




# PT INDOFOOD SUKSES MAKMUR TBK (INDF:IJ)



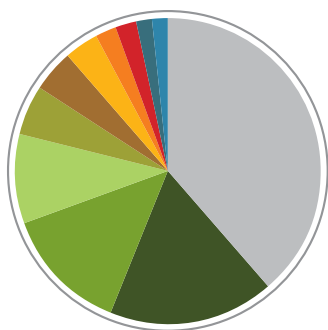
Indonesia's largest integrated food company PT Indofood Sukses Makmur TBK (Indofood) faces material risks related to labour, land rights and deforestation from upstream investments in the palm oil sector through its subsidiary Indofood Agri Resources, and by association with plantations controlled by the Salim Group.

## COMPANY PROFILE & SUSTAINABILITY COMMITMENTS

CEO	Anthoni Salim	FOREST RISK COMMODITIES	Palm oil
PARENT COMPANY	First Pacific Co (0142:HK), majority owned by Salim Group	SUPPLY CHAIN EXPOSURE	Plantations, processing, manufacturing, wholesale
MARKET CAP (USD)	5.3 billion USD <sup>82</sup>	AFFECTED TROPICAL FOREST AREAS	Indonesia
ANNUAL REVENUE (USD)	FY2015 5 billion USD <sup>83</sup>	RELEVANT SUBSIDIARIES	<b>Direct subsidiary:</b> Indofood Agri Resources (SGX: 5JS).
HEADQUARTERS	Indonesia		<b>Plantation companies:</b> PP London Sumatra Indonesia (Lonsum) (LSIP:IJ), Salim Ivomas Pratama (SIMP:IJ), PT Gunta Samba & PT Gunta Samba Jaya. See Figure 5.
LANDBANK (HA)	Total: 549,287 ha across 63 concessions Planted: 246,359 ha	KNOWN BUSINESS RELATIONSHIPS	<b>Joint venture Partners:</b> PepsiCo, Nestlé, Wilmar
NDPE POLICY	No		  
THIRD PARTY VERIFICATION	Partial RSPO member. 60% of Indofood subsidiaries' planted area not RSPO certified. <sup>85</sup> Salim Group-connected plantations are not covered. <sup>86</sup> No commitment to third party verification beyond RSPO for entire supply chain.		<b>Other buyers:</b> Unilever, Procter & Gamble, Golden Agri Resources, Musim Mas Group, Apical, Cargill, IOI Group <sup>84</sup>
TRACEABILITY	Weak 36% of palm oil processed by IndoAgri not traceable to origin. SPOTT scores on traceability to mill: PP London Sumatra Indonesia: 37.5% <sup>87</sup> Salim Ivomas Pratama: 25% <sup>88</sup>		
TRANSPARENCY	Partial SPOTT scores: PP London Sumatra Indonesia: <sup>89</sup> RSPO reporting: 57.1% Landbank and maps: 62.5% Salim Ivomas Pratama: <sup>90</sup> RSPO reporting: 50% Landbank and maps: 62.5%		

## INVESTORS AND FINANCIERS

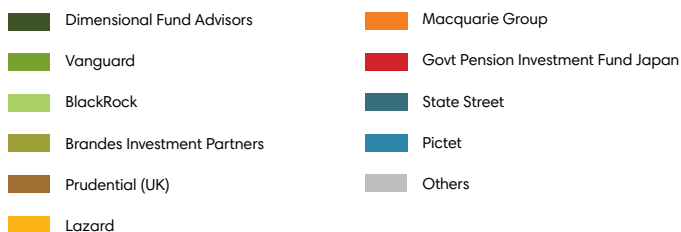
\* Financiers of both Indofood and/or parent company First Pacific.  
Note: BNP Paribas, MUFG and Standard Chartered also listed as financiers in Indofood financial statement 2015/2016.<sup>91</sup>



### BOND AND SHAREHOLDINGS IN SALIM GROUP

374 MILLION USD

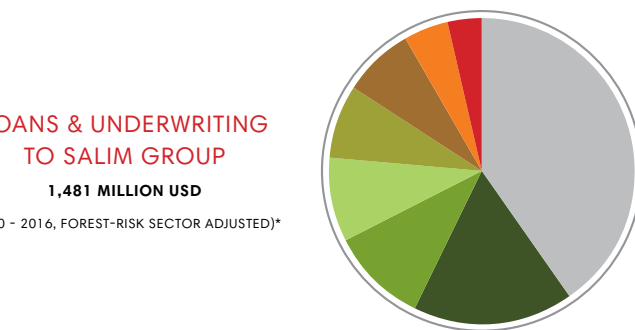
(MAY 2017, FOREST-RISK SECTOR ADJUSTED, INSTITUTIONAL INVESTORS ONLY)\*



### LOANS & UNDERWRITING TO SALIM GROUP

1,481 MILLION USD

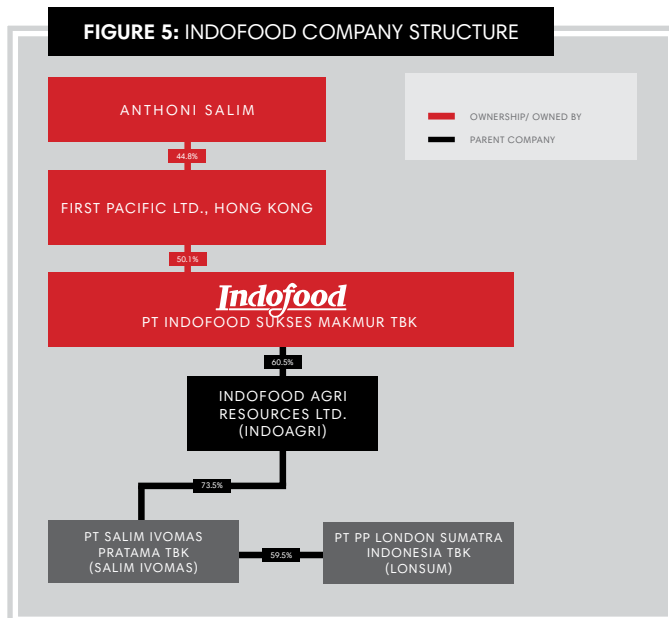
(2010 - 2016, FOREST-RISK SECTOR ADJUSTED)\*



SOURCE: 'EXPLORE THE DATA' | [forestsandfinance.org](http://forestsandfinance.org)

\* Forest-sector adjusted financing at group company level. See methodology note on summary page.

**FIGURE 5: INDOFOOD COMPANY STRUCTURE**



A young kernet worker on Indofood's Lonsum plantation.

PHOTO: RAN

## ESG PERFORMANCE

### HUMAN RIGHTS

- » Evidence of systemic violation of 20 Indonesian labour laws, including use of child labour, hazardous working conditions and payment below minimum wage, was independently documented on two palm oil plantations of its subsidiary, Indofood Agri Resources Ltd (IndoAgri), in North Sumatra.<sup>92</sup>
- » IndoAgri subsidiaries are under investigation by the RSPO on allegations of palm oil labour exploitation, with risk of suspension.<sup>93</sup> The credibility of its RSPO certification is uncertain following RSPO suspension of its certifier SAI Global for poor auditing procedures.<sup>94</sup>
- » IndoAgri subsidiary, Lonsum, was involved in at least six recorded land conflicts with local communities between 2013-15. Many of the conflicts, covering hundreds of hectares, have been ongoing for many years and there is no public information indicating Lonsum is making any serious efforts to resolve them.<sup>95</sup>

### CLIMATE AND BIODIVERSITY

- » 1000 ha of primary tropical rainforest was cleared between 2012 and 2014, in East Kalimantan's Metau forest, a critical habitat for endangered birds and other wildlife.<sup>96</sup>
- » Four palm oil concessions covering 1 35,680 ha in densely forested West Papua were acquired by offshore companies whose Directors are connected to the Salim Group. Operations in this culturally and ecologically sensitive region would violate the sustainability standards committed to by Indofood/IndoAgri.<sup>97</sup>
- » Salim Group is also linked to peatland clearance in West Kalimantan by companies in which the Group has controlling stakes,<sup>98</sup> and the destruction of HCV forest and orangutan habitat by PT Gunta Samba Jaya in East Kalimantan.<sup>99</sup>
- » 5,900 ha of carbon-rich peatland is confirmed to have burned in two Indofood concessions in 2015,<sup>100</sup> corresponding to an estimated 8 million tons of CO2 emissions.<sup>101</sup>

- » PT Gunta Samba, a subsidiary of the Gunta Samba Group (controlled by Anthoni Salim), cleared thousands of hectares of orangutan habitat in East Kutai district in East Kalimantan between 2012-2015.<sup>102</sup> Another subsidiary, PT Aneka Reksa International (ARI), may have secured a timber utilization permit (IPK) for a concession covering 13,000 ha in West Kutai district in East Kalimantan in late 2016, which would risk further forest clearance in the region.

### GOVERNANCE

- » 36% of palm oil processed in IndoAgri's refineries derives from undisclosed sources.<sup>103</sup>
- » 42% of Indofood's plantation landbank is classified as contested as a result of social and environmental conflicts and non-disclosure of concession maps for 29% of its total landbank,<sup>104</sup> presenting a significant down-side risk to IndoAgri, Indofood Sukses Makmur, and First Pacific's equity prices.<sup>105</sup>
- » Commitment to address ESG risks is weak as demonstrated by IndoAgri's recently updated Palm Oil Policy.<sup>106</sup> Key weaknesses include its limited scope, failure to implement the High Carbon Stock Approach to end deforestation, failure to adopt the Free and Fair Labour Principles,<sup>107</sup> lack of a credible grievance mechanism aligned with UN Guiding Principles on Business and Human Rights, and continued lack of transparency for basic information and concession maps for many of its plantation holdings. It also lacks credible independent policy verification mechanisms across the company.<sup>108</sup>
- » Key institutional investors have divested over forest-risk issues, including: The Norwegian Government Pension Fund (from First Pacific and Indofood Agri Resources)<sup>109</sup>; and Dimensional Fund Advisors (from Indofood Agri Resources by its sustainability fund).<sup>110</sup>