



19 November 2018

Dear Pascal Baltussen & Barry Parkin,

**RE: AAA IN MARS EXCLUSION LIST TO SUPPLIERS**

It has come to my attention that AAA Oil and Fats Pte. Ltd. has appeared in an exclusion list which has been sent to your suppliers.

I am writing to you to register my disappointment that no effort has been made by Mars to reach out to Apical Group or any of our customers prior to release of the exclusion list, as far as we know, to seek clarification on the *Eyes on the Forest* (EoF) report findings.

Upon receipt of the EoF report earlier this year, we conducted an investigation on allegations made against our suppliers in accordance to the Apical Grievance Procedure, and took proactive action which has been summarised in a statement readily available on our website.

Apical has launched a Sustainability Policy in 2014 and we are committed to sourcing sustainable palm oil. We work closely with our suppliers to ensure adherence to local, international and our own sustainability standards for the protection of HCV, HCS and peatland areas; in addition to promoting the production of sustainable palm oil in accordance to the principles and criteria presented by the RSPO and ISCC.

We have achieved full Traceability to Mill since 2015 and over 70% Traceability to Plantation to date. Our progress has been the result of our supplier engagement programs in partnership with external consultants such as The Forest Trust (TFT), Proforest and Daemeter to deliver sustainability transformation covering policy implementation, risk-based approach to prioritized engagement, compliance verification visits, traceability, capacity building and grievance verification.

Over the last few years, we have adopted an integrated and stepwise approach to ensure policy compliance and prevent deforestation. Apical launched our Anchor Programs which include a risk-based approach to prioritise supplier engagement activities using both geospatial and non-spatial analysis through our Mill Prioritisation Process (MPP); engagement with suppliers for field verification and support through the Priority Supplier Engagement Program (PSEP); strengthening traceability of our supply chain through the Traceability Outreach Program (TOP); and promoting sustainability and compliance to the NDPE policy through the Shared Value Program (SVP).

We do not knowingly source from suppliers, traders or mills associated with deforestation of protected areas or supplying products that do not meet legal requirements or are non-compliant with our policies. We require our suppliers to comply with our Sustainability and Sourcing Policies as part of the terms and conditions of our trading contract.

Specific to the EoF report findings, Apical has taken concrete action and received clarification from our six suppliers named in the report. Overall outcomes from investigations, along with field verifications concluded that they are well aware of the neighbourhood supply chain risk they face in relation to Tesso Nilo National Park (TNNP) and already had their own established policy on responsible sourcing, signboards prohibiting illegal FFBs from entering mills, socialisation with dealers and suppliers with signed agreements to not accept FFBs from TNNP or forest areas, and that they were ready to –



and have already done so – blacklist suppliers, transporter trucks or agents alleged to be involved in illegal FFB sourcing, as a precautionary measure.

The full chronology of findings and actions taken and planned is attached on **Annex 1**. Our investigation and where necessary, action taken was then published on Apical's Grievance Dashboard on 23 July 2018 (<https://www.apicalgroup.com/sustainability/grievances/tnnp-eof-2018/>) as well as communicated to EoF in several meetings including a joint filed visit on 13-14 September 2018.

Mars' failure to reach out to Apical or our buyers who supplied to you prior to the release of your exclusion list is unprofessional business conduct inconsistent with a leading and sustainable company like Mars. This has now resulted in reputational damage to Apical.

I therefore expect that with this letter containing clarifications on the EoF report that Mars unreservedly removes AAA from your exclusion list with immediate effect. We also request that you provide proactive communication to the recipients of Mars' letter to update them of AAA's standing.

I welcome any form of engagement with either myself or my team if you wish to have further clarifications.

Regards,

**Dato' Yeo How,**  
**APICAL President**



## **Annex 1**

On 23 May 2018, Apical received a draft report from the Eyes on the Forest (EoF) for clarification on the alleged six Apical suppliers that were found receiving FFB from the Tesso Nilo National Park (TNNP), Bukit Batabuh Tiger Corridor (BTTC), or areas that are not permitted for oil palm planting. The six reported suppliers are:

1. PT Inti Indosawit Subur
2. PT Gemilang Sawit Lestari
3. PT Makmur Andalan Sawit
4. PT Fortius Wajo Perkebunan
5. PT Sawit Mas Nusantara
6. PT Persada Alam Jaya

Apical responded to EoF on 27 May 2018 (citing investigations) and EoF published the report "Enough is Enough" on 8 June 2018.

We took the allegations very seriously and immediately engaged with the six suppliers for detail clarifications and field verifications where necessary as part of Apical's published grievance procedure. Our team also visited PT Gemilang Sawit Lestari and PT Fortius Wajo Perkebunan for grievance verifications.

Overall findings from the field verifications were consistent with the responses gathered from the suppliers. Tesso Nilo was officially announced as a protected area in 2004, leaving no solution or options for local people and farmers who had been living there for generations to find alternative livelihood. Indonesia's Environment Ministry spokesman Djati Witjaksono Hadi said, "Smallholders, not companies," owned plantations in national parks (Source: CGTN, 19 July 2018).

Although most of the palm oil mills had proper records of their FFB transporters, they did not have specific visibility on the origin of FFBs through dealers or from agents and farmers. All the six suppliers responded to Apical.

Apical will be working together with civil society group, Setara Jambi and suppliers to strengthen FFB traceability to plantation in Tesso Nilo landscape. The suppliers have committed to eliminate illegal FFBs from their supply chain.

Here is a summary of the outcome of our desktop investigations and field verifications to the suppliers as the following:

### **1. PT Inti Indosawit Subur (PT IIS)**

PT Inti Indosawit Subur responded to Apical on 25 July 2018. PT IIS had conducted a site visit on 23 May 2018 and confirmed that the recorded coordinate was indeed located in the area of

Tesso Nilo National Park. PT IIS then traced the reported supply chain of the FFBs to gather further insight and reviewed the 17 June 2017 FFB supply report to confirm the data.

On 24 May 2018, the management of PT IIS met with the supply agent who was the Delivery Order (DO) holder, to discuss EoF's findings. The agent claimed that he was not aware of tainted FFBs in his truck. For his negligence, PT IIS suspended the DO of that agent immediately.

PT IIS maintains a Traceability Master Database of its entire third party supply chain which enables them to monitor the source of incoming supply. The farmers sign a statement that binds FFB suppliers to source only from legal areas and to prevent the inclusion of illegal FFBs in their supply to the mills belonging to PT IIS. This supplier also has achieved 100% FFB traceability to plantation since 2017. Both Ukui 1 and Ukui 2 mills mentioned in the report have been ISPO certified since 2013.

## **2. PT Gemilang Sawit Lestari (PT GSL)**

PT Gemilang Sawit Lestari responded to Apical on 3 July 2018. This supplier reiterated its commitment on responsible sourcing and compliance with the national laws and regulations. Apical's grievance verification team found the mill management had general control measures to prevent the inflow of illegal FFB. These included evidence of a company policy on responsible sourcing and records of socialisation to its dealers on the importance of observing land legality and to not source from forest areas had been conducted since December 2016.

A permanent notice board was positioned at mill entrance as a reminder to FFB transporters not to source from illegal or forest areas. The SOP on receiving FFB was already in place, although our team observed that it could have been strengthened to prevent blacklisted transporters from delivering to the mill. We also found evidence of signed agreements with declarations to not source from illegal or protected areas available.

With regards to the transporter (B 9708 NI) who allegedly delivered FFBs to this supplier from PT Runggu Prima Jaya (located within BBTC) on June 2017, PT GSL's investigations showed that their weighbridge records provided evidence that this transporter did deliver to the mill on the date and time as mentioned in the EoF report - but the source of FFB was not supplied by PT Runggu Prima Jaya. As a precautionary measure, the mill stopped the service of this transporter until further investigations could provide valid evidence.

Moving forward, the mill committed to blacklist all the agents or transporters reported by EoF in relation to illegal FFBs as a precautionary measure. PT GSL planned to gather all their suppliers, dealers and agents to re-socialise their policy requirements; strengthen their agreements with their dealers/agents through revised/additional clauses to prevent illegal sourcing and stop sourcing from any dealers or agents found in violation of their policy.



### **3. PT Makmur Andalan Sawit (PT MAS)**

PT Makmur Andalan Sawit responded to Apical on 8 June 2018. PT MAS denied receiving FFBs from the suppliers mentioned in the EoF report. Based on their investigations and findings of their sourcing documents, there was no record of any truck bearing the number plate BM 8442 CI (EoF 2018) delivering FFBs to the mill, which was allegedly supplied by Air Hitam Group and Simpang Silau Group.

PT MAS stated their long-term responsible sourcing measure by conducting supplier surveys and recording the coordinates of their suppliers to map them out and overlay them with the Riau forest areas to prevent illegal FFB sourcing. PT MAS requires dealers to sign letters to commit not to deliver illegal FFBs from forest or protected areas to the mill. PT MAS will terminate and blacklist suppliers if proven involved in illegal sourcing.

### **4. PT Fortius Wajo Perkebunan (PT FWP)**

PT Fortius Wajo Perkebunan responded to Apical on 28 June 2018. PT FWP denied the allegation based on their investigations.

With regards to the transporter (BG 8402 LO) who allegedly transported illegal FFB from PT Alkausar VII, and another transporter (BH 1392 LN) who allegedly transported illegal FFB from KPMMB (an area not permitted for oil palm planting since January 2017), PT FWP's investigation based on weighbridge records showed that, these transporters did deliver to the mill but the date and time differed from that reported in EoF's report and that the FFBs were supplied by CV Bina Putra Pramata (not PT Alkausar VII or KPMMB as reported).

Apical's grievance verification team visited PT FWP on 9-11 July 2018, and our verifications found the weighbridge records consistent with PT FWP's response. As a precautionary measure, PT FWP went ahead and blacklisted the service of the transporters mentioned in the EoF report. PT FWP has SOPs available on due diligence in receiving FFBs, and valid agreements have been signed between the mill and its dealers.

### **5. PT Sawit Mas Nusantara (PT SMN)**

PT Sawit Mas Nusantara (SMN) responded to Apical on 3 July 2018. PT SMN stated that they never received any FFB sourced from TNNP and that there were no documents available to provide evidence that the alleged transporters sourced their FFB from TNNP and transported it to their mill.

### **6. PT Persada Alam Jaya (PT PAJ)**

PT Persada Alam Jaya responded to Apical on 23 June 2018. They denied that the truck (BH 8817 EU) mentioned in the report ever sent FFB to their mill. A copy of the transporter's inbound record was provided as evidence that the alleged truck never entered the mill.