



November 13, 2020

To the CEOs of Banks who have recently financed Indofood Sukses Makmur (Indofood) or its group companies, including ANZ, Bank Central Asia, Bank Mandiri, Bank of China, BNP Paribas, CIMB Group, DBS, Mitsubishi UFJ Financial Group (MUFG), Mizuho Financial Group, Natixis, OCBC, and SMBC Group¹:

To the CEOs of Investment firms who hold bonds or shares in Indofood or its group companies, including BankInvest, BlackRock, Brandes Investment Partners, CalPERS, Dimensional Fund Advisors, Government Pension Investment Fund of Japan, Government Pension Fund of Norway, Matthews Asia, Schroders, Standard Life Aberdeen, State Street, Temasek, and Vanguard²:

We are writing to express our alarm at your firm's role in financing Indofood Sukses Makmur (Indofood) or companies within the same group, including potential financing of a [recent \\$2.1 billion syndicated loan](#) to Indofood CBP Sukses Makmur,³ a food and beverage company that [relies](#) on inputs from the controversial palm oil operations of its sister company London Sumatra (Lonsum). Both Indofood CBP and Lonsum are subsidiaries of Indofood, the largest food company in Indonesia and the [2nd largest palm oil company](#) in Indonesia by landbank.

Your firm's financing of Indofood or its group companies coincides with ongoing complaints and investigations by workers and governmental entities over labor abuses at Lonsum's palm oil plantations and mills. The risk of labor exploitation is compounded by the recent passage of the controversial Omnibus Law on Job Creation, which has [drastically weakened labor laws](#) in Indonesia and been met with protests from [tens of thousands](#) of workers. Continued financing of Indofood will no doubt exacerbate these existing problems and expose your firm to significant reputational and potential financial risk by contributing to further labor exploitation.

Indofood's palm oil operations have already been deemed substandard by the internationally recognized Roundtable on Sustainable Palm Oil (RSPO) certification scheme. Indofood's subsidiaries, Lonsum and Salim Ivomas Pratama, were [ousted from the RSPO](#) in March 2019, upon verification of over [20 violations](#) of the RSPO standards, including 10 violations of local laws. Their memberships were terminated as a result of their refusal to undertake the requested corrective action plans. This led several financial institutions, most notably Citigroup, Standard Chartered, and Rabobank, to [sever their ties](#) with Indofood.

¹ Financial ties with Indofood have been verified by [Forests & Finance](#), Indofood financial statements (2020), and Bloomberg.

² Financial ties with Indofood have been verified by [Forests & Finance](#) and Bloomberg.

³ The lead banks on this syndicated loan to Indofood CBP were Bank of China, BNP Paribas, Mizuho, Natixis, OCBC Bank and Sumitomo Mitsui Banking Corp. SMBC was the coordinator. 10 participants joined the transaction.

Unfortunately, to this date, Lonsum has continued to exploit workers and, according to credible reports by independent workers' union SERBUNDO and OPPUK⁴, is now retaliating against workers that are seeking to protect their rights against Lonsum's exploitative practices. This is evidenced by cases of intimidation, union busting, and erroneous collective bargaining processes, which have all been reported to SERBUNDO and, in turn, to the Indonesian District and Provincial Manpower Agency throughout 2019. Since the COVID-19 outbreak, over five hundred of SERBUNDO's palm oil members on Indofood's plantations have been laid off, the majority without severance benefit. SERBUNDO has been instrumental in documenting labor violations at Indofood plantations, so it is with great concern that 19 of their local branch officers are out of a job as part of the layoffs, critically cutting their capacity to defend and advocate for their members.

The palm oil workers have sought to resist Indofood's exploitation by utilizing the courts and appealing to the local Government, thereby increasing Indofood's exposure to risk. Six lawsuits involving twelve workers were filed by SERBUNDO in February 2020, against Lonsum, with the Medan Industrial Relations Court over arbitrary dismissal, terms of employment, and severance pay.⁵ The police have initiated an investigation⁶ into the alleged criminal offense of union busting by Lonsum, while SERBUNDO union officers have been subject to forced evictions and forced retirement, the latter which is subject to a separate lawsuit.⁷ On November 4, 2020, the Medan Industrial Relations Court came to a decision on the six lawsuits mentioned above. The court partially ruled in favor of workers stating that by law the temporary work agreements of the twelve workers should become permanent and ordered Lonsum to pay the workers their severance pay accordingly, totaling over IDR 500 million (USD 30,000).⁸ It is unclear whether Lonsum will appeal the decision.

The Manpower Agencies of Asahan and Musi Rawas Utara Districts as well as North Sumatra Province recently issued three Letters of Recommendation (*Surat Anjuran*) recommending that Lonsum reinstate its workers.⁹ However, SERBUNDO report that in all three cases Lonsum has ignored the Agencies' recommendations. These grievances have also been brought to the Musi Rawas District and North Sumatra House of Representatives (DPRD) in public hearings which were held in August and October respectively.¹⁰ (See Annex for further details on ongoing labor abuses)

⁴ OPPUK (*Organisasi Penguatan dan Pengembangan Usaha-Usaha Kerakyatan*) is a labor advocacy organization based in North Sumatra, Indonesia. SERBUNDO (*Serikat Buruh Perkebunan Indonesia*) is an independent plantation workers union with over 11,000 members across seven provinces in Indonesia. SERBUNDO represents 1,571 Indofood plantation workers in three provinces (November 2020).

⁵ Gugatan No 38/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 39/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 41/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 42/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 43/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 44/Pdt.Sus.PHI/2020/PN.Mdn

⁶ Letter detailing Police Report (*Surat Tanda Terima Laporan Polisi*) Nomor: STTLP/1016/VI/2020/SUMUT/SPKT "I". June 2020. Indonesian North Sumatra Regional Police Letter No B/3561/X/RES.7.1/2020/Ditreskrimsus. October 2020.

⁷ Lawsuit No. 240/Pdt.Sus.PHI/ /PN.Mdn. July 2020

⁸ Final verdict on Lawsuits No 38/Pdt.Sus.PHI/2020/PN.Mdn; No 39/Pdt.Sus.PHI/2020/PN.Mdn; No 41/Pdt.Sus.PHI/2020/PN.Mdn; No 42/Pdt.Sus.PHI/2020/PN.Mdn; No 43/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 44/Pdt.Sus.PHI/2020/PN.Mdn. November 2020. Accessible via http://sipp.pn-medankota.go.id/list_perkara.

⁹ Recommendation letters from the Asahan District Manpower Agency No. 2075/III-DKT/III/2020 (March 2020), North Musi Rawas District Manpower Agency No. 560/026/Disnakertrans/III/2020 (March 2020), and North Sumatra Provincial Manpower Agency No. 565/1264-6/DTK/IX/2020 (September 2020).

¹⁰ Minutes of North Musi Rawas District House of Representative Cross Commissions I. II and III Meeting No. 170/202/DPRD/2020 (August 2020).

Medan Bisnis Daily. "[Serbundo Beberkan Kecurangan PT Lonsum di Hadapan Komisi E DPRD Sumut](#)". October 20, 2020.

Indofood was contacted for comment on these allegations, to which it responded that its subsidiary, Lonsum, “continues to comply with the applicable processes, regulations and Laws of Indonesia in respect to all labour matters and resolves any disputes in accordance with applicable laws, whilst fully respecting workers rights.” Indofood has also denied the points raised (in the Annex), claiming they “are both factually false and misleading.”

It can be presumed that further financing of Indofood or its group companies will not alleviate the continued exploitation of workers in the name of profit, and will likely be linked to future protests by workers, lawsuits, or other consequences that materially impact Indofood’s operations. Such risks are now exacerbated by the Omnibus Law, which has eliminated key safeguards for palm oil workers, and will leave casually employed workers in particular even more economically and socially vulnerable. Should you decide to continue financing Indofood or its group companies, your firm could face significant reputational and financial risk.

Labor abuses in the palm oil sector are prevalent and not limited to Indofood. On September 24th, the Associated Press [reported](#) on a new set of allegations of widespread forced labor and human trafficking on the palm oil plantations of FGV Holdings Berhad (FGV) — one of Malaysia’s largest palm oil companies. On September 30th, US Customs and Border Protection (CBP) announced a ban on palm oil imported from FGV due to the use of forced labor.

Many of your firms have explicit policies on respecting human rights and upholding workers’ rights, which, if applied, should exclude any financing of Indofood or its group companies. Moreover, [guidance on implementing the OECD Guidelines for Multinational Enterprises](#) notes that a bank which extends financing without making due efforts to prevent or mitigate the harm could be deemed to have contributed to such adverse impacts when adverse impacts were foreseeable and should have been prioritised on the basis of likelihood and severity of the impact. In such instances, a bank is expected to provide for or cooperate in its remediation. This is a likely scenario for any financiers of Indofood or its group companies. The OECD Guidelines are also [applicable](#) to investors.

We therefore recommend that your firm exit current financing and steer clear of any future financing to Indofood, its subsidiaries, or any other group companies including Indofood’s parent company First Pacific until these problems have been addressed. Should you have any questions or wish to discuss this matter further, please contact us at duediligence@ran.org.

Sincerely,



Ginger Cassady
Executive Director
Rainforest Action Network

ANNEX: Allegations of outstanding labor issues at Indofood’s Palm Oil Operations

This annex details the current complaints of labor violations associated with Indofood’s North Sumatra, South Sumatra and East Kalimantan operations. The allegations result from extensive investigations by the independent workers’ union SERBUNDO and their interviews with current and former Lonsum workers:

1. **Union busting:** Lonsum dismissed 19 SERBUNDO officers in April¹¹, and its management is alleged to have threatened to dismiss workers if they do not withdraw their membership from SERBUNDO, which would be a violation of the right to organize protected under Indonesian Trade Union Law. In June 2020, a palm oil worker reported¹² an instance of intimidation to the North Sumatra Regional Police citing allegations of criminal offences against the right to organize under Article 28 of the Workers/Labor Union Act of 2000. The investigation is ongoing.
2. **Alleged arbitrary dismissal:** According to records and interviews, 567 plantation workers affiliated with SERBUNDO were allegedly laid off between November 2019 and April 2020 for reasons of “efficiency/rationalization” without the approval of the Industrial Relations Dispute Body (*Lembaga Perselisihan Hubungan Industrial*) as mandated by Indonesian Labor Law.¹³ In at least two estates,¹⁴ SERBUNDO found that the company had hired new employees between December 2019 and August 2020 after workers were dismissed in this way, putting into question the company’s reason for dismissal.¹⁵ Lonsum allegedly refused to engage in bipartite negotiations with SERBUNDO to discuss alternative solutions to dismissal.¹⁶
3. **Severance pay:** According to data collected by SERBUNDO union officers, of the 567 plantation workers, 477 workers that were employed as casual workers were laid off in circumstances where they were not provided with their entitled severance pay. The workers contend that their severance was contrary to their correct employment status as permanent employees and did not consider the full duration of their employment, with several having worked for Lonsum for over 20 years.¹⁷ The 4 November Industrial Relations Court ruling,¹⁸ referred to in our letter, confirmed all the temporary workers in the case to be permanently employed and ordered Lonsum to pay them severance pay.
4. **Contested eviction:** In July, seven SERBUNDO union officers were given notice by Lonsum to leave their company housing at Begerpang Estate following the termination

¹¹ SERBUNDO’s membership database, November 2020.

¹² Letter of Police Report (*Surat Tanda Terima Laporan Polisi*) Nomor: STTLP/1016/VI/2020/SUMUT/SPKT “I”

¹³ Letter No. 032/GE/HRD/XI/2019 from Lonsum to SERBUNDO regarding Workers’ Efficiency/Rationalization Program, dated November 2019. Member’s reports and worker data, SERBUNDO database, November 2020.

¹⁴ Sei Merah and Begerpang Estates in Deli Serdang District, North Sumatra.

¹⁵ Photocopy of fixed-term contract agreements of newly hired workers, December 2019.

¹⁶ According to the Ministry of Manpower Circular Letter No: SE-907/MEN/PHI-PPHI/X/2004 on the Prevention of Mass Dismissal, termination should be the last resort after other alternatives have been tried. However SERBUNDO received no response to its letter (No. 60/Eks/DPP.SERBUNDO/XI/2019, dated November 2019) requesting to negotiate the termination of workers’ contracts from Lonsum.

¹⁷ SERBUNDO membership database and interview with workers conducted by SERBUNDO and OPPUK.

¹⁸ Final verdict on Lawsuits No 38/Pdt.Sus.PHI/2020/PN.Mdn; No 39/Pdt.Sus.PHI/2020/PN.Mdn; No 41/Pdt.Sus.PHI/2020/PN.Mdn; No 42/Pdt.Sus.PHI/2020/PN.Mdn; No 43/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 44/Pdt.Sus.PHI/2020/PN.Mdn. November 2020. Accessible via http://sipp.pn-medankota.go.id/list_perkara.

of their employment.¹⁹ According to SERBUNDO, the workers refused to leave their housing unless and until the reason for dismissal can be proven legitimate.

5. ***Unwarranted compulsory retirement:*** Lonsum sent letters to at least two SERBUNDO union officers in March 2020, informing them that they will be retired despite their ages being well below the retirement age.²⁰ The case has been mediated by the government resulting in a recommendation in March 2020 to reinstate the workers.²¹ Lonsum refused to accept the recommendation and, in July 2020, SERBUNDO filed a lawsuit in the Medan Industrial Relations Court.²²
6. ***Late payment of minimum wage increase:*** Lonsum is alleged not to have paid workers residing in Deli Serdang District their entitled increase to minimum wage from January to June 2020,²³ until July 2020, in violation of the North Sumatra Governor Decree on Deli Serdang Sectoral Minimum Wage for 2020 for Palm Oil Plantation Workers.²⁴ Payment below the minimum wage is in violation of Indonesian Labor Law²⁵ and considered a criminal offence. Only after SERBUNDO members staged a protest to the North Sumatra House of Representatives in July 2020 did Lonsum pay the increase in wages, as confirmed by July 2020 wage slips. According to SERBUNDO, the fine for its late payment has not yet been paid by Lonsum.²⁶ Failure to do so is considered a criminal offence.²⁷
7. ***Religious bonus/Tunjangan Hari Raya (THR):*** In a letter to Lonsum from SERBUNDO, the Union alleges that Lonsum paid workers below their entitled annual religious bonus or THR as they were calculated based on 2019 wages instead of the newly increased 2020 wages.²⁸ According to OPPUK, only after SERBUNDO members staged a protest to the North Sumatra House of Representatives in July 2020 did Lonsum pay workers their religious bonus.
8. ***Temporary employment:*** As far back as 1997, Lonsum is alleged to have employed harvesters and upkeep workers under short term contracts in North Sumatra, South Sumatra and East Kalimantan²⁹. These jobs are considered to be permanent and core to production by civil society organizations.³⁰ A 2013 Industrial Relations Court Decision in Pekanbaru also ruled harvesting palm oil to be a job that is permanent in nature and

¹⁹ London Sumatra Internal Memorandum regarding Notice to Leave Begerpang Estate Employee Housing, July 2020.

²⁰ London Sumatra letters to workers No.056/GME/SE/III/2020 and No.57/GME/SE/III/2020, March 2020.

²¹ Letter of Recommendation for Asahan District Manpower Agency No. 2075/III-DKT/III/2020, March 2020.

²² Lawsuit No. 240/Pdt.Sus.PHI/ /PN.Mdn. July 2020.

²³ SERBUNDO Letter to Lonsum (June 8, 2020) No.002/Eks/(UMSK) PB SERBUNDO/ PT.PP.Lonsum,Tbk/BGE/VI/2020 on Payment of minimum wage and wage increase for 2020.

²⁴ North Sumatra Governor Decree No: 188.44/14/KPTS/2020 on Deli Serdang Sectoral Minimum Wage for 2020 for Palm Oil Plantation Workers (KBL:A-01262)

²⁵ Indonesian Labor Law No 13 Year 2003 Articles 88, 89 and 90. Violation of Article 90 is considered a criminal offence as stipulated under Article 185.

²⁶ Government Regulation No. 78 Year 2015 on Wages Article 55 Paragraph 1.

²⁷ Indonesian Labor Law No 13 Year 2003 Article 185 Paragraph (1) junto Article 90 Paragraph (1)

²⁸ SERBUNDO Letter to Lonsum (June 8, 2020) No.002/Eks/(UMSK) PB SERBUNDO/ PT.PP.Lonsum,Tbk/BGE/VI/2020 on Payment of minimum wage and wage increase for 2020.

²⁹ SERBUNDO membership data (November 2020) and photocopies of workers' short-term contracts.

³⁰ See for example Amnesty International's "[The Great Palm Oil Scandal: Labor Abuses Behind Big Brand Names](#)" report (2016).

core to production.³¹ The latest court decision against Lonsum³² confirmed all the temporary workers in the case to be permanently employed. The long term engagement of workers in jobs that are permanent in nature under short term contracts is against Indonesian Labor Law.³³ Lonsum has also failed to prepare written contracts and register these contracts with the authorities as required by law.³⁴ This practice denies temporary workers the increased wages and benefits that they may be entitled to under a permanent contract.³⁵

9. **Collective bargaining:** A September 2019 dispute on the false inclusion of SERBUNDO's logo on a collective bargaining agreement between Lonsum and another union resulted in a recommendation by the Manpower Agency³⁶ for Lonsum to engage in good faith bargaining with SERBUNDO. According to SERBUNDO, the company has yet to engage in meaningful bargaining as recommended by the government.

³¹ Pekanbaru Industrial Relations Court Decision No. 20/G/2013/PHI/PBR (2013).

³² The final verdict on the six lawsuits lodged by Serbundo against Lonsum also ruled all temporary workers, including upkeep workers, in the case to be permanently employed (Lawsuits No 38/Pdt.Sus.PHI/2020/PN.Mdn; No 39/Pdt.Sus.PHI/2020/PN.Mdn; No 41/Pdt.Sus.PHI/2020/PN.Mdn; No 42/Pdt.Sus.PHI/2020/PN.Mdn; No 43/Pdt.Sus.PHI/2020/PN.Mdn; Gugatan No 44/Pdt.Sus.PHI/2020/PN.Mdn), November 2020. Accessible via http://sipp.pn-medankota.go.id/list_perkara.

³³ Indonesian Labor Law No 13 Year 2003 Article 59.

³⁴ Letter from Deli Serdang District Manpower Agency regarding the data and number of short-term contract and casual workers employed at London Sumatra Begerpang Estate, May 2016. Stipulations on written contracts and their registration is regulated under Indonesian Labor Law No 13 Year 2003 Article 57; Ministry of Manpower Ministerial Decree No 100 Year 2004 Article 12 and 15.

³⁵ Indonesian Labor Law No 13 Year 2003 Article 62 stipulates contract workers are entitled to compensation if the contract is broken before the agreed duration of the contract but not entitled to severance pay.

³⁶ Letter of recommendation from the North Sumatra Provincial Manpower Agency No. 1755-6/DTK/2019 to Lonsum, SERBUNDO and FSP-PPSPSI regarding registration of collective bargaining agreement. November 2019.