. <sup>169</sup>

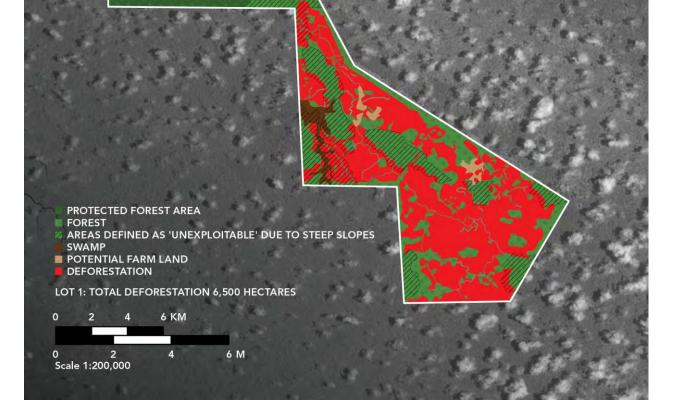


Based on suitable cloud-free Landsat images for the concession area an estimated:

- a) Total forest area of 6,500 ha was identified as being cleared from 14 March 2012 until 27 April 2016.
- b) In the early part of 2016, Olam had started some new forest clearance in the lower western part of the concession. It is assumed that this new land clearing conducted in 2016 was not completed by 27 April 2016. However, due to no suitable cloud free images being available after this date, it is not possible to confirm any additional forest loss calculations after 27 April 2016.
- c) Of the total 6,500 ha, an estimated 760ha of forest was cleared in areas identified in Map 4.2 as '*unexploitable areas*' (i.e areas identified as potentially having slopes above 20-degree gradient and therefore subject to extreme erosion.)
- d) If Olam has cleared and planted slopes above 20-degree gradient, this could be in breach of the RSPO criterion 4.3 and warrants an explanation from Olam as to why it developed these areas against the recommendation by the HCV assessor.



# LOT 8 : IDENTIFIED DEFORESTATION BETWEEN 14 MARCH 2012 AND 27 APRIL 2016



## Case Study 2: Mouila Concession Lot 1

Olam's Lot 1 concession covers 35,354 ha in Ngounié Province, southern Gabon. <sup>170</sup> At the time Olam obtained this concession, it still had plentiful forest cover. Olam started developing the area around mid-2012.

#### Olam's planned development of secondary forests supporting High Conservation Values

The pale cream areas on Map 2.1 show areas supporting High Conservation Values (HCVs) for protection. The green areas are identified as areas supporting HCV, but are proposed for development into oil palm plantations (labelled '*Plantable HCV*' on the map). Developing such HCV areas appears to be in contradiction with policy explanation made by Dr. Christopher Stewart, Head of Environment and Sustainability for Olam Gabon, in May 2015: <sup>171</sup>

'While grassland, savannah and scrub are the preferred landscape for our plantation development, **it has been supplemented with some areas of low density logged over forest**. These areas are where carbon stocks are significantly lower than mature forest, **and only where a third party assessment** with full public and expert consultation **has not revealed the presence of High Conservation Values.'** [emphasis added]

Further, an Olam document referring to development in its Awala concession in Gabon (developed in 2011-12), explicitly states how the company attempts to drive out any potential animals that are present when it is clearing '*plantable HCV*' areas:<sup>172</sup>

'Land clearing will be completed on a block by block basis, from east to west to **drive potential animals present into the larger jungle areas** on the western side of lot 8, thereby reducing the chances of them being hunted or poached by villagers on the eastern side of the lot.' [emphasis added]

Map 2.2 shows the zoning plan for oil palm development and indicates those areas of secondary rainforest earmarked for deforestation (labelled '*ex-secondary forest*'). A simple visual comparison of the '*Plantable HCV*' areas in Map 1.1 with '*ex-secondary forest*', concludes that the majority, if not all, of these secondary rainforest areas are supporting HCVs and that Olam planned to develop them.

Olam's 'Carbon Neutral Approach'

Maps 2.3, and 2.4 help explain Olam's so-called 'Carbon Neutral Approach' to deforestation for Lot 1.

Map 2.3 shows the results of Olam's LiDAR and field assessment used to help determine areas of rainforest cover with different carbon values (i.e. tonnes of carbon per hectare). Using this historical data, the High Carbon Stock Science Study group commissioned by Olam produced a *'retrospective'* 'Carbon Neutral Approach' for Lot 1.

It is 'retrospective' because a large part of the concession zoned for development, including rainforest areas, had already been cleared by Olam by the time the authors of High Carbon Stock Science Study were commissioned to conduct the study. For example, as of 3 May 2013, Olam had already developed 5,989 ha of Lot 1 into plantations.<sup>40</sup> (see also Map 1.5).

Map 2.4 zones the concession into 6 categories:

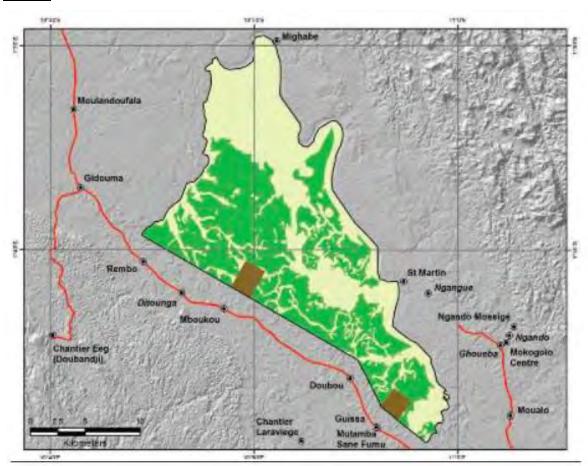
- a) 'HCV Forest' (cream): identified for protection;
- b) 'HCS Forest' (red): in theory to be protected and not be developed into plantations;
- c) 'Carbon Debit' (orange): This appears to be areas of 'ex-secondary forest' that is

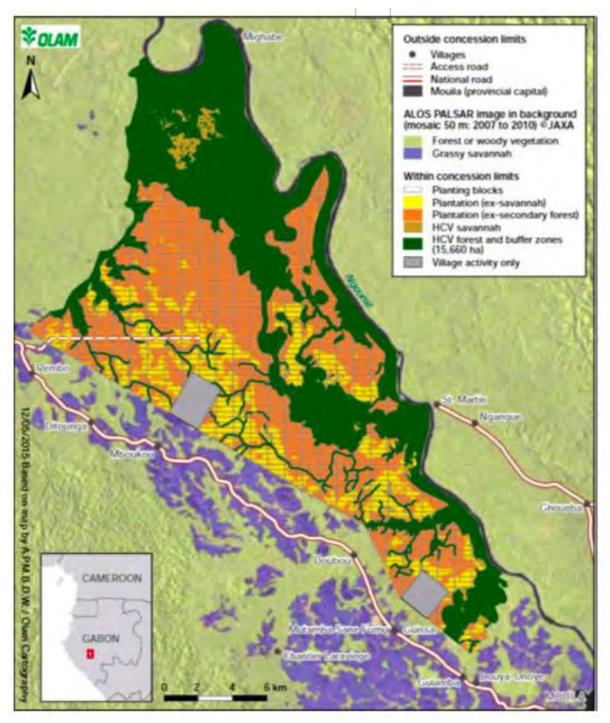
identified for development into plantations, which would create a carbon debt, according to the High Carbon Stock Science Study.

- d) Carbon Credit (green): This is mostly 'ex-savannah' areas that would be developed into plantations, which would create a carbon credit according to the High Carbon Stock Science Study.
- e) Other HCV and Village community areas (grey): for protection

Map 2.5 indicates that Olam has already developed substantial areas of the Lot 1 into plantations between mid-2012 and February 2013 (the pink areas represent either bare land or recently planted areas). This includes areas identified as being HCV (map 1.1 & 1.2) and HCS (Map 1.4).

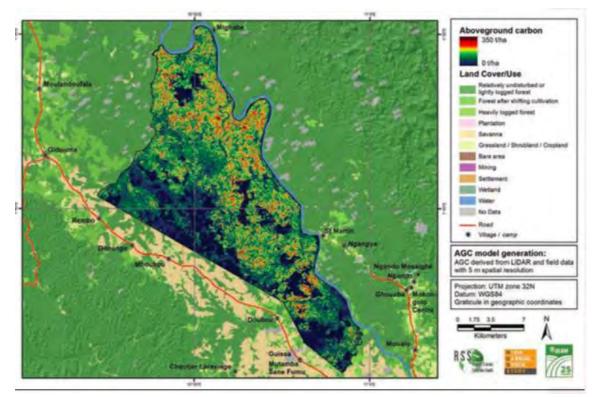
Map 2.1 - Proposed plantation development in areas supporting High Conservation Values (HCVs).



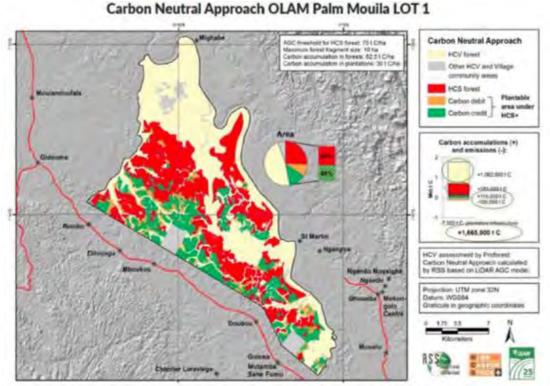


<u>Map 2.2 – Zoning plan indicates those areas of secondary rainforest earmarked for deforestation.</u>

Reference Map 2.3: Results of Olam's LiDAR and field assessment used to help determine rainforest areas with higher above ground carbon held in the forest and other vegetation.

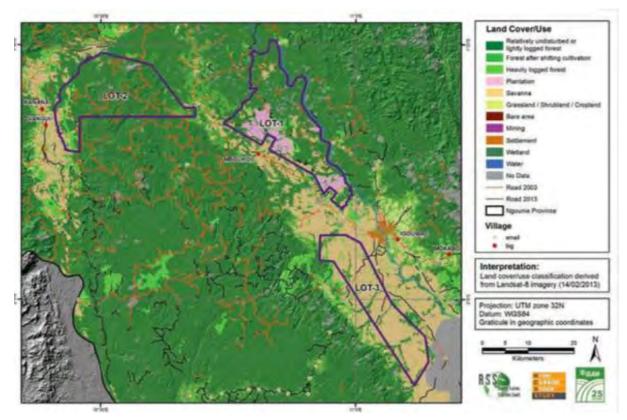


Map 2.4: Olam's carbon neutral approach to deforestation



Largest contributions to the carbon balance: C emissions from logged forest conversion and C fixation from HCV conservation. Few 'Amber' areas, 'Green' mostly savannah

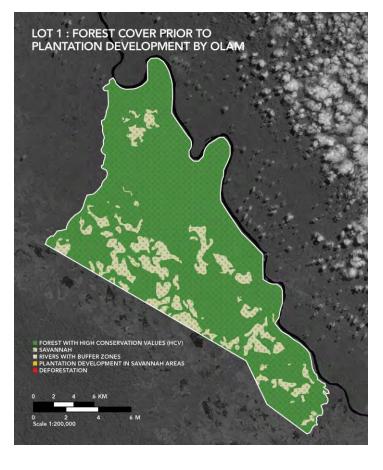
Map 2.5: indicates that Olam has already developed substantial areas of the Lot 1 into plantations between mid-2012 and February 2013

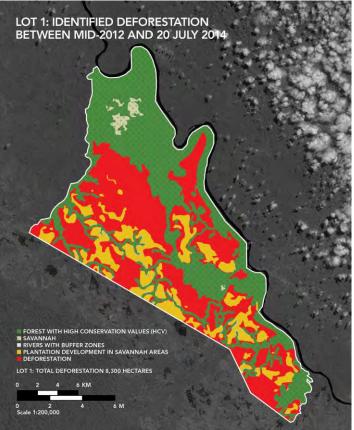


#### What the mapping analysis concludes:

The mapping analysis concludes that Olam collaborated in the HCS Plus study at the same time that it continued to clear rainforests to develop plantation areas in Lot 1, according to Olam's '*ESIA*, *HCV* and *Conservation Plan*' as shown in Map 2.2.

Of the '*plantable*' secondary forest areas shown in Map 2.4, an estimated 8,300 ha was developed between mid-2012 and 20 July 2014.





## Case Study 3: Mouila Concession Lot 2

Olam's Lot 2 concession covers 31,800 ha in Ngounié Province, southern Gabon.<sup>173</sup> It is located in two major watersheds in the Mouila district, with thirteen sub-catchment areas.<sup>174</sup>

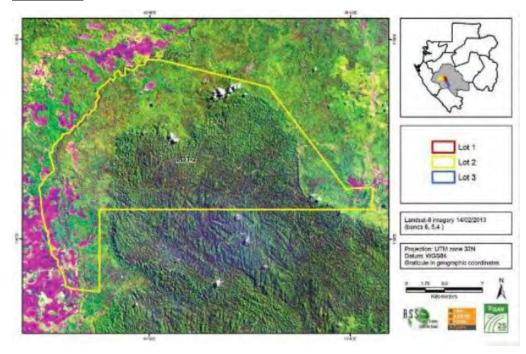
In 2013, the concession was covered by 95% forest and 4.5% savannah.<sup>175</sup> A Landsat 8 satellite image from 14 February 2013 (Map 3.1) shows that only limited areas of the concession (pink areas) had already been deforested, when Olam acquired the concession.

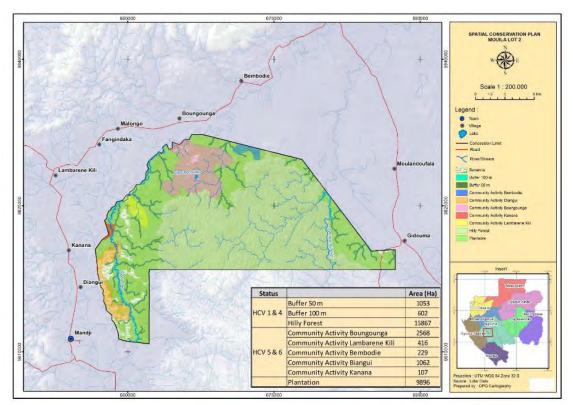
Map 3.2 shows that 17,522 ha of HCV areas were proposed for protection. The vast majority of these (15,867ha) are classified as 'hilly forest' (which are probably not suitable for plantation development due to steep slopes in the area). Buffer zones adjacent to the major and medium sized river were zoned to be set aside as HCV areas: 100m either side of major rivers and 50m either side of medium sized rivers.

9,896 ha of the concession was identified for plantation development (Map 3.2). A further 4,382ha was earmarked as 'community activities' areas. The report states that 'there are no communities located within the concession, however customary rights have been identified through participatory mapping and will be recognized through the free, prior and informed consent process.'

Map 3.3 shows the results of its LiDAR and field assessment to determine Above Ground Biomass (AGB) calculations for its Lot 2 concession. Olam has not published a HCS Plus map associated for Lot 2, as with the concession Lot 3. Based on a visual comparison with the AGB and HCS Plus maps for Lot 1, the areas which are distinctly light-dark green (outside of the blue zones) are mostly likely to be categorized as HCS (e.g. within the brown circle marked on the map).

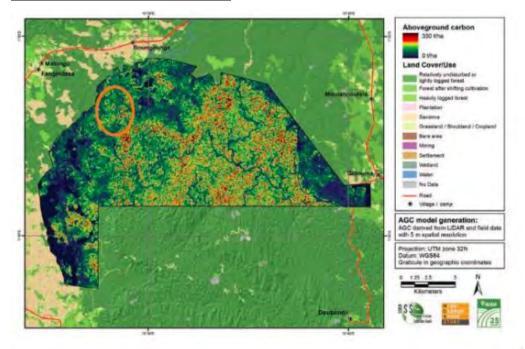
Map 3.1: Landsat 8 satellite image from 14 February 2013 showing that only limited areas of the concession have already been deforested (pink areas) before Olam started developing the concession



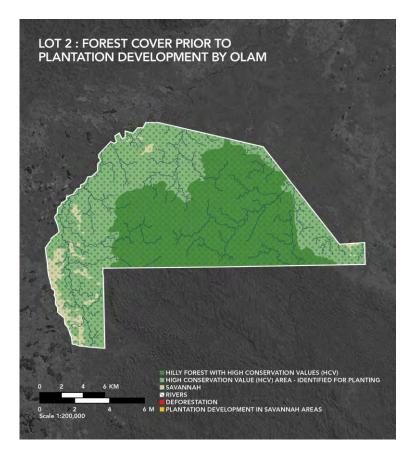


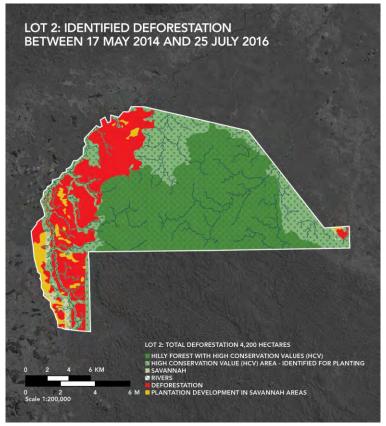
Map 3.2: Identifies areas of 'hilly forest' for protection and forest for oil palm development

Map 3.3: Identified areas with high above ground carbon biomass (i.e. carbon held in trees and other vegetation) inside Lot 2



**What the mapping analysis concludes:** Of the 'plantable' forest areas shown in Map 3.2, an estimated 4,200 ha of rainforest was cleared from 17 May 2014 to 25 July 2016.





## **Case Study 4: Mouila Concession Lot 3**

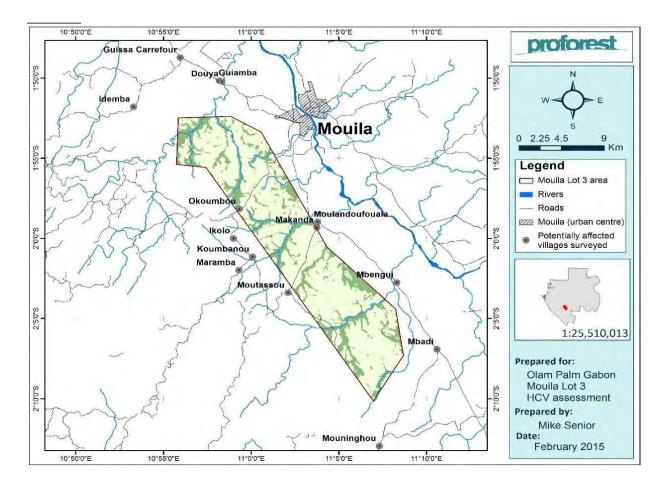
Olam's Lot 3 concession covers 23,780 ha in Ngounié Province, southern Gabon.<sup>176</sup>

It is located in an area that was already heavily deforested previously, and in the 8-year period up until 2013, 106 ha of forest was cleared in the concession, prior to Olam developing the concession.<sup>177</sup>

In May 2013, the concession was predominantly savannah grassland (75%), with rainforest areas restricted to riparian zones around rivers and isolated forest patches (25% -  $\sim$ 4,486 ha).<sup>178</sup> See Map 4.1

Olam started developing the concession after May 2015.

Map 4.1: green areas indicates areas supporting High Conservation Values, including remaining forests and the riparian zones around rivers.



## What the mapping analysis concludes:

The deforestation anlaysis for Lot 3 has not been finalized in time for the publication of this report.

# Total Area of Forest Olam had Originally Planned to Clear for Oil Palm Development in Gabon

Based on figures provided in HCS Plus study and in Olam presentation related to the study, the desktop analysis below estimates that Olam originally planned to convert between 12,260ha and 14,820ha of forests across its three Mouila concessions. The actual level of deforestation (~12,500ha) that it engaged in up until April 2016 (see above section) correlates closely with these estimates. This demonstrates that the deforestation was not accidental but officially planned.

Even based on these estimates for just three of Olam's concession, Olam would be in violation of the FSC's significant forest conversion threshold of over 10,000 ha in the past five years.

#### Olam Palm Gabon SA – concessions developed to date

Olam's website states that Olam Palm Gabon SA has a gross area of concessions covering approximately 111,419ha across Gabon.<sup>179</sup> It has an additional 8,411 ha managed by Olam Palm Gabon, including 5,809 ha of plantation that were established in the 1980s.<sup>180</sup> By the end of 2017, Phase 1 of Olam's Joint-Venture with the Government of Gabon aims to develop 50,000 ha of oil palm plantations.<sup>181</sup>

#### Awala concession (formally Lot 8)

Olam's website states that it has developed a total of 6,810 ha of oil palm plantation in its Awala concession (formally Lot 8, covering 20,030 ha) in the Kango Estuaire region.<sup>182</sup> Planting started in 2011.<sup>183</sup>

#### Mouila concessions

The remaining 43,000 ha of Phase 1 is located across Olam's three Mouila concessions: Lot 1 covering a gross area of ~34,371 ha; Lot 2 covering a gross area of ~31,866 ha; and Lot 3 covering a gross area of ~23,644 ha. <sup>184</sup> The total 'plantable' areas for the 3 Mouila concessions is 44,927 ha.<sup>185</sup>

Olam's own HCS Plus study provides a breakdown of forest cover (as of May 2013 in Lot 1, 2 and 3, into three categories: a) '*Relatively undisturbed or lightly logged* forest'; b) '*forest after shifting cultivation*' and; c) '*heavily logged forest*'.<sup>186</sup> The table below uses figures from the HCS Plus Study and Olam's presentation related to the study.

	Olam's three Mouila concessions	Hectares
а	Total gross area of concessions <sup>187</sup>	89,881
b	Set-aside areas - HCV Forest and buffer zones <sup>188</sup>	42,002
С	Areas classified as 'wetlands, mining, water, road' <sup>189</sup>	350
d	Areas protected or not available for plantations (a minus b minus c)	47,529
е	Areas allocated for plantation development (gross) <sup>190</sup>	44,927
f	Gross plantation areas developed, as of May 2013 <sup>191</sup>	5,989
g	Net plantation area still to be developed, as of May 2013 (e minus f)	38,938
h	Areas classified as 'relatively undisturbed and lightly logged forest' <sup>192</sup>	50,802
i	Areas classified as 'heavily logged forest' <sup>193</sup>	4,983
j	Areas classified as 'forest after shifting cultivation' <sup>194</sup>	1,041
k	Areas classified as 'grassland, shrub, croplands and savannah, bare area and the area where 'no data' was available, as of May 2013 <sup>195</sup>	26,676
i	Total of i, j and k	32,700
т	Assuming areas identified in I, k and k were available for development and were developed, the net area of plantation still to be developed would be (g minus I)	6,238
n	Areas classified as 'relatively undisturbed and lightly logged forest' that would need to developed to meet balance plantation areas in m	6,238
0	A minimum (conservative) estimate for planned forest loss (i+j+n)	12,262
р	A maximum estimate for planned forest loss, would assume:	
	<ul> <li>a) all the set aside area for conservation in b was 'relatively undisturbed and lightly logged forest' (ie 42,002ha of HCS Plus) and</li> <li>b) the remaining balance of 'relatively undisturbed and lightly logged forest' was developed (ie 50,802 – 42,002 = 8,800 ha), together with those forests identified in i and j</li> <li>c) the total estimate of planned forest loss would be 8,800 + i + j</li> </ul>	14,824

Based on the above data from Olam documents, is it possible to estimate the total forest areas that would have needed to be developed to meet Olam's planned target for plantation development in the three Mouila concessions:

### Estimate 1: Minimum planned deforestation – 12,260ha

Assuming that all the grassland, shrub, croplands, savannah, bare area, areas where no satellite data was available, heavily logged forest, and forest after shifting cultivation was available for plantation development (i.e. 32,700 ha), at least 12,260 ha of areas classified as forest in May 2013 would need to be converted to meet Olam's planned area for plantation development (see table).

### Estimate 2: Maximum planned deforestation – 14,824 ha

Assuming that total set aside area for HCV Forest and buffer zones of 42,002ha was 'relatively undisturbed and lightly logged forest' (i.e. set aside as HCS Plus) and the remaining balance of 'relatively undisturbed and lightly logged forest' was developed together with those forests classified as heavily logged or forest after shifting cultivation in May 2013, a maximum 14,824 ha of forest would need to be converted to meet Olam's planned area for plantation development (see table).

### **Conclusions for Olam's Mouila concessions**

Based on the above two estimates, Olam would have planned to clear between 12,260 ha and 14,824 ha of forest in order to establish its oil palm plantations across its three Mouila concessions. This is well above the FSC threshold of 10,000 ha of deforestation.

# V. Recommendations

## **For Olam**

In order to reverse current harms, Olam needs to stop lagging behind its industry peers and take a leading stance in sustainability. Olam can meet the new benchmark for responsible commodity production. Like its competitors, Olam should:

- Adopt a comprehensive, cross-commodity, group level 'No Deforestation, No Peat, and No Exploitation' policy that includes Olam's entire supply chain, including for third party suppliers, effective immediately.
- Pledge not to clear any High Carbon Stock forest using the well-established High Carbon Stock Approach (HCSA) methodology.
- Make a firm commitment to traceability and transparency across all of Olam's supply chain including third party suppliers effective immediately.
- Publish all concession maps for Olam's own operations and require all suppliers to publish concession maps covering their entire operations, prioritizing high-risk areas.
- Adopt a comprehensive implementation plan that includes third party independent verification of compliance with time-bound milestones, and regularly report on progress.

- Issue a clear non-compliance protocol for suppliers and establish a public and transparent grievance procedure in which civil society can lodge complaints of violations to Olam's policy.
- Meet with indigenous and local communities negatively affected by its operations and agree with them on and implement a mitigation plan.
- Restore an area of land equivalent to 10 times Olam's past deforestation in Gabon and elsewhere.
- Immediately announce a moratorium on all forest clearing, as it progresses on the steps above.

To ensure their palm oil is not contributing to deforestation, forest fires, peatland degradation or possible human rights abuses, Olam should proactively monitor suppliers on a group level. For example, Olam should not buy from a mill that is low-risk but is run by a company that owns many high-risk mills tied to deforestation and forest crimes.

## For the FSC

• Given Olam's clear violation of its criteria, the Forest Stewardship Council should investigate Olam and if it confirms our research, suspend or revoke Olam's FSC certifications for the entire Group.

## For Temasek and Olam's Major Investors

- Maintain competitiveness by not carrying risky investments that could have trouble finding international markets due to sustainability risks.
- Require Olam to deliver on a strong No Deforestation, No Peat, and No Exploitation (NDPE) policy, adhering to the HCSA methodology, or divest from the company.
- Require transparency from Olam on its third party suppliers. Ascertain what due diligence procedures Olam has in place to ensure that its third party suppliers are compliant with Olam's sustainability policies.
- The Government of Singapore should ensure that Temasek is fulfilling its mission to "generate sustainable returns beyond our present generation" as "a responsible corporate citizen" and that it is upholding its pledge to recognize environmental, social and governance factors, by insisting that Olam raise its practices to at least industry standard practice, including adopting HCSA.
- Temasek needs to ensure that Olam joins the transparency revolution that the palm oil industry and much of global agribusiness has started to embrace. Olam should join the other major industry players in posting the identity of its suppliers online with their mill and plantation locations, and sharing concession maps of its suppliers through the Global Forest Watch platform.
- Minority investors such as Mitsubishi, the International Financial Corporation, Norway's sovereign wealth fund, as well as BlackRock, Hartford, Prudential, Vanguard, Fidelity and other institutional investors, should demand the same – or immediately divest.

## For Olam's Buyers

- Olam customers the world's leading consumer food companies should wake up to the reality that Olam's environmental panegyrics mask a company that lags far behind some of its less vocal competitors. Unless Olam changes immediately – and commits to restoring forests and wildlife habitat it has destroyed – they should look to the large number of companies with stronger standards and better practices for their raw materials. They should apply this policy not just to palm oil, but to Olam's entire business: cocoa, coffee, cashews, rice, and all the other products in its portfolio.
- All palm oil customers, including both consumer-facing companies and the major traders like Olam, should immediately establish a comprehensive system to monitor and police deforestation modeled on Brazil's highly effective moratorium on deforestation for soy.

# If Olam changes, the positive effects would be global and vast, across many commodities.

If Olam takes these important steps toward sustainability, there could be a tremendous potential positive ripple effect in other commodities well beyond the palm oil industry. After all, this agricultural commodities trading giant is the #1 global trader of cashew nuts, the world's largest supplier of cocoa beans and cocoa products, and the #2 global supplier of rice, coffee, and cotton.

As a global agri-business leader, Olam is operating from seed to shelf in 70 countries, in 47 agri-commodities, employing 62,500 full-time, seasonal, contract and temporary workers, supplying 16,200 customers worldwide, sourcing from 4 million farmers, operating 199 processing facilities globally, and managing 2.6 million hectares of land.

If Olam chooses to engage in truly sustainable green practices, instead of merely greenwashing, thousands of communities and millions of people across the world will benefit.



Minkebe Forest Reserve, Gabon, 2003, © Markus Mauthe/Greenpeace

# Appendices

#### Appendix 1:

- A. Olam company details
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Appendix 4:

Gabon's Poor Track Record on Governance

# **Appendix 1:**

# A. Olam Company Details

Olam Group	Operating name: Olam International Limited					
Headquarters	Singapore					
Website	www.olamgroup.com					
Stock exchange	Trading on Singapore Exchange: SGX:O32					
Revenue	Year ending 31/12/2015: US\$ 19 billion <sup>196</sup>					
Main activities	<ul> <li>The Company is involved in trading and several downstream/upstream activities across the agricultural business including:<sup>197</sup></li> <li>Food Staples and Packaged Foods including palm oil products (about 38% of revenue)</li> <li>Cocoa and Coffee (about 26% of revenue);</li> <li>Industrial Raw Materials including wood products and rubber (about 19% of revenue);</li> <li>Edible Nuts, Spices, Beans, and Vegetable Ingredients (about 18% of revenue)</li> </ul>					
	<ul> <li>Commodity Financial Services, includes market making, risk management solutions and commodity funds management.<sup>198</sup></li> </ul>					
Ownership	<ol> <li>Temasek Holdings (Private) Limited, the Singapore sovereign wealth fund, incorporated in Singapore is the</li> </ol>					

and	largest shareholder. Temasek holds 52.1% through Breedens Investments and Aranda Investments. <sup>199</sup>				
Shareholders	Temasek Holdings also has an equity stake through its wholly-owned subsidiary Seletar Investments, which invested before Olam's IPO.				
	<ol> <li>Mitsubishi Corporation is the second largest shareholder (20.1%)</li> </ol>				
	<ol> <li>The Management Team of Olam (it is largely still family managed) has a 6.4% shareholding in the company.</li> </ol>				
	<ol> <li>Russell AIF Singapore Investments Limited (managed by AIF Capital limited) has an equity stake in the company.</li> </ol>				
	5) The International Finance Corporation (IFC) also has an equity stake.				
	<ol> <li>Norway's pension fund holds shares in the company (Norges Bank Investment Management or NBIM).</li> </ol>				
	<ol> <li>News reports state that many major investment funds hold shares in Olam, including BlackRock, Hartford, Prudential, Vanguard and Fidelity.</li> </ol>				
2	Dam was listed on the Main Board of the Singapore Exchange in 005, and currently ranks among the top 40 largest listed ompanies in Singapore in terms of market capitalization.				
i	ublic shareholders account for approximately 20% of the total ssued share capital. <sup>200</sup> Of this, as of end-May 2016 about 11.1% of otal issued share capital (excluding treasury shares) was held by institutional investors. <sup>201</sup>				
i	<b>Plam processed or traded around 1.53 million tonnes</b> of palm oil nd palm oil products in 2015 - around <b>2.5% of global oil palm roduction</b> :				
i	Virtually all was sourced from third-parties. In 2015, Olam-owner plantation areas supplied only up to 160t. <sup>202</sup> (CPO 137t, PKO 22.9 in 2015). Olam has oil palm plantations in development in Gabo and the Ivory Coast.				
	ndia is Olam's biggest market for palm oil products. <sup>203</sup> It also sells o countries in Europe and sub-Saharan Africa. <sup>204</sup>				
RSPO	1ember since 9 February 2011. <sup>205 206</sup>				
	a 2015, only 0.45% of Olam's palm oil was RSPO-certified. <sup>207</sup>				

# **B. Olam's Principal Bankers**<sup>208</sup>

Principal Bankers	Country of the banks' headquarters
Australia and New Zealand Banking Group Limited (ANZ)	Australia, New Zealand
Banco Bilbao Vizcaya Argentaria S.A.	Argentina
BNP Paribas	France
Commerzbank AG	Germany
Commonwealth Bank of Australia	Australia
Credit Suisse Group AG	Switzerland
DBS Bank Ltd	Singapore
ING Bank N.V.	Netherlands
JPMorgan Chase Bank, N.A.	USA
Mizuho Bank	Japan
National Australia Bank Limited	Australia
Natixis	France
Rabobank International	Netherlands
Standard Chartered Bank	UK
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Japan
The Hong Kong and Shanghai Banking Corporation Limited (HSBC)	UK
Westpac Banking Corporation	Australia

# C. Banks providing loans to Olam for palm oil plantations in Gabon

'With the assistance of African banks **Ecobank**, **Afreximbank** and **BGFI Bank Gabon**, Olam secured a loan of \$228 million from the **Central African State Development Bank** (BDEAC) to fund the plantation development'<sup>209</sup> in Gabon.

# D. Land required for Olam's sourced raw materials in 2014<sup>210</sup>

Suppliers	Million hectares
Smallholder farmers. Primarily in Africa and Asia, also in South America and Europe	3.9
Olam-managed plantations, concessions and farms. Primarily in Africa, Australia, Europe, South America and USA. Products: almond, coffee, dairy, palm, peanut, rice, rubber and wood.	
Large-scale farmer suppliers. Primarily in Australia, South America and USA	8.9
Sourced raw materials in 2014	14.9

## Appendix 2:

## A. Amount of Palm Oil Olam Trades vs Processes

The following is a rough breakdown of how Olam reports its sourcing of the 1.53 mt:

- Procured and processed by Olam 16.3%: In 2016, Olam states that it physically procured and processed 250,000 tonnes of palm oil (assumed to be CPO and PKO).<sup>211</sup> An undefined proportion of this is 'traded' through PT Olam Indonesia.<sup>212</sup> As Olam doesn't own oil palm plantations in Indonesia,<sup>213</sup> it is assumed that Olam buys from third-parties.
- Traded on the futures market by Olam 73%: Olam states that some 73% (~1.1 mt) of the total reported volume is 'traded on paper',<sup>214</sup> where Olam can buy and sell CPO on the Malaysia palm oil 'futures' market. This commodity market allows, for example, Malaysian plantation companies to find buyers for unsold anticipated production of CPO or can buy additional volumes of CPO to meet existing orders from its customer.<sup>215</sup>
- 3. Sourced from Olam oil palm plantations **0.01%:** In 2015, Olam-owned plantation areas supplied up to 0.01% of this global figure (CPO 137t, PKO 22.9t in 2015).<sup>216</sup>
- 4. Unaccounted for by Olam 10.7%: Based on figures provided by Olam on its 1.53 processing and/or trading, some 10.7% (163,700t) is unaccounted for. This volume could include Olam's physical trading of palm oil derivatives from third-parties i.e. palm oil products other than CPO and PKO.

# B. Palm oil processing and trading by Olam International Ltd, disclosed to the RSPO<sub>217</sub>

	2011/2012	2012/2013	2013/2014	2014	2015
Crude Palm Oil (CPO)	61,000	191,200	535,200	679,100	unreported <sup>218</sup>
Palm Kernel Oil (PKO)	0	4,200	5,000	4,700	unreported <sup>219</sup>
СРО + РКО	61,000	195,400	540,200	683,800	unreported <sup>220</sup>
Palm oil derivatives and fractions	10,000	297,600	290,200	392,200	1,254,740.89
Total processed and traded (tonnes)	71,000	493,000	830,400	1,076,000	1,529,499.08
Of which RSPO certified:					
СРО & РКО					
CPO - Mass Balance	0	0	0	0	186.88
CPO - Segregated	0	0	0	0	370.08
PKO - Mass Balance	0	0	0	619	1048.03
Total processed and	-				1051.00
traded and RSPO certified	0	0	0	619	
(tonnes)					
% certified (CPO + PKO)	0	0	0	0.09%	Not available
All other palm oil products					
Mass Balance	0	0	6,780	6,344.00	3,414.05
Segregated	0	0	1,589	2,167.00	2,729.03
Total processed and traded and RSPO certified	0	0	8,369	8,151.00	6,143.08
All palm oil and products		0	8,369	8,770.00	7,194.08
<b>RSPO <u>certified</u> of total</b>	0	0	1%	0.8%	0.47%

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NOTE: Olam is the first company in Africa to receive RSPO certification, including the first-ever African working plantation to be certified.<sup>222</sup> With its certification, Olam's Gabon 6,700 ha plantation will boost Africa's RSPO-certified production hectares by 30%. Another Olam plantation in Gabon is working towards RSPO certification by 2017. While this is positive, RSPO standards still allow companies to clear so-called "secondary" rainforests, even including High Carbon Stock (HCS) forest, so long as those areas were even marginally degraded by previous logging. It also does not forbid the development of carbon-rich peatland. On social conflicts, the RSPO certification has also been criticized for not fully addressing potential impacts of displacement of forest communities or enforcing its standards.

# Appendix 3: Olam's role in the High Carbon Stock Study and development of HCS Plus

In January 2015, Olam 'invited the international High Carbon Stock Study Group to work with [them] and the Government of Gabon to guide an HCS process suitable for forest-rich nations.' The resulting 'HCS+ Case Study' was conducted in collaboration with Olam Palm Gabon SA, and led to a so-called 'High Carbon Stock Plus' where the '+' is intended to stand for the 'responsible conversion of forests to oil palm plantations'.<sup>223</sup>

Unfortunately, the 'HCS Plus' is an industry-driven process riddled with loopholes. In the HCS Plus approach, carbon emissions from planned forest conversion are 'offset' - on the assumption that all rainforests which are set-aside and also all oil palm plantations contribute 'positively to the carbon balance of the entire concession.'<sup>224</sup>

A core problem is that with HCS Plus seeking to ensure carbon neutral development, it allows forest clearance as long as it is offset with carbon sequestration elsewhere. However, forests are much more than just carbon sticks. They provide significant biodiversity, ecosystem, and cultural values. HCS Plus assumes that some areas of forests can simply be cleared and replaced by carbon offsets in some other area or replaced by oil palm plantations.

In a nutshell, Olam's alleged 'responsible conversion of forests' approach is a pure carbon offset approach to deforestation and its emissions – it is not equivalent to a no deforestation approach. This approach means that the carbon held in some rainforest areas is destined to be deforested in exchange for the same amount of carbon that is theoretically held in a palm oil plantation, which normally has to be replaced every 20-25 years.

According to the HCS Plus Study,<sup>225</sup> the Above Ground Carbon threshold for a 'HCS forest' for Olam's areas in Gabon is up to a maximum of 75t C/ha (equivalent greenhouse gas emissions of 275 t  $CO_2$ /ha). The HCSA and 'HCS Plus' models have particularly different approaches to dealing with Young Regenerating Forests. HCSA proposes that the majority of these secondary rainforests should be conserved, maintained and enhanced, whereas under HCS Plus, secondary rainforests with above-ground carbon of less than 75tC/ha can be deforested.<sup>226</sup> (For every 1,000 ha of younger areas of secondary rainforest (which 75tc/ha) are deforested, 275,000t  $CO_2$  of equivalent greenhouse gas emissions are created).

A power-point presentation by Olam Palm Gabon SA entitled 'Sustainable palm oil plantations in Gabon: from vision to reality' provides some of the results of Olam's collaborations with an independent HCS Plus study which concluded in December 2015.<sup>227</sup> Based on the 75t C/ha cut-off mark, the study<sup>228</sup> concludes that it is 'technically possible to create carbon neutral plantations, even in a heavily forested country like Gabon. In the case of Olam, based on its historic data, the methodology estimates that the Mouila plantations will fix around 1.3 million tonnes of carbon (4.8 million tonnes CO<sub>2</sub> equivalent) over the first 25-year rotation.' According to the Olam Palm Gabon SA power-point,<sup>229</sup> Olam would seek to offset GHG emissions from converting 'logged secondary forest' identified below the 75t C/ha HCS Plus threshold. Olam seeks to offset these emissions through calculating 'credits' from carbon assumed to be accumulated in protected areas of HCV and HCS Plus forest and accumulated temporarily in oil palm plantations.<sup>230</sup> The table below provides a breakdown of carbon offset assumptions concluded in the HCS Plus study.<sup>231</sup>

	1071 175 t C hai 10 ha		101 2 75 t C ha <sup>4</sup> 10 ha		Lot : 75 t C ha <sup>-1</sup> 10 ha	
Above-ground carbon threshold						
Patch size						
	Area Ihal	Carbon gains (+) and losses (-) (t C)	Area [ha]	Carbon gains (+) and losses (-) [( C]	Area [bii]	Carbon gains (+) and losses (-) (LC)
Hartany'	7,853 [21%]		3,817 [12%]		21,257 [VON]	
Carbon loss	3.214	109,331	2,198	-72.235	2,786	-89,1/2
Carbon gain	4,639	115,472	1.620	35,942	18,471	455,472
		+7,141		-36.294		+366,330
Infrastructure**	228	-6,832	111	-3,321	616	-18,494
Carbon balance from planting		+309		-39,615		+347,836
HCS torest	9,322	+582,625	6,934	+433,390	2,388	+149,248
HCY forest	17,312	+1,081,991	18,010	+1,125,621		
0 mm	2,096		2,844			
Total carbon balance	36,583	+1,664,925	31,606	+1.519.397	23,645	+497,084

Prior to the HCS Plus study, Olam had already completed the plantation zoning for its concessions, finalized the New Planting Procedures for the Roundtable on Sustainable Palm Oil (RSPO), and all or part of the development of Lot 1 and 2 concessions.<sup>232</sup> Therefore the authors of the Olam HCS Plus study<sup>233</sup> used historical data from Olam to 'retrospectively' apply the HCS Plus assessment and compared the outcomes of the HCS Plus methodology against those of Olam's existing land-use decisions.

Olam might argue that its policy not to 'convert [deforest] High Carbon Stock (HCS) forests' only came into force once 'High Carbon Stock (HCS) forests have been 'defined though a recognized national or international process. This may be in the form of a national land use planning framework and zoning, or in the form of a nationally applicable threshold established through a multi stakeholder dialogue.' In the meantime, Olam continued its business-as-usual approach to deforestation and forest conservation.

Claiming that it was 'technically possible' to create carbon neutral plantations, Olam's CSR report for 2015 (published in June 2016) stated it, 'will be at least climate neutral, if not carbon positive': 'Considering all our palm plantations in Mouila, the HCS Study Group concluded that our palm project will be at least climate neutral, if not carbon positive (i.e. net fixation or removal of 4.8 million tonnes of CO2 equivalent from the atmosphere) over the first 25 years of the project.'

In January 2015, when Olam invited the *Carbon Stock Study Group* to help develop a HCS Plus approach for its concessions in Gabon, it could have established a moratorium on any further forest clearance in its Mouila concessions, pending the conclusions of the HCS Plus Study in December 2015. Instead, throughout 2015, Olam continued to deforest large areas of rainforest within its Mouila Lot 1 concession (\*See the section on Mouila Lot 1).

The HCS Plus Science Study's authors concluded that 'Olam did not employ strict quantitative HCS thresholds to guide their planning decisions.'<sup>234</sup> In effect, Olam collaborated in the study while at the same time it continued to clear rainforests to develop its oil palm plantations.

# **Appendix 4:** Gabon's Poor Track Record on Governance, and the need for high levels of transparency by Olam

Given Gabon's poor record on transparency, there's a special onus on Olam to ensure a high level of transparency on environmental and social impacts of its operations across the country. Gabon is a country characterized by political repression, corruption, mismanagement of state natural resources, and for the lack of a strong civil society or independent media. These realities raise risks of deforestation despite Gabon's positive move to place a large part of its national territory under environmental protection – whereas previously less than 1% of Gabon's forests were protected, in 2002 Gabon announced the establishment of a national park system that would cover 13% of the country's lands mass.<sup>235</sup> Around 80% of the country is still forested.

#### Civil society: charged for speaking out against Olam

In 2016, Freedom House's flagship annual report called 'Freedom in the World (which assesses the condition of political rights and civil liberties around the world) listed Gabon as 'Not Free' with a score of 34 (0 being the worst and 100 the best).<sup>236</sup> There are risks to civil society organizations who try to engage in monitoring companies engaged in resource extraction. This makes it difficult for local activists to exert public scrutiny over Olam operations in Gabon. For example, in May 2013, an environmentalist in Gabon was convicted for defamation after he spoke out against possible government corruption with regard to the Olam palm oil joint venture.<sup>237</sup> A *Mongabay* article from 2013 summarizes the case:<sup>238</sup>

'An environmental activist in Gabon is facing jail time and a \$10,000 fine over his campaign against a Singaporean agroindustrial giant's plan to develop tens of thousands of hectares in oil palm, timber, and rubber plantations in the Central African nation....Marc Ona Essangui, the 2009 winner of the prestigious Goldman Prize, was convicted of defamation by a Gabonese court earlier this month. According to the Goldman Prize, Ona was charged after he "spoke out against possible government corruption involving Soleman Liban, a senior advisor to Gabonese President Ali Bongo, and Olam Gabon".

Despite the risks and the criminalization of activists, Marc Ona Essangui's organisation, Brainforest, has been joined in protests against Olam by populations from the villages affected by Olam projects, Attac Gabon, Rainforest Foundation UK, and the World Rainforest Movement.

#### No strong independent free press in Gabon

Between 2003 and 2015, Gabon has ranked low on international rankings of freedom of the press: 115<sup>th</sup> out of 157 countries in 2004; 129<sup>th</sup> out of 169 in 2009; 95<sup>th</sup> out of 179 countries in 2015.<sup>239</sup> There is no strong independent media in Gabon, and most publications are partisan as well as plagued by self-censorship. Serious investigative journalists conducting real, even-handed work are often targeted by the government, political parties, or businessmen. According to Reporters without Borders, in 2015 a new decree increased these difficulties for journalists.<sup>240</sup> The lack of a strong free press makes it difficult for Gabonese media to investigate problematic deforestation authorized by the government, or wrongdoing by a major company with close ties to the government.<sup>241</sup> A recent example of

restrictions on free press took place in November 2016, when 9 journalists and 4 staff were arrested at the headquarters of the Gabonese opposition newspaper Echos du Nord, reportedly by plainclothed gunmen armed with semi-automatic guns.<sup>242</sup>

### Gabon's governance

Lack of good governance and corruption are major issues in Gabon, which may make it less likely for government entities to hold large companies like Olam to account for deforestation or other issues. The leading global organization in studying and ranking countries' corruption, Transparency International, ranks Gabon poorly. In its Corruption Perception Index, Gabon ranks low with small variations year to year, for example coming in at 99 out of 168 for 2016.<sup>243</sup> In another ranking, Gabon was positioned 164 out of 190 countries in the 2017 global Doing Business report.<sup>244</sup> Gabon's 'Resource Governance Index' ranking is also poor – it received an overall 'weak' score of 46, ranking 32nd out of 58 countries. The country performed particularly poorly on rankings of government effectiveness, democracy, and accountability, earning a 'failing' grade of 28.<sup>245</sup> The Extractive Industry Transparency Initiative or EITI which was inaugurated in 2002 to incentivize countries to publish information about money received from natural resource exploitation so that citizens could see how it was spent, was forced to exclude Gabon from the list of countries implementing the initiative because Gabon failed to comply with the standard's obligations.<sup>246</sup> After joining the EITI in 2005, Gabon had failed to improve public dialogue and transparency on the use of the nation's oil wealth. (Gabon has considerable reserves of manganese and iron ore and is the 5<sup>th</sup> largest oil producer in Sub-Saharan Africa, with oil generating around 60% of government revenues.) In February 2013 the EITI Board agreed to delist Gabon. Gabon lost its status as 'EITI Candidate' on 27 February 2013, and is no longer recognized as an EITI implementing country.<sup>247</sup>

#### Wealth has not trickled down to the poorest members of its society

Governance issues spanning decades, and going all the way back to colonial days, have resulted not only in environmental concerns but also sustainable development challenges. Despire being one of the richest countries in the world in terms of natural resources, Gabon it is one of the poorer ones in terms of poverty rates or access to basic services. A third of the population of 1.8 million people live below the poverty line. Unemployment reached 21% of the labor force in 2010.<sup>248</sup> Gabon has high infant mortality and maternal mortality rates,<sup>249</sup> and a high prevalence of HIV (the prevalence rate for adults aged 15 to 49 is 3.8%).<sup>250</sup> A 2013 McKinsey report concludes that 30% of Gabonese homes are considered economically vulnerable, living with monthly incomes below the guaranteed minimum wage of FCFA 80,000.<sup>251</sup> (around 130 USD per month). Access to basic social services such as health, safe drinking water, and electricity is severely limited in 60% of the regions.<sup>252</sup>

## **Recent political tensions and violence**

A recent political crisis in Gabon has put a spotlight on the lack of free press, lack of due process, lack of rule of law, risk of violence and repression by security forces, and risk of human rights violations – all of which have had the effect of chilling civil society scrutiny of deforestation, amongst other issues. The recent presidential election in Gabon in August 2016 resulted in the continuation of a family dynasty that has ruled the country for 50 years. What has been widely described as an electoral coup was followed by widespread post-election protests, and then the deployment of armed forces in a crackdown. Cities and provinces around Gabon erupted in violence, looting, fires, and several television stations were partially

destroyed as was the Libreville City Hall. Al Jazeera footage showed burned-out cars and bonfires across the city.<sup>253</sup> In a nation of about 1.8 million people, over 1,000 people were arrested.<sup>254</sup> Lawyer Jean-Pierre Akumbu M'Oluna stated that some 800 people arrested in the capital Libreville were held in 'degrading and intolerable conditions.'<sup>255</sup> The nationwide unrest paralyzed transportation, and caused disruptions in the food supply. "A heavy police and army presence was visible on the streets throughout the city [and]... Libreville residents said the internet was cut... Social media networks including Twitter and Facebook stopped functioning overnight."<sup>256</sup> In a special session on Gabon the UN Security Council expressed 'deep concern" about the situation and UN Secretary General Ban Ki-moon alleged that police had used "disproportionate" force while calling for the release of "political detainees immediately and unconditionally.'<sup>257</sup>

There is a strong need for increased transparency, freedom of the press, freedom of expression for civil society, as well as improved environmental governance and forest protection. It will be important in years to come to strengthen the legislative and institutional framework of large-scale land allocations for agro-industrial projects; reform land laws so that they recognize communities' land rights in the face of agri-projects; and improve public accessibility to all relevant information related to existing and planned plantations.



© Marco Longari, AFP | Gabonese police forces patrol as they clear barricades i n the streets adjacent to the National Assembly in the capital Libreville, on September 1, 2016.<sup>258</sup>

## **Endnotes**

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- <sup>10</sup> "Temasek Holdings, an Asia investment company headquartered in Singapore, became the majority shareholder of Olam after the completion of a voluntary general offer in May 2014. It owns 1,425,141,217 shares through Breedens Investments and Aranda Investments, representing 52.1% of the total issued share capital of Olam." Olam, "Shareholding Structure." olamgroup.com/investorrelations/shareholding-structure/. Temasek also has an equity stake through its wholly-owned subsidiary Seletar Investments.
- <sup>11</sup> Temasek home page, <u>http://www.temasek.com.sg/</u>
- <sup>12</sup> Sovereign Wealth Fund Institute "Temasek Holdings" page. <u>http://www.swfinstitute.org/swfs/temasek-holdings/</u>
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- <sup>14</sup> World Resources Institute, "With Latest Fires Crisis, Indonesia Surpasses Russia as World's Fourth-Largest Emitter," by Nancy Harris Nancy Harris, Susan Minnemeyer, Nigel Sizer, Sarah Alix Mann and Octavia Aris Payne. 29 October 2015. www.wri.org/blog/2015/10/latest-fires-crisis-indonesia-surpasses-russiaworld's-fourth-largest-emitter ("Indonesian fires during 38 of the past 56 days (as of October 26) have released more greenhouse gas emissions than the entire U.S. economy on those days.")
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- <sup>16</sup> World Bank, "The Cost of Fire: An Economic Analysis of Indonesia's 2015 Fire Crisis," http://www.worldbank.org/en/news/feature/2015/12/01/indonesias-fire-and-haze-crisis
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<sup>&</sup>lt;sup>3</sup> "RSPO Annual Communications of Progress 2015." Olam International Limited, accessed November 28, 2016, <u>http://www.rspo.org/file/acop2015/submissions/olam%20international%20limited-ACOP2015.pdf</u>.

<sup>&</sup>lt;sup>4</sup> "Singapore," Olam International Limited, accessed November 28, 2016, http://olamgroup.com/locations/asia/singapore/

<sup>19</sup> Mighty Earth, "Harvard-Columbia study finds that 2015 haze in Indonesia likely caused 100,300 premature deaths" 18 September 2016. <u>www.mightyearth.org/2015-haze-death-toll/</u>

<sup>20</sup> In 2015, more than S\$3.3 million was disbursed under the Haze Subsidy Scheme in 2015 to cover the cost of over 77,000 visits to clinics and polyclinics for haze-related ailments. See for example an article iin Channel News Asia: "SINGAPORE: More than S\$3.3 million was disbursed under the Haze Subsidy Scheme last year, revealed Minister of State for Health Lam Pin Min in Parliament on Friday (Jan 29). The funds helped subsidise the cost of more than 77,000 visits to clinics and polyclinics to seek treatment for haze- related conditions. He was responding to Non-Constituency Member of Parliament Leon Perera, who asked for data on the long-term effects of children's exposure to haze and the estimated healthcare cost of this impact. The scheme was first introduced in 2013 and close to S\$500,000 in Government subsidies was provided for more than 17,000 haze-related visits to clinics." Channel News Asia, "More than S\$3.3 m disbursed under Haze Subsidy Scheme last year: Lam Pin Min." 29 January 2016. <u>http://www.channelnewsasia.com/news/singapore/more-than-s-3-3m/2470654.html</u>

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<sup>68</sup> Oxford Business Group, "Bilan du programme gabonais Graine" ("Tracking the progress of Gabon's GRAINE programme") accessed December 2016, <u>http://www.oxfordbusinessgroup.com/news/bilan-du-programme-gabonais-graine</u>

"Au total, le programme sera implanté dans neuf provinces... une initiative sur cinq ans lancée à la fin 2014... Selon la presse locale, au cours de la première année seulement, le programme Graine a généré quelque 1 200 emplois et devrait s'étendre sur un total de 200 000 hectares. D'ici 2020, 30 000 habitants répartis sur 1 600 villages devraient participer à l'initiative. Alors que le gouvernement cherche à importer de nouveaux outils agricoles, SOTRADER et Olam International ont signé fin août dernier un contrat de 140 millions de dollars avec l'entreprise d'équipement américaine Caterpillar. Ce contrat confirme l'achat de 475 bulldozers : 50 machines ont été livrées au port d'Owendo en novembre 2015 et le Gabon devrait recevoir chaque mois entre 30 et 40 machines supplémentaires. « Les machines qui serviront au développement des terres rurales dans le cadre du programme Graines sont exemptées des droits de douanes, a souligné à OBG Philippe Fievez, directeur général de Tractafrique Equipment, le partenaire de Caterpillar en Afrique francophone. Tout se déroule comme prévu et nous rencontrons très peu de problèmes de congestion dans les ports. » Les bulldozers serviront à dégager les 200 000 hectares de terres agricoles visées par le programme Graine, ainsi que 3 000 km de routes pour accéder aux futures plantations."

See also: Théophile Ogandaga: "Toutes les machines que nous avons achetées vont servir à aménager, développer, appuyer la mise en œuvre du programme Graine. Voilà à quoi serviront ces machines, qui pourront également servir pour d'autres projets. Mais l'objectif principal est de nous accompagner dans le programme Graine par le défrichage."

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<sup>218</sup> The Roundtable on Sustainable Palm Oil changed its report categories from 2015, hence CP & PKO figures are absorbed into bigger categories.

<sup>219</sup> Ibid.

<sup>220</sup> Ibid.

<sup>221</sup> Sources: Roundtable on Sustainable Palm Oil, "Olam International Limited," RSPO Annual Communications of Progress, <u>http://bit.ly/1BfZXEj</u> or <u>http://www.rspo.org/members/754/olam-international-limited</u>. See also, Olam Food Ingredients UK Limited, Olam International Limited, RSPO Annual Communication of Progress 2014, <u>http://bit.ly/1U4SjGO</u>

- See also "Olam acquires Alabama's biggest peanut sheller Brooks for \$85 million," *Reuters*, June 8, 2016, accessed December 1, 2016, <u>http://www.reuters.com/article/us-olam-intl-m-a-idUSKCN0YV02I</u> or <u>http://reut.rs/1ZCNUKz</u>
- <sup>222</sup> Olam, "Olam is first in Africa to achieve RSPO certification for new oil palm plantation development," 04 October 2016. <u>www.olamgroup.com/news/olam-palm-gabon-leads-africas-sustainable-plantationdevelopment-rspo-certification-awala-boosting-africas-total-certified-production-hectares-<u>30/#sthash.3W34cURN.dpbs</u></u>
- <sup>223</sup> High Carbon Stock Science Study; Independent report from the Technical Committee, December 2015. <u>http://www.carbonstockstudy.com/carbonstockstudy/files/f7/f74843a5-2902-4e76-bf5b-0a75fce42a91.pdf</u> (website no longer active)
- <sup>224</sup> High Carbon Stock Science Study; Independent report from the Technical Committee, December 2015. <u>http://www.carbonstockstudy.com/carbonstockstudy/files/f7/f74843a5-2902-4e76-bf5b-0a75fce42a91.pdf</u> (website no longer active)
- <sup>225</sup> High Carbon Stock Science Study; Independent report from the Technical Committee, December 2015. <u>http://www.carbonstockstudy.com/carbonstockstudy/files/f7/f74843a5-2902-4e76-bf5b-0a75fce42a91.pdf</u> (website no longer active)
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- <sup>227</sup> Olam Palm Gabon: Sustainable palm oil plantations in Gabon: from vision to reality, December 2015. <u>http://www.carbonstockstudy.com/carbonstockstudy/files/9b/9b942739-17c5-4433-a8e9-4148f998e7bd.pdf</u> (website no longer active)
- <sup>228</sup> High Carbon Stock Science Study; Independent report from the Technical Committee, December 2015. <u>http://www.carbonstockstudy.com/carbonstockstudy/files/f7/f74843a5-2902-4e76-bf5b-0a75fce42a91.pdf</u> (website no longer active)
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- <sup>230</sup> Olam Palm Gabon: Sustainable palm oil plantations in Gabon: from vision to reality, December 2015. <u>http://www.carbonstockstudy.com/carbonstockstudy/files/9b/9b942739-17c5-4433-a8e9-4148f998e7bd.pdf</u> (website no longer active)
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- <sup>235</sup> The Guardian, "Gabon: protecting vital forests, and communities," by Martine Valo, 27 August 2015. <u>https://www.theguardian.com/world/2015/aug/27/gabon-forests-protect-communities-biodiversity-climate-change</u>

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- <sup>238</sup> Ibid.
- <sup>239</sup> "Gabon," Freedom House, accessed December 2, 2016, <u>https://freedomhouse.org/report/freedom-press/2014/gabon</u>.
- <sup>240</sup> "Gabon," Reporters Without Borders, accessed December 2, 2016, <u>https://rsf.org/en/gabon</u>.
- <sup>241</sup> Many journalists in Gabon face considerable challenges. For example, in 2010 Gabonese journalist Jonas Moulenda was handed a suspended prison sentence and a fine of US\$900 for alleged criminal defamation in an article raising questions about the unsolved murder of the government official René Ziza, who had been credited with fighting corruption and uncovering embezzlement. Moreover, Moulenda's home was raided, his editor was detained, and Moulenda went into temporary hiding after reporting telephone death threats. Source: The Committee to Protect Journalists, "In Gabon, journalist given suspended prison sentence." 10 June 2010. <u>https://cpj.org/2010/06/in-gabon-journalist-givensuspended-prison-sentenc.php#more</u>
- Twice in 2012, the studios of TV+, a private television station owned by a leader of the opposition, were attacked first by six unknown assailants, and a few months later by 15 masked men armed with assault rifles and pistols. Regarding the first attack, see: The Committee to Protect Journalists, "Gabon opposition TV station reports attack" September 2012 <a href="https://cpj.org/2012/09/gabon-opposition-tv-station-reports-attack.php#more">https://cpj.org/2012/09/gabon-opposition-tv-station-reports-attack</a>, see: The Committee to Protect Journalists, "Gabon opposition TV station reports attack" September 2012 <a href="https://cpj.org/2012/09/gabon-opposition-tv-station-reports-attack.php#more">https://cpj.org/2012/09/gabon-opposition-tv-station-reports-attack</a>, see: The Committee to Protect Journalists, "Gabon, opposition-tv-station-reports-attack.php#more and the second attack: The Committee to Protect Journalists, "In Gabon, gunmen burn opposition TV station's transmitter," 16 August 2012 <a href="https://cpj.org/2012/08/in-gabon-gunmen-burn-opposition-tv-stations-transm.php#more">https://cpj.org/2012/08/in-gabon-gunmen-burn-opposition-tv-stations-transm.php#more</a>
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<sup>248</sup> See e.g.

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