



The dark side of Neste's biofuel production

Unsustainable Practices Linked to Neste's Palm Oil Supply Chain



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Summary

Neste is a publicly listed Finnish company that claims to be the world's largest producer of biodiesel and jet biofuel, while stressing its commitment to sustainability. Despite its efforts to be perceived as a renewable energy company, its revenue breakdown shows that it is still primarily engaged in petroleum-based activities.

Among the raw materials used by Neste are palm oil and palm fatty acid distillate (PFAD), which is extracted during vegetable oil refining. In 2019, Neste processed 1.3 million tonnes of palm oil and palm oil products: 0.67 million tonnes of crude and refined palm oil and 0.66 million tonnes of palm oil derivatives and fractions, including PFAD.

Neste relies on a wide range of suppliers for its usage of palm oil and PFAD. These suppliers are publicly listed on its website. In 2019, Neste purchased palm oil from seven suppliers, which sourced from 59 palm oil mills, which were, in turn, supplied by 158 plantations and 36,947 smallholders. Neste also sourced PFAD from 29 refineries, of which 18 in Indonesia, 10 in Malaysia and one in the Netherlands. Their combined supply base amounts to almost 1,250 mills, primarily located in Indonesia and Malaysia, but also in Honduras, Panama, Colombia, Ghana, Ivory Coast, Papua New Guinea and Cambodia.

Neste claims to source only sustainably-produced raw materials, which it claims to ensure with certifications including the International Sustainability and Carbon Certification (ISCC), among others. The company also claims to submit suppliers to a sustainability due diligence process before any agreement is signed. Despite its stated commitment to responsible sourcing, its supplier list reveals multiple

links to palm oil producers associated with environmentally and socially unsustainable practices. This research presents cases of such relationships based on an analysis of Neste's supplier information and multiple public sources, including civil society investigations and filings under complaints mechanisms of the Roundtable for Sustainable Palm Oil (RSPO).

A case in point is First Resources. Between January and December 2019, Neste sourced PFAD from 16 First Resources subsidiaries via two refineries. An entity that is part of the First Resources corporate groups, PT. Ciliandry Anky Abady (PT. CAA), cleared more than 4,000 ha of forest and peat in Central Kalimantan between August 2016 and January 2018, including orangutan habitat. Between September 2019 and February 2020, Mighty Earth documented another 149 ha of deforestation in the concession of PT.

Agrindo Green Lestari, a PT. CAA subsidiary. Chain Reaction Research (CRR) linked PT. CAA to the clearing of 1,664 ha of forest in Indonesia in the first half of 2020 and identified almost 2,000 fire alerts in the company's concessions in 2019, giving the group the 3rd most fire alerts in 2019. First Resources is also involved in one of Indonesia's most prominent land conflicts. Its subsidiary PT. Borneo Surya Mining Jaya (PT. BSMJ) operates on land claimed by the Muara Tee community without having sought free, prior and informed consent (FPIC) of the community and without compensating them for the expropriation. Despite the outstanding land conflict and lack of an adequate mutual process, the RSPO was willing to certify two First Resources mills. Several other complaints have been filed at the RSPO against First Resources, some of which are still ongoing.



Another example is Golden Agri Resources (GAR), a company publicly listed in Singapore and part of the Sinar Mas conglomerate. Since at least 2012, GAR, as sole investor in the project that controls Liberian company Golden Veroluem Liberia (GVL), has been involved in a bitter conflict over land from local communities occupied by GVL. In July 2018, GVL stated it would withdraw from the RSPO in response to a complaint filed about the GVL-case. During a complaint process with High Carbon Stock Approach (HCSA), GVL confirmed it has engaged in deforestation in Liberia. GAR is also involved in land disputes and flawed acquisition without FPIC from indigenous peoples and local communities in West Kalimantan, Indonesia. Forest Peoples Programme (FPP) and Elk Hills Research allege that GAR concessions in Central Kalimantan, Indonesia, have been involved in illegal deforestation and company officials participated in a bribery scheme. In 2019, CRR found that GAR was linked to 926 fire alerts in its palm oil concession in Indonesia, placing it 9th among the top 10 companies with the highest number of alerts in that year.

Neste's sustainability policies rely on voluntary due diligence and certification by private certification bodies, in particular the ISCC. The findings of our report indicate that these voluntary approaches fail to ensure supply chains free of deforestation and human rights violations.






The table on the next page provides an overview of the described cases, focussing on the period from January 2019 to August 2020.

The examples in table 1 are not meant as a comprehensive overview but rather aim to illustrate the widespread occurrence of sustainability issues in palm oil and PFAD supply chains of biodiesel producer Neste, a company that, at least on paper, is committed to sustainable sourcing. Despite some limitations in comparability, it does provide an estimate of the exposure of Neste to unsustainable production practices during this timeframe. Presented are estimates of deforested areas and peat conversion, as well as fire alerts observed on concession areas in 2019. Furthermore, links to community and labour rights issues are highlighted.

Based on conservative estimates, the profiled companies can be connected to at least 10,000 ha of deforestation, an area the size of Paris, in the period from January 2019 to June 2020 and around 13,000 fire alerts in 2019.



Overview of profiled sustainability cases linked to Neste suppliers

Group	Environmental issues			Social issues		Section
	 Deforestation (ha)	 Fire alerts	 Peat destruction	 Community rights violations	 Labour rights violations	
Agro Inti Semesta		76				3.1
Anglo Eastern Plantations	> 11					3.4
Bukit Barisan Indah Prima				!		3.4
Bumitama Agri	1,077	936	!	!		3.6
Eagle High Plantations		1,412				3.7
First Resources	> 1,664	2,000		!		3.1
Gagah Putra Satria	1,215	978	!			3.8
Golden Agri Resources	!	926		!		3.2
Genting Plantations		765				3.9
Indofood Agri Resources	709	1,000			!	3.10
Julong Group	!		!			3.11
Kuala Lumpur Kepong		SA				3.12
MSAL Group	1,743	4,300	!			3.13
Musirawas	2,100					3.14
Palma Serasih	~ 2,000					3.15
QL Resources	57					3.16
Sime Darby Plantation		> 325; SA		!		3.17
Wilmar International				!		3.18
Total	>10,576	>12,718				

SA = sealed areas ! = issue present

■ Recommendations for Neste:

- Stop the use of palm oil, PFAD and other vegetable oils for biofuels
- Disclose the feedstocks used in each individual production plant

■ Recommendations for the Dutch government:

- Stop the production of and trade in palm oil-based biofuels and other crop-based biofuels
- Exclude biofuels based on PFAD and other crop-based biofuels from counting towards blending mandates
- Include social and human rights criteria in the integrated sustainability framework for biomass
- Introduce national mandatory environmental and human rights due diligence for companies, including enforcement by public authorities, proportionate, effective and dissuasive sanctions, civil, criminal and administrative liability for harm in their global value chains, access to justice and remedy for victims
- Advocate for an EU mandatory human rights and environmental due diligence law, including provisions for civil liability and access to European courts for victims of EU companies
- Advocate for EU legislation introducing mandatory deforestation and human rights due diligence for companies marketing and financing deforestation risk products in the EU
- Advocate for an ambitious UN Treaty on Business and Human Rights that introduces mandatory environmental and human rights due diligence for multinational corporations, including provisions for civil liability and access to courts in the home country of corporations

■ Recommendations for the European Commission:

- Seize the review of the RED II to phase out food and feed crop-based biofuels, and as a priority, speed up the phase-out of feedstocks with a high risk of indirect land use change (ILUC)
- Amend the delegated regulation on high ILUC-risk feedstocks to include all vegetable oils and their co-products, and as a priority PFAD and soy oil
- Introduce mandatory human rights and environmental due diligence legislation with civil liability provisions and access to European courts for victims of EU companies
- Introduce EU legislation including mandatory deforestation and human rights due diligence for companies marketing and financing deforestation risk products in the EU
- Advocate for an ambitious UN Treaty on Business and Human Rights that introduces mandatory environmental and human rights due diligence for multinational corporations, including provisions for civil liability and access to courts in the home country of corporations

Abbreviations

CP	Complaints Panel of the RSPO
CPO	Crude Palm Oil
CRR	Chain Reaction Research
EIA	Environmental Investigation Agency
EoF	Eyes on the Forest
FPIC	Free, Prior & Informed Consent
FPP	Forest Peoples Programme
HGU	Hak Guna Usaha – Indonesian plantation business permit
HCSA	High Carbon Stock Approach
HCV	High Conservation Value
HVO	Hydrotreated Vegetable Oil
ILUC	Indirect Land Use Change
IP	Identity Preserved
ISCC	International Carbon and Sustainability Certification
LUCA	Land Use Change Analysis
MB	Mass Balance
NDPE	No Deforestation, No Peat, No Exploitation
PFAD	Palm Fatty Acid Distillate
P&C	RSPO Principles & Criteria
PO	Palm oil
RED	Renewable Energy Directive
RBDPO	Refined Bleached Deodorized Palm Oil
RSB	Roundtable on Sustainable Biomaterials
RSPO	Roundtable on Sustainable Palm Oil
TUK	Transformasi untuk Keadilan Indonesia
UCO	Used Cooking Oil

Introduction

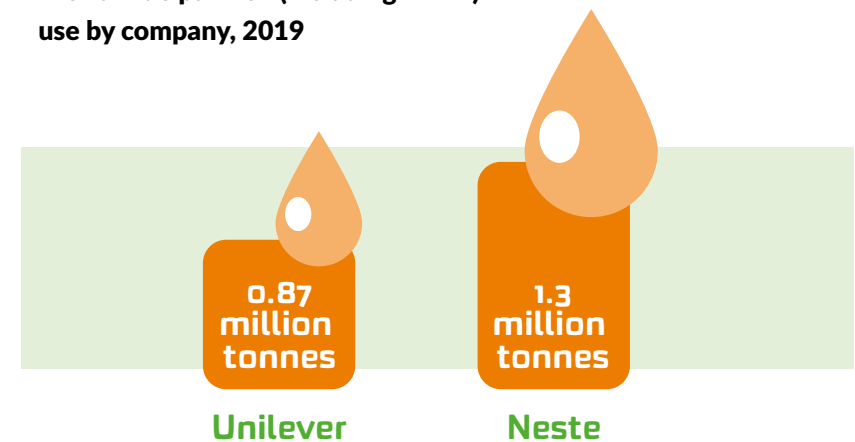
■ Europe's biggest biodiesel plant

The port of Rotterdam in the Netherlands is home to Europe's biggest biodiesel plant. Owned and operated by Neste, a Finnish oil company listed on the Helsinki stock exchange, it has a production capacity of over 1 million tonnes per year. Neste is the world's principal producer of hydrotreated vegetable oil (HVO) biodiesel, with a market share of approximately 50%. The company is also a leading provider of jet biofuel for the aviation sector and of bio-based polymers and chemicals for the plastics and chemicals sectors. Its annual capacity in products made from used cooking oils and vegetable oils is around 3 million tonnes. Besides the Rotterdam plant, Neste operates biofuel production facilities in Finland and Singapore.¹

■ 1.3 million tonnes of palm oil per year

In 2019, palm oil products represented more than 40% of Neste's renewable raw material usage. The company processed 1.3 million tonnes of palm oil and palm oil products: 0.67 million tonnes of crude palm oil (CPO) and refined bleached deodorized palm oil (RBDPO) and 0.66 million tonnes of palm oil derivatives and fractions, including palm fatty acid distillates (PFAD).² For comparison: the amount of palm oil used by food and care sector giant Unilever worldwide was around 0.87 million tonnes.³ The bulk of palm oil used by Neste is sourced from Indonesia and Malaysia. In 2019, other countries of origin were Honduras, Panama, Colombia, Ghana, Ivory Coast, Papua New Guinea and Cambodia.⁴

Worldwide palm oil (including PFAD) use by company, 2019



■ The Dutch connection

Neste does not seem to disclose detailed accounts of the raw materials used in each of its renewable production facilities. Information published by the company shows that it buys PFAD from palm oil imported into the Netherlands and processed at the Rotterdam refinery of Olenex Edible Oils, a joint venture of Wilmar International and Archer Daniels Midland (ADM).⁵ The Netherlands is the largest importer of palm oil in the EU, with a share of approximately 50%. It is also a major exporter of palm oil fractions.⁶ Biofuels are now the principal destination of palm oil imported into the EU: more than half of all palm oil imports ends up in the tank of cars and trucks.⁷ Despite its role as a trade hub for agricultural commodities and biofuels, the Netherlands has no legislation in place to ensure imported commodities do not contribute to deforestation or human rights violations abroad.

■ Wolf in sheep's clothing

Neste prides itself on its 3rd place ranking on the 2019 Corporate Knights' Global 100 list of the world's most sustainable corporations. The company does not miss an opportunity to stress its commitment to sustainability. Despite being primarily engaged in fossil fuel activities, representing 77% of its revenues, Neste describes itself as being in the business of combating climate change and driving the circular economy.⁸ Unlike its activities, its marketing is almost entirely focused on renewables, well exemplified by a 2015 name change that saw it drop the world 'Oil' from its previous name 'Neste Oil.'⁹

■ A history of deforestation and violations of rights

Notwithstanding Neste's sustainability rhetoric, the company's palm oil and PFAD supply chain has been repeatedly linked to allegations of deforestation, illegal practices and labour rights abuses. In 2013, Greenpeace International exposed the clearance of tiger habitat inside a concession owned by the world's largest palm oil trader, Wilmar, as well as severe sustainability issues in the concessions of third-party suppliers to Wilmar. These issues included clearance of orangutan habitat, fires and purchasing from illegal plantations located in a national park. Greenpeace identified Neste as a buyer of Wilmar's palm oil.¹⁰

In 2014, Finnwatch observed serious labour violations at plantations of the Malaysian IOI Group, then a Neste supplier. Violations included payment of wages lower than the statutory minimum, lack of compensation for overtime hours, confiscation of workers' passports and restrictions on the freedom of association. All plantations investigated were certified by the Roundtable on Sustainable Palm Oil (RSPO) and the International Sustainability and Carbon Certification (ISCC), thus calling into question these certification schemes' ability to merely monitor compliance with national laws and regulations.¹¹ In a follow-up investigation in 2016, Finnwatch concluded that, despite improvements in some areas, several problems persisted.¹² Investigations by Indonesian NGO-coalition Eyes on the Forest (EoF) in 2013, 2016 and 2017 caught Neste supplier Asian Agri Group repeatedly sourcing palm fruit from illegal plantations in a national park home of endangered tigers and elephants.¹³

In June 2020, Chain Reaction Research (CRR) analysed Neste's supply chain information for the period January-December 2019. It demonstrated that Neste continued to source from several deforestation-linked companies.¹⁴

Mighty Earth, a campaign group linked to US-based public affairs firm Waxman Strategies, ranks palm oil traders and biofuel companies based on how they are responding to cases of deforestation and peat development identified by its Rapid Response monitoring system. Neste ranked 18th of a total of 22 companies, making it one of the worst.¹⁵

Policy context

Renewable Energy Directive

Over the past decade, the European Union has stimulated the use of palm oil and other crop-based feedstocks for biofuel production in the name of climate policy. The 2009 renewable energy directive (RED) set a target for renewable energy in transport: by 2020, 10% of the total energy used in transport must be renewable. Growth in biodiesel production in the EU has been mostly based on imported feedstocks, palm oil being a key contributor. In 2009, only 24% of palm oil imports into the EU were used to produce biodiesel. By 2019, the share had risen to more than half of all palm oil imports, about 4.5 million tonnes. Included therein is 0.67 million tonnes of PFAD from Indonesia.¹⁶

1 million ha of forest destruction, land grabs and impoverishment

Research commissioned by the European Commission shows that, notwithstanding the existence of sustainability criteria for crop-based biofuels, by 2020 European biofuel policy will have led to the conversion of an estimated 1 million ha of rainforest in Southeast Asia as a result of indirect land use change (ILUC). Increased European demand for palm oil has contributed to the expansion of oil palm plantations in the region.¹⁷ Oil palm expansion is one of the main drivers of deforestation and peat destruction in Malaysia and Indonesia, resulting in rapid loss of biodiversity, huge carbon emissions from fires and the conversion of peatlands, land grabs that impoverish forest-dependent communities and air pollution that causes chronic

respiratory ailments and premature deaths. Despite the widespread negative social impacts of crop-based biofuels, no social sustainability criteria are included in the RED.

A phase out with loopholes

Due to their severe negative climate and environmental impacts, the EU has limited support for food and feed crop-based biofuels. Under the recast renewable energy directive (RED II), which sets renewable energy targets for the period until 2030, palm oil has been labelled a 'high indirect land use change risk' feedstock and will be phased out by 2031 at the very latest. The slow pace of the phase-out is a major source of concern. Moreover, the directive contains loopholes that allow for some palm oil to escape the phase-out. Moreover, PFAD is not at all affected by the phase-out. Nor are soy oil or other food and feed crop-based biofuels. Additional action is thus needed. The RED II allows member states to halt support for food and feed crop-based biofuels entirely, by capping their contribution to the renewable energy target at 0%.¹⁸

Ending the PFAD exception

The RED II leaves member states free to consider PFAD as an industrial residue. While the RED II sets sustainability criteria for crop-based biofuels, no such criteria exist for feedstocks classified as residues. Biofuels made from PFAD extracted from palm oil coming from plantations involved in forest and peatland destruction can perfectly pass for 'sustainable' under EU law. ►

► *Policy context*

And while life-cycle greenhouse gas emission reduction criteria do apply to biofuels made from residues, emissions associated with the production process prior to collection (e.g., greenhouse gases emitted during harvesting, transport, milling or refining) are excluded from the calculation. Unsurprisingly, Neste vehemently promotes the view that PFAD is a waste product.¹⁹

In fact, PFAD is not waste or a residue, but a co-product of palm oil refining. It has a market value comparable to the market value of other vegetable oils and is used as a raw material for a range of applications and products, including animal feeds, laundry soaps, the oleochemical industry and heating. Diverting PFAD to biofuels is likely to result in increased palm oil use for these applications, replicating the environmental and social problems generated by turning palm oil into biofuels. In order to avoid such displacement effects and associated emissions, experts believe PFAD biodiesel should be treated like palm oil: designated as unsustainable and phased-out immediately.²⁰ In a recent vote about the fiscal measures to incentivise biofuels, the French national assembly decided that products based on soy oil and palm oil, including PFAD, will no longer be considered biofuels.²¹

■ **No plans to ditch PFAD**

In early 2019, Neste's Communication Manager for Sustainability said that the company had no plans to phase out palm oil.²² However, in 2020 Neste announced it has set a target to grow the share of waste and residue raw materials to 100% of its renewable raw material inputs by 2025 '*due to customers' preferences and regulatory trends.*'²³ However, this phase-out does not concern PFAD, which Neste considers to be waste. Moreover, the company aims to use vegetable oils derived from 'additional yields' from agricultural land in the future.²⁴

■ **Sustainability issues in Neste's supply chain**

Despite repeated exposure of sustainability issues in its supply chain, Neste continues to claim it sources only sustainably produced feedstocks. The aim of this investigation is to verify Neste's sustainability claims by providing a representative, albeit not complete, analysis of its supply chain's exposure to deforestation, peat drainage, fires, human and labour rights violations and administrative and criminal sanctions in palm oil production.



■ 1.1 Data analysis

The supply chain data published on the Neste website were used to prepare a broader matrix of supplier relationships. Based on these estates, mills and refiners, links with sustainability shortcomings in the palm oil chain were researched in publications by various entities documenting cases of deforestation, peat conversion, fires and human rights abuses. Except for cases that have been documented over a longer period, the focus was put on unsustainable practices documented in the period from January 2019 until today. Due to the large number of suppliers in Neste's supply chain, on the one hand, and the high prevalence of grievances and complaints linked to the palm oil sector, on the other hand, the resulting list of cases is not meant to represent a comprehensive overview of incidents, but rather a selection of cases that illustrate the ongoing presence of unsustainable practices in Neste's supply chain.

In the selection of cases for inclusion, supply chain links with higher relevance were prioritised – that is

- 1) Tier 1 suppliers, i.e., companies directly supplying Neste, and
- 2) companies with severe sustainability issues in the period since January 2019, such as high deforestation rates, a high number of fire alerts or exposure to human rights or labour rights breaches.

Key sources consulted for the research included Chain Reaction Research (CRR), Mighty Earth Rapid Response, Greenpeace, and Forest Peoples Programme. Furthermore, media articles were scanned for relevant links. Especially the publications by CRR and Mighty Earth's Rapid Response reports rely heavily on the analysis of satellite images to identify newly converted forest and peat areas and fire alerts. Links

to fires rely predominantly on analyses by Greenpeace and CRR.* Concerning reports on fire alerts on palm oil concessions and the sealing of concessions by Indonesian authorities, it should be noted that sealing is not yet a sanction and that both alerts and sealings do not yet prove that a company was eventually found guilty of causing intentional fires. However, high frequency of and large concession areas linked to fire alerts increase the likelihood of responsibility. Importantly, while aiming to back up the cases with credible sources, it was outside the scope of this research to verify the allegations on the ground.

■ 1.2 Corporate group-approach

The inclusion of cases was based on a group approach, meaning that unsustainable practices documented in relation to a subsidiary of a palm oil group were considered sufficient, even if Neste's dashboard may only link to supply chain relationships with one or more other, non-implicated subsidiaries of the same group. Due to the often very large number of subsidiaries of individual palm oil companies, it cannot be ruled out that in some cases not all of the supplying entities belonging to a company group have been identified, meaning that exposure may be even larger.

* In its report 'Burning Down the House' from November 2019, Greenpeace used fire alert data downloaded from the Indonesian National Institute of Aeronautics and Space (LAPAN), which includes data from the MODIS Aqua and Terra and VIIRS SNPP satellites from all confidence values. CRR, in its May 2020 report 'Deforestation for Agricultural Commodities a Driver of Fires in Brazil, Indonesia in 2019,' also used NASA's Visible Infrared Imaging Radiometer Suite (VIIRS) as a parameter to calculate the number of fire alerts for Brazil and Indonesia. The VIIRS active fire alert system detects fires globally with a spatial resolution of 375 meters. The alerts were visually confirmed with satellite imagery for the same period.

The cases are presented in the understanding that a comprehensive due diligence procedure should be applied on the group level. The group-approach is based on the understanding that unsustainable practices by a group member need to be discouraged by holding the group accountable. Otherwise, subsidiaries linked to unsustainable practices can operate in the same group next to those adhering to No Deforestation, No Peat and No Exploitation (NDPE) principles. In the palm oil industry, complicated and untransparent company structures often make it difficult to ascertain ownership and association of specific entities with larger groups.²⁵ As an approach to categorisation of a corporate group, the definition provided by the Accountability Framework is used. It defines a corporate group as *'[t]he totality of legal entities to which the company is affiliated in a relationship in which either party controls the actions or performance of the other.'*²⁶

Criteria that are used to determine whether a company is indeed part of a broader corporate group under this definition include:

- Formality of relationship: formal ownership, such as through an investment holding structure
- Declared as a group: group has publicly declared the companies are linked
- Family control: companies owned or run by members of the same family
- Financial control: contractual or other financial arrangements that indicate one party controls the performance of another
- Management control: extensive overlap of officials between companies
- Operational control: landholdings under a group's operational control
- Beneficial ownership: ultimate ownership hidden in offshore companies or by use of nominees
- Shared resources: companies share a registered address, land or other physical assets, or provision of company functions or services.²⁷

To be able to identify the certification status (RSPO, ISCC), tables with identified suppliers and their certifications as listed in Neste's dashboard have been included for each company. Moreover, the company's grievance lists, which have been published from February to August 2020, were checked for cases linked to the described issues.

Neste company profile

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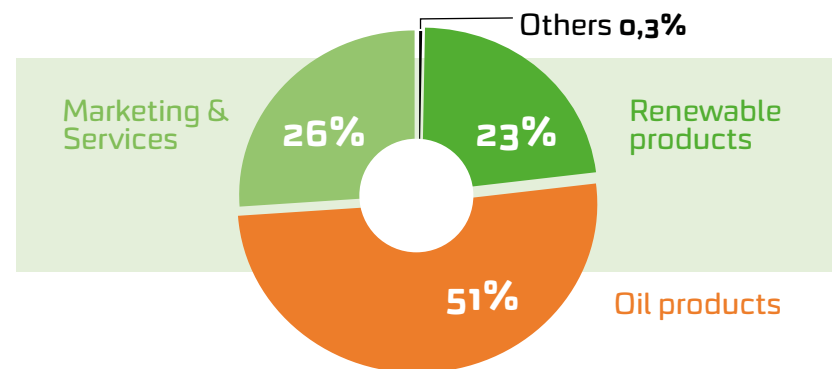
The following sections provide a brief profile of Neste's business activities and the role of palm oil and palm oil derivatives as a raw material for its products.

2.1 Key business activities

Neste, a Finnish company listed on the Helsinki stock exchange, states it is the world's largest producer of biodiesel and jet biofuel. It has an annual production capacity of about 3 million tonnes of biofuels. Moreover, it is engaged in refining oil products for road transport, aviation and marine sectors and the petrochemical industry, with an annual crude oil refining capacity of about 14 million tonnes. In 2019, Neste generated revenues of €15.8 billion and an operating profit of €2.0 billion. It sold 2.8 million tonnes of biofuels in 2019, approximately 67% in Europe and 33% in North America.²⁸

Looking at the breakdown of revenues, the company is still primarily engaged in petroleum-based activities, despite its efforts to be perceived as a renewable energy company. With 51%, the production, marketing and selling of oil products accounted for more than half of its revenues in 2019. In addition, the Marketing & Services segment is engaged in marketing and the selling of petroleum products and associated services to end users. In total, around 77% of the company's revenues are thus linked to petroleum-based products, while 23% are linked to what is categorised as renewable products, including the production marketing and selling of diesel, jet fuels and solvents based on renewable feedstocks or waste as well as raw material for bioplastics.²⁹

Figure 1:
Breakdown of Neste's revenue 2019 by category



Source: Neste (2020), *Annual Report 2019*, p. 151.

2.2 Neste refineries

Neste's refineries are located in three countries: the Porvoo and Naantali facilities in Finland, the Rotterdam refinery in the Netherlands and a refinery in Singapore.³⁰ Renewable products are produced in Rotterdam, Porvoo and Singapore. Various crude oil products are produced in Naantali and Porvoo. In addition, Neste co-owns a base oil facility in Bahrain.^{*},³¹ In 2016, Neste took over the former biodiesel factory in Sluiskil in the Netherlands from Electrawinds Refuel. It is used for storage and pre-treatment of raw materials for biodiesel or jet biofuel. In addition, Neste owns 51% of Neste Demeter, a trader in animal fats and proteins, which supplies raw materials to Neste's refineries.³² In the Netherlands, Neste 'MY Renewable Biodiesel' is available via four distributors and offered at more than 100 petrol stations.³³

* Base oils are specialty products that can be produced by a refinery. They are not a fuel, but blend stocks used to formulate a variety of lubricating oils for use in engines and other machinery.

The feedstocks named for this diesel product are waste fats, residual material and vegetable oils, without further specification.³⁴

Neste is also a supplier of jet biofuel to the aviation industry, which it markets under the name 'MY Renewable Jet Fuel.' In October 2019, Neste opened its Renewable Aviation business office in the Netherlands.³⁵ In December 2019, Neste announced a partnership with KLM to supply aviation fuel from used cooking oil (UCO) for flights from Schiphol airport.³⁶ Neste's current jet biofuel capacity is 100,000 tonnes per year, which it plans to increase to more than 1 million tonnes annually by 2022. The company is expanding its jet biofuel production capacity in Singapore and is undertaking a feasibility study to add 450,000 tonnes per year of jet biofuel production capacity at the Rotterdam plant by 2023.³⁷

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■ 2.3 Use of palm oil and palm oil derivatives

Among the raw materials used by Neste are palm oil as well as palm fatty acid distillate (PFAD), which is extracted during vegetable oil refining and accounts for around 5% of the yield.³⁸ In 2019, waste and residue raw materials, in which the company includes PFAD, accounted for 80% of Neste's total raw material usage for biofuels globally. Vegetable oils, such as palm oil, accounted for 21%.³⁹ In 2019, Neste processed 1.3 million tonnes of palm oil and palm oil products: 674,000 tonnes of crude or refined palm oil and 662,756 tonnes of palm oil derivatives and fractions, including PFAD. In relation to certifications, the company states that *'we are already buying 100% ISCC (International sustainability and carbon certification system) certified material into our supply chain. It happens that all our suppliers are also mostly RSPO certified. This current certification covers our obligation to comply with the EU RED (renewable energy directive) and at the same time North American compliance.'*⁴⁰ Neste has been a member of the RSPO since 2006.

Neste refers to PFAD as a *'waste and residue'* product that is *'not increasing pressure to expand oil palm farming.'*⁴¹ However, increases in PFAD demand for biodiesel production may in turn lead to an increase in palm oil demand by other industries to replace PFAD in soap, oleochemicals or livestock feed.⁴² Several EU member states, including the Netherlands, indeed do not treat PFAD-based biofuels as a residue.⁴³

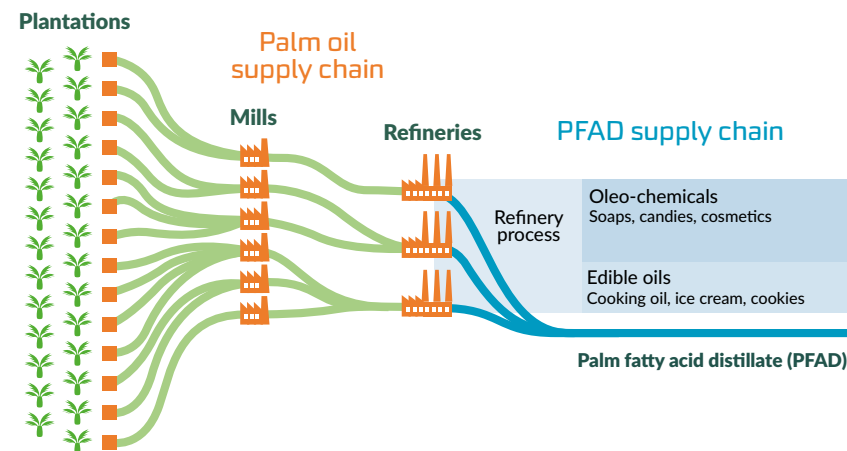
2.4 Supply chain of palm oil and PFAD

Neste states that '[w]e know the exact location and land use history of every oil palm plantation supplying us. Therefore, we know that the plantations supplying us have not expanded cultivation into prohibited areas and do not have any intention to do so.'⁴⁴

This research was based on the supplier lists published on Neste's website for its use of palm oil (PO) and palm fatty acid distillate (PFAD). At the time of research, these covered the supply for the period from July to December 2019:

- The supply chain of 674,000 tonnes of palm oil in 2019 included seven tier 1 palm oil suppliers; these suppliers sourced from 59 palm oil mills, which were in turn supplied by 158 plantations and 36,947 smallholders. 100% of its palm oil supply was ISCC certified, with an additional 93% RSPO certified (34% RSPO identify preserved and 59% RSPO mass balance). The information available in the dashboard refers to the period from July to December 2019, which includes 29 supplier mills, of which 25 are located in Indonesia and five in Malaysia. These sourced from 102 estates, for which information is disclosed in its palm oil dashboard.⁴⁵
- On its PFAD dashboard, Neste discloses information up to mill level.⁴⁶ The PFAD supply chain mapping includes 29 refineries, of which 18 in Indonesia, 10 in Malaysia and one in the Netherlands. For each of these refineries the supplying mills are provided. In some of the cases, the reporting period is somewhat different, e.g., only covering the last quarter of 2019 or the whole of 2019. Their combined supply base amounts to almost 1,250 mills.⁴⁷

Figure 2
Supply chain of palm oil and PFAD



Source: Neste (2018, April 5), 'Neste continues to improve supply chain transparency – Releases updated supplier data for palm oil and PFAD', viewed in September 2020.

Figure 2 provides a simplified visualisation of the supply chain of palm oil and PFAD. For a company like Neste, this means that its tier 1 suppliers are the refineries producing oleo-chemicals, edible oils and PFAD. These refineries in turn source crude palm oil from palm oil mills, which thus form tier 2 suppliers for Neste. Palm oil mills source fresh fruit bunches (FFB) from plantations. Palm oil mills and plantations can belong to the same group, however, mills may also source from palm oil producers outside of their own group.

2.5 Neste's supplier due diligence

Neste states that, before any agreement is signed, a potential supplier must meet the requirements of Neste's Supplier Code of Conduct.⁴⁸ Moreover, as part of Neste's counterparty risk management, a company needs to pass a sustainability evaluation.⁴⁹ Neste's website refers to a 'Principle on Renewable Products Supplier Sustainability Approval' setting the minimum requirements for supplier sustainability approval through a six-step sustainability due diligence process. However, at the time of research, this document was not available on Neste's website.⁵⁰ Neste requires palm oil suppliers to be members of the Roundtable on Sustainable Palm Oil (RSPO).⁵¹ However, this requirement appears not to apply to palm oil suppliers in Neste's PFAD supply chain. Neste does require its suppliers to respect human rights and to act in accordance with good business ethics.⁵²

■ 2.6 Neste's responsible sourcing principles

Neste's 'Responsible Sourcing Principle' commit the company among others to:

- not source from areas where feedstock production has led to the conversion of areas with High Conservation Value (HCV) or High Carbon Stock (HCS) after 19 December 2007;
- not accept use of fire or burning for land preparation and clearing during planting, replanting, for pest and weed management or other production activities;
- not source from areas where the free, prior and informed consent (FPIC) of local communities and traditional land rights holders have not been given;
- respect human and labour rights of all workers and communities in their supply base.⁵³

Furthermore, Neste states that it ensures '*the sustainability of our entire*

renewable fuel production chain with certifications.' All its refineries producing renewable products have ISCC and RSPO certificates and have been approved by the U.S. Environmental Protection Agency (EPA).⁵⁴ Despite these commitments, this research shows that Neste's supply chain still includes various suppliers linked to deforestation, peat conversion, fires and human and labour rights breaches.

■ 2.7 Role of voluntary certification systems

The RSPO and ISCC certification systems promise that their sustainability criteria, if fully implemented, can help to minimise negative impacts in the production of palm oil.

A key RSPO criteria states that '*no primary forests or areas which contain significant concentrations of biodiversity (e.g. endangered species) or fragile ecosystems, or areas which are fundamental to meeting basic or traditional cultural needs of local communities (high conservation value areas), can be cleared.*' Additional principles stipulate '*a significantly reduced use of pesticides and fires; fair treatment of workers according to local and international labour rights standards and the need to inform and consult with local communities before the development of new plantations on their land.*'⁵⁵ The ISCC promises to deliver a similar set of sustainability criteria as the RSPO, including among others, implementation of zero-deforestation, protection of land with high biodiversity value and high carbon stock as well as of soil, water and air; compliance with human, labour and land rights; and integration of smallholders in international supply chains.⁵⁶

While the RSPO and ISCC (EU and Plus) score highest in benchmarks of palm oil certification schemes, plantation-level implementation remains an issue.⁵⁷ Shortcomings in implementation and monitoring of these schemes reinforce doubts on the effectiveness of relying on voluntary schemes to achieve sustainable commodity chains. Documentation is largely focussing on the performance of

RSPO-certification as it is the most widely applied scheme. Since most of the ISCC-certified mills in Neste's list are also RSPO-certified, this covers largely the same suppliers.

Despite the adoption of the new and improved Principles & Criteria (P&C) by the RSPO in 2018 and effective in November 2019, civil society groups and researchers have repeatedly pointed to shortcomings in the certification scheme.⁵⁸ A key conclusion by the Environmental Investigation Agency (EIA) in 2019 was that *'[v]iolations of the RSPO's Standard and procedures remain systemic and widespread. It is difficult to find grounds for reassurance that RSPO members are truly implementing the P&C.'* The report finds that, despite updated procedures, inherent shortcomings remain. Based on various examples, the research illustrates the failure of the RSPO complaints system to adequately address and resolve grievances in relation to reported social and ecological damages.⁵⁹

Moreover, recent research found that while certification reduced deforestation for palm oil by 33%, no causal impact on forest conversion or peatland clearance was found in certified plantations. More importantly, certification was predominantly adopted in older plantations that already contained little standing forest at the time of certification.⁶⁰ Connected to this is the discussion about meaningful cut-off dates for the inclusion of areas in certification schemes while at the same time not incentivising prior conversion of valuable habitats and carbon-rich vegetation.⁶¹

■ 2.8 Neste's preferred path of action

Neste applies a risk management approach with regard to negative environmental and social impact. The company claims to carry out 'sustainability due diligence' in its supply base. It requires all Neste suppliers to regularly provide information to Neste's due diligence process. The company uses this information to identify priorities for engagement and action.⁶²

When risks are identified, Neste's preferred path of action is engagement and cooperation with the supplier. Although the results of mitigation action may influence decisions regarding the continuation of existing business relationships, terminating a relationship is only seen as an option of last resort in the case of non-responsiveness from the supplier.⁶³ *'Ending purchases'*, Neste writes on its website, *'does not resolve problems; engagement and cooperation provide the most efficient means to resolve any problems.'*⁶⁴

Grievances concerning violations of Neste's RSP can also be reported via its website or over the phone. When grievances arise, Neste's preferred path of action is engagement with suppliers and stakeholders to seek collaboration to resolve them. Neste says it communicates on its website regarding actions and its progress on grievance resolution.⁶⁵ The cases presented in this research show that, despite the certified status of the mills and refineries in Neste's supply chain and despite its sustainability due diligence, important gaps in the sustainability status of palm oil and PFAD processed by the company remain.

Links of Neste's palm oil and PFAD supply chain to controversial suppliers

- ▲ CONTENTS
- ▼ REFERENCES



The following sections provide examples of suppliers of palm oil and PFAD in Neste's supply chain that have faced allegations of unsustainable environmental or social practices. This selection is based on the 2019 suppliers list published on the company's website.

3.1 First Resources

Reported abuses:

deforestation, fire alerts,
community rights violations



First Resources is a palm oil developer and trader that is approximately 65% owned by the Indonesian Fangiono family. The company has had an NDPE policy since 2015 and is an RSPO member. As of 2019, 9% of its palm oil plantations were RSPO certified.⁶⁶ Plantation companies associated to the same group have repeatedly been linked to deforestation and peat development as well as land disputes over the last number of years.

Opaque corporate structure and widespread deforestation

Based on corporate registry entries, the findings on management overlap and office registrations, investigations by Greenpeace and CRR concluded that PT. Ciliandry Anky Abady (PT. CAA) is also owned by members of the Fangiono family. Based on the definition of the Accountability Framework, this suggests that the companies are part of the same corporate group. The PT. CAA group has no NDPE policy and is not a member of the RSPO.⁶⁷

Between August 2016 and January 2018, PT. CAA's subsidiaries PT. Agrindo Green Lestari (PT. AGL) and PT Citra Agro Abadi cleared



MILIEUDEFENSIE / KEMAL JUFRI

4,005 ha of forest and peat in Central Kalimantan.⁶⁸ This included orangutan habitat.⁶⁹ Between September 2019 and February 2020, Mighty Earth documented 149 ha of deforestation in the concession of PT. AGL.⁷⁰ Moreover, CRR linked PT. CAA to the clearing of 1,664 ha of forest in Indonesia in the first half of 2020.⁷¹

An RSPO complaint had already been filed against First Resources subsidiary PT in 2010. Limpah Sejahtera (PT. LS). International Animal Rescue Indonesia alleged that the company failed to carry out an HCV assessment prior to land clearing and planting and was uncompliant with RSPO's New Planting Procedure (NPP). In 2012, First Resources submitted a timebound plan to comply corrective actions for the grievance and over the years various meetings took place with the various parties. However, in December 2018, the Complaints Panel received information that First Resources/PT. LS wilfully withheld information on peat planting as part of the Land Use Change Analysis (LUCA) for the compensation calculation. The Panel communicated in March 2019 that the LUCA was null and void and had to be repeated. Since then the case has been transferred to the RSPO Investigation and Monitoring Unit in May 2019.⁷²

High incidence of fire alerts in company concessions

CRR identified almost 2,000 fire alerts in First Resources' concessions in Indonesia in 2019. This total made it the group with the third most alerts in that year.⁷³ According to Greenpeace findings, concessions linked to First Resources and its ultimate owners were linked to 359 fire alerts between January and September 2019. Previously, an area of 7,433 ha of concessions linked to the Fangiono family were affected by fires between 2015 and 2018, with 596 ha undergoing repeat burns.⁷⁴

Involvement in land conflicts in Indonesia

First Resources is involved in one of Indonesia's most prominent land conflicts. The Environmental Investigation Agency (EIA), an NGO, in cooperation with Aliansi Masyarakat Adat Nusantara and the community of Muara Tae filed an RSPO complaint against PT. Borneo Surya Mining Jaya (PT. BSMJ). In an assessment under the New Planting Procedure of the RSPO in 2012, more than 4,000 ha of land claimed by the Muara Tae community went unmentioned. The assessors had not sought the Free, Prior and Informed Consent (FPIC) of the community, ignored customary rights and failed to negotiate with and compensate local people of the expropriation of land. Moreover, the assessments were undertaken after land had already been cleared and failed to adequately identify HCV areas.⁷⁵ As a result of these events, the RSPO accreditation of the assessor, TÜV Nord, was ultimately terminated. In December 2015, the RSPO complaint was closed as 'unresolved.' First Resources agreed to keep an area of 892 ha of disputed land free from further development, much less than the potential area of Muara Tae customary land overlapping with PT BSMJ. Despite the outstanding land conflict and lack of an adequate mutual process, First Resources received approval to proceed with certification and had two mills certified. Recent audit reports do not refer to the land conflict. As of November 2019, the conflict has not been resolved.⁷⁶

First Resources subsidiary PT. Swadaya Mukti Prakarsa (PT. SMP) has also been involved in a land conflict in West Kalimantan that has been reported on since 2007. PT. SMP's operations cover a permit area of around 3,700 ha. PT. SMP's operations in the vicinity of Batu Daya Village saw several clashes between PT. SMP and indigenous communities, including forcible arrests of villagers by joint forces of the West Kalimantan Police Mobile Brigade and PT. SMP security officers in 2014. These arrests followed demonstrations against PT. SMP's land clearance operations, which were allegedly conducted outside its authorised permit area and without the consent of the local community. The District Government subsequently confirmed that PT. SMP was developing areas outside its permit area and was using fire to clear land in violation of Indonesian law and the RSPO criteria.⁷⁷ In May 2018, Link-Ar Borneo, an NGO, filed an RSPO complaint against PT. SMP, arguing that the company cultivated and planted on land without an FPIC of the community, which led to material and non-material loss. Following a bilateral engagement process, the case was closed by the Complaints Panel in January 2019.⁷⁸

In July 2020, another complaint against First Resources was filed and accepted under the RSPO complaints procedure. Because the background and complainant have been kept confidential it remains unclear what the underlying issue is.⁷⁹

First Resources is both a direct and indirect supplier of PFAD to Neste, as well as a direct supplier of palm oil. Between January and December 2019, Neste sourced PFAD from 16 First Resources subsidiaries via two refineries ▼

Refinery	Parent Refinery	Supplier – First Resources subsidiary	RSPO	ISCC	Source
Adhitya Serayakorita	First Resources	Arindo Trisejahtera	MB	<input checked="" type="checkbox"/>	80
		Ciliandra Perkasa	-	-	
		Limpah Sejahtera	-	-	
		Meridan Sejatisurya Plantation	MB	<input checked="" type="checkbox"/>	
		Meridan Sejatisurya Plantation - BA	-	-	
		Mitra Karya Sentosa	-	-	
		Muriniwood Indah Industry	-	-	
		Pancasurya Agrindo	-	<input checked="" type="checkbox"/>	
		Perdana Intisawit Perkasa	-	<input checked="" type="checkbox"/>	
		Perdana Intisawit Perkasa 2	-	-	
		Subur Arum Makmur	MB	<input checked="" type="checkbox"/>	
		Subur Arum Makmur 2	-	-	
		Surya Intisari Raya	-	<input checked="" type="checkbox"/>	
		Swadaya Mukti Prakarsa	-	-	
		Umekah Saripratama	-	-	
IOI Pan-Century Edible Oils	IOI Group	Limpah Sejahtera	-	-	81
		Meridan Sejatisurya Plantation	-	<input checked="" type="checkbox"/>	
		Perdana Intisawit Perkasa - 1	-	<input checked="" type="checkbox"/>	
		Subur Arum Makmur - 2	-	-	
		Swadaya Mukti Prakarsa	-	-	

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

In addition, between July and December 2019, First Resources supplied palm oil from four of its own estates via three mills located in Riau:

Mill name – First Resources subsidiary	RSPO	ISCC
Arindo Trisejahtera	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Perdana Intisawit Perkasa 1	-	<input checked="" type="checkbox"/>
Subur Arum Makmur 1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Neste (n.d.), 'Palm oil dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/palm-oil-dashboard>, viewed in August 2020.

Neste mentions the deforestation by PT. AGL in its May 2020 grievance list, linking to Wilmar's supplier list and stating that PT. AGL is not a subsidiary of the Fangiono family.⁸² Based on the evidence presented by both Greenpeace and CRR, this argument is unconvincing. Wilmar suspended CAA in 2018 due to ongoing deforestation.⁸³

3.2 Golden Agri Resources (GAR)

Reported abuses:

deforestation, fire alerts, community rights violations



GAR is part of the Sinar Mas conglomerate which is in turn controlled by the Widjaja family. Under the late tycoon Eka Tjipta Widjaja, the family amassed businesses worth billions of dollars, including, among others, large palm oil and pulp and paper companies as well as property and banking operations.⁸⁴ GAR is a publicly listed company incorporated in Singapore. The vertically integrated activities of the company reach from plantations to processing and refining to marketing of consumer products. GAR's Indonesian plantations cover nearly half a million ha (including smallholder farmers).⁸⁵ GAR has been subjected to various investigations of unsustainable production processes and several RSPO complaints in recent years.

Palm oil operations in Liberia in dispute with local communities

The conflicts around GAR's operations in Liberia have been ongoing since at least 2012. Local communities have been protesting against the way that Golden Veroleum Liberia (GVL) acquired its concessions. In 2012, a coalition of organisations filed an RSPO complaint regarding, among others, a lack of comprehensive and participatory independent social and environmental impact assessment, and land clearing without FPIC.⁸⁶ The RSPO complaints panel produced a damning decision in February 2018 and issued stop-work orders and demanded that it renegotiate with the communities.⁸⁷ As of September 2020, GVL began negotiations with the communities, but the case has yet to be resolved. In July 2018, it became known that GVL had withdrawn

from the RSPO in response to accusations of FPIC breaches.⁸⁸ However, in April 2019 GVL communicated that it never withdrew from the RSPO but 'offered to voluntarily suspend its membership to focus on strengthening its sustainability processes and practices with a comprehensive action plan.'⁸⁹ Friends of the Earth researchers and local communities documented HCV and HCS clearances by GVL in Sinoe county.⁹⁰ GVL first refuted all claims regarding deforestation, but after Friends of the Earth groups filed a complaint in July 2018 with the HCSA, the company committed.⁹¹ At the time of this report, the complaint has not been resolved, HCS assessments and GVL are not forthcoming and restoration has not taken place.⁹²

GAURAV MADAN



Land clearing and lack of FPIC on shadow company plantations

In 2018, Forest Peoples Programme (FPP) and TUK Indonesia filed a complaint against GAR's activities in Kapuas Hulu District, West Kalimantan. The issue went back to at least 2014. The complainants allege that, although GAR claims to only manage and own three palm oil plantations in Kapuas Hulu, their evidence suggests at least nine operations belonging to the Sinar Mas Group. These operations have been involved in land disputes and flawed land acquisition without FPIC from indigenous peoples and local communities. FPP and TUK further assert that several of these shadow operations violated the RSPO P&C due to its clearing of large areas of forest and peatlands without HCV assessments.⁹³ The complaint was officially accepted by the CP in October 2018 and the CP was meant to initiate legal due diligence in relation to the complaint. Since then no status update has been provided.⁹⁴ As pointed out by FPP, '[t]he RSPO Complaints Panel has also delayed for years [on] taking action on the numerous other human rights violations and land disputes by GAR that we have exposed in previous complaints but which remain unresolved.'⁹⁵

Illegal deforestation and bribery

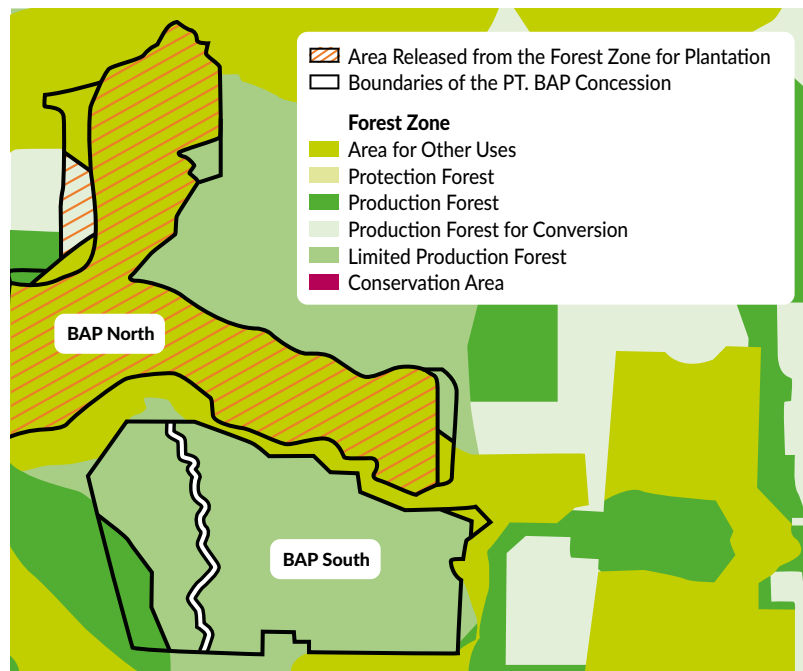
The most recent complaint, which is still under investigation, has also been filed by the Forest Peoples Programme in cooperation with Elk Hills Research in February 2020. The complainants allege illegal deforestation on GAR concessions in Central Kalimantan as well as a bribery scheme by GAR officials to cover up known land-use violations in the region.

The eight concerned concessions cover a land area of around 140,000 ha, of which 75,863 ha overlap with land classified as 'forest zone.' It is illegal under Indonesian law to operate palm oil plantations on forest zones. The findings from public records suggest that more than half of the total area of GAR's concessions in Central Kalimantan is located

on Forest Zone land, pointing to systematic and widespread illegality. Figure 3 illustrates the overlap of PT. Binasawit Abadi Pratama (PT. BAP) with Forest Zone.

The filing furthermore refers to a bribery conviction of GAR officials in Central Kalimantan. The primary purpose of the bribes was allegedly to prevent the publication and public hearing of results of in-site inspections on GAR's PT. Binasawit Abadi Pratama (PT. BAP) concession. PT. BAP was operating without the legally mandated HGU permit and was conducting unlawful waste disposal operations. Three GAR officers were each sentenced to over one year in prison.⁹⁶

Figure 3
Overlap PT. BAP with Forest Zone



Source: Forest Peoples Programme & Elk Hills (2020, February),
GAR Complaint No 7 FPP and Elk Hills Appendix, p. 6.

Fire alerts in GAR concessions

For the year 2019, CRR found that GAR was linked to 926 fire alerts in its palm oil concessions in Indonesia. It was 9th among the top 10 companies with the highest number of alerts in that year.⁹⁷ Greenpeace documented 323 fire alerts in GAR-associated concessions between January and September 2019. In 2015, GAR subsidiary PT. Bahana Karya Semesta (PT. BKS) was subject to a compliance order linked to fires.⁹⁸

GAR is both a direct and indirect supplier of PFAD to Neste, as well as a direct supplier of palm oil. Between October and December 2019, Neste sourced PFAD from more than 20 GAR subsidiaries, including PT. BKS, via five refineries ▼

Refinery	Parent Refinery	Supplier – GAR subsidiary	RSPO	ISCC	Source
Lubuk Gaung	GAR via Ivo Mas Tunggal	Bukit Perak	MB	<input checked="" type="checkbox"/>	99
		Bumi Palma	MB	<input checked="" type="checkbox"/>	
		Bumi Sawit	MB	<input checked="" type="checkbox"/>	
		Indrasakti	IP	<input checked="" type="checkbox"/>	
		Jelatang	MB	<input checked="" type="checkbox"/>	
		Kijang	MB	<input checked="" type="checkbox"/>	
		Langga Payung	MB	<input checked="" type="checkbox"/>	
		Langling	MB	<input checked="" type="checkbox"/>	
		Leidong West	IP	<input checked="" type="checkbox"/>	
		Libo	IP	<input checked="" type="checkbox"/>	
		Muara Kandis	MB	<input checked="" type="checkbox"/>	
		Naga Sakti	IP	<input checked="" type="checkbox"/>	
		Pangkalan Panji	MB	<input checked="" type="checkbox"/>	
		Pelakar	-	<input checked="" type="checkbox"/>	
		Rama Rama	MB	<input checked="" type="checkbox"/>	
		Sam Sam	IP	<input checked="" type="checkbox"/>	
		Sungai Air Jernih (PT. BKS)	-	-	
		Sungai Bengkal	MB	<input checked="" type="checkbox"/>	
		Sungai Kikim	-	-	
		Tanjung Kembiri	MB	<input checked="" type="checkbox"/>	
Ujung Tanjung	MB	-			
Marunda	PT. SMART (GAR)	Belian	-	-	100
		Hanau	MB	<input checked="" type="checkbox"/>	
		Jalemo	-	-	
		Kenanga	MB	-	
		Kuayan	-	-	
		Perdana	-	<input checked="" type="checkbox"/>	
		Sako	-	-	
		Semilar	IP	<input checked="" type="checkbox"/>	
		Sungai Rungau	IP	<input checked="" type="checkbox"/>	
Tangar	-	-			

Refinery	Parent Refinery	Supplier - GAR subsidiary	RSPO	ISCC	Source
Surabaya	GAR via PT. SMART	Hanau	MB	<input checked="" type="checkbox"/>	101
		Jalemo	-	-	
		Kenanga	MB	-	
		Kuayan	-	-	
		Perdana (PT. BAP)	-	<input checked="" type="checkbox"/>	
		Sako	-	-	
		Semilar	IP	<input checked="" type="checkbox"/>	
		Sungai Rungau (PT. BAP)	IP	<input checked="" type="checkbox"/>	
		Tarahan	GAR via Sumber Indah Perkasa	Belian	
	Bumi Sawit	MB		<input checked="" type="checkbox"/>	
	Hanau	MB		<input checked="" type="checkbox"/>	
	Jalemo	-		-	
	Kenanga	MB		-	
	Kuayan	-		-	
	Pangkalan Panji	MB		<input checked="" type="checkbox"/>	
	Pekawai	-		-	
	Perdana	-		<input checked="" type="checkbox"/>	
	Sako	-		-	
	Semilar	IP		<input checked="" type="checkbox"/>	
	Sungai Buaya	IP		<input checked="" type="checkbox"/>	
	Sungai Kikim	-		-	
	Sungai Merah	MB		<input checked="" type="checkbox"/>	
	Sungai Rungau	IP		<input checked="" type="checkbox"/>	
	Tangar	-	-		

Refinery	Parent Refinery	Supplier – GAR subsidiary	RSPO	ISCC	Source
Tarjun	GAR via PT. SMART	Gunung Kombeng	-	-	103
		Muara Wahau	MB	☑	
		Rantau Panjang	-	-	
		Sawita	-	-	
		Sungai Kupang	MB	☑	
		Sungai Magalau	-	-	
		Kasuari	-	☑	
		Tanah Laut	MB	☑	
		Batu Ampar	MB	☑	
		Bukit Kapur	-	-	
		Jak Luay	MB	-	

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

GAR refineries are in turn also sourcing from other controversial suppliers (see, e.g., sections 3.6 and 3.7).

In addition, between July and December 2019, GAR supplied palm oil from 13 of its own estates via four mills, located in Riau and Kalimantan:

Mill name – GAR subsidiary	RSPO	ISCC
Naga Sakti	☑	☑
Rama Rama	☑	☑
Sam Sam	☑	☑
Sungai Rungau	☑	☑

Neste (n.d.), 'Palm oil dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/palm-oil-dashboard>, viewed in August 2020.

The recent RSPO complaint against GAR is not included in Neste's grievance lists. GAR is included on Neste's grievance lists in relation to indirect supply chain relationships as a supplier of raw material sourced from PT. Harapan Hibrida Kalbar (Union Sampoerna Triputra Persada) (case under monitoring as of August 2020); and PT. Arjuna Utama Sawit (Borneo Pacific Group) (case closed as GAR suspended the supplier due to non-compliance with the grievance handling process).¹⁰⁴

3.3 Agro Inti Semesta

Reported abuses:

fire alerts



In the period January to September 2019, Greenpeace documented a total of 76 fire alerts on PT. Agro Inti Semesta plantations. Between 2015 and 2018, a total area of 12,996 ha in Agro Inti Semesta concessions were affected by fires, with no repeat burns.¹⁰⁵

Between October and December 2019, Neste sourced PFAD from an Agro Inti Semesta subsidiary via one refinery:

Refinery	Parent Refinery	Supplier – Agro Inti Semesta subsidiary	RSPO	ISCC	Source
Sari Dumai Sejati	Apical Group	Tebo Indah	-	-	106

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

PT. Agro Inti Semesta is not included on Neste's February through August 2020 grievance lists.¹⁰⁷

3.4 Anglo Eastern Plantations

Reported abuses:
deforestation



Anglo Eastern is listed on the London Stock Exchange. The company owns, operates and develops plantations in Indonesia and Malaysia, with production focussing on palm oil.

Deforestation by Anglo Eastern subsidiary PT. Kahayan Agro Plantation (PT. KAP) has repeatedly been documented through satellite image analysis published by Mighty Earth since December 2016.¹⁰⁸ Assessments under the High Carbon Stock Approach (HCSA) identified an area of 225 ha of Medium Density Forest (HK2 forest) in the concession.* This forest area was excluded from the proposed integrated HCV and HCS conservation areas.¹⁰⁹ In reaction to grievances filed by several traders, Anglo Eastern imposed a moratorium on the further clearance of the area while it commissioned

a peer review process. However, further land clearing on an area of 11 ha was detected between December 15, 2019 and January 13, 2020. Since October 2016, an estimated 765 ha have been deforested in the concession of PT. KAP.¹¹⁰

During various periods between October 2018 and December 2019, Neste sourced PFAD from six other Anglo Eastern subsidiaries via five refineries ▼

In relation to the allegations against PT. KAP, Neste's grievance list from March 2020 only states that the company is not a supplier.¹¹⁶ It is not clear whether this only refers to PT. KAP or whether Anglo Eastern Plantations is no longer a supplier in 2020.

* A review of the HCSA approach concludes that a '[f]orest of 225 ha was supposed to be protected as HCS area, because it has a core of 92 ha and directly connected with the forest outside the concession. Development of oil palm plantations, both nucleus and plasma, are not carried out on HCS land. If the community/cooperation remains in the area, then the company can offer 'take and give' as a substitute for the HCS area of the same size.'

Refinery	Parent Refinery	Supplier - Anglo Eastern subsidiary	RSPO	ISCC	Source
PT. Karya Indah Alam Sejahtera	Wings Group	Sumindo Mill	-	-	111
		Sawit Graha Manunggal	-	-	
		Mitra Puding Mas	-	-	
Kreasijaya Adhikarya	KLK	Bina Pitri Jaya	-	-	112
		Tasik Raja	-	☑	
Lubuk Gaung	GAR via Ivo Mas Tunggal	Bina Pitri Jaya	-	-	113
Olenex Edible Oils Rotterdam	JV ADM / Wilmar	Bina Pitri Jaya	-	-	114
Sari Dumai Sejati	Apical Group	Bina Pitri Jaya	-	-	115

Source: Neste (n.d.), 'PFAD dashboard', online: www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard, viewed in August 2020.

3.5 Bukit Barisan Indah Prima

Reported abuses:

community rights violations



Several Indonesian NGOs allege that PT. Artha Prigel (PT. AP), a subsidiary of PT. Bukit Barisan Indah Prima (PT. BBIP), was legally responsible for aviolent action against local residents in Pagar Batu Villega, which resulted in the death of two farmers and injuries of another two in March 2020. Reportedly, the conflict between PT. AP and the local community has been ongoing since the mid-1990s, sparked by a land dispute and allegations of a lack of official legal permits for the company’s operations on land claimed by the community.¹¹⁷ The company denied the allegations in the grievance procedure started by GAR, claiming self-defence by its security officer and referring to its HGU (Right to Business Use) permit.¹¹⁸



In the period from October 2018 to December 2019, Neste sourced PFAD from PT. BBIP via three refineries:

Refinery	Parent Refinery	Supplier – BBIP subsidiary	RSPO	ISCC	Source
Lubuk Gaung	GAR via Ivo Mas Tunggal	Bukit Barisan Indah Prima	-	-	119
Multimas Nabati Asahan, Kuala Tanjung	Wilmar International	Bukit Barisan Indah Prima	-	-	120
Olenex Edible Oils Rotterdam	JV ADM / Wilmar	Bukit Barisan Indah Prima	-	-	121

Source: Neste (n.d), 'PFAD dashboard', online: www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard, viewed in August 2020.

PT. BBIP does not appear on Neste’s February through August 2020 grievance lists.¹²²

3.6 Bumitama Agri

Reported abuses:

deforestation, fire alerts, peat destruction, community rights violations



Bumitama Agri, part of Bumitama Group, has been the subject of various reports and RSPO complaints on unsustainable practices linked to its concessions over the last ten years, including deforestation, clearing of orangutan habitat, as well as referring to permit and license validity, legality and insufficient development of smallholder schemes.¹²³

In December 2019, satellite image analyses published by Mighty Earth identified the clearing of 948 ha of peat forest by Bumitama Agri subsidiary PT. Damai Agro Sejahtera (PT. DAS) in the period September to December 2019. Most of the clearing took place in areas marked for conservation in a 'Final HCS' map from February 2019.¹²⁴ In January 2020, Mighty Earth reported an additional 129 ha of deforestation in the concession area of Bumitama Agri subsidiary PT. Andalan Sukses Makmur (PT. ASM) between September and December 2019.¹²⁵ Furthermore, with 936 fire alerts on its Indonesian concessions in 2019, Bumitama Agri was 8th on the top 10 list of palm oil groups with the highest number of alerts identified by CRR.¹²⁶

Between October and December 2019, Neste sourced PFAD from two other Bumitama Agri subsidiaries via two refineries:

Refinery	Parent Refinery	Supplier - Bumitama Agri subsidiary	RSPO	ISCC	Source
Marunda	PT. SMART (GAR)	Pembangunan Raya	MB	-	127
		Kotawaringin	-	-	
Tarjun	PT. SMART (GAR)	Pembangunan Raya	MB	-	128

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Neste stated in its February 2020 grievance list with reference to the cases documented by Mighty Earth that 'Neste does not conduct business with this group of companies.'¹²⁹ This could be a result of the different timeframes covered by the supplier lists and the grievance lists.

3.7 Eagle High Plantations

Reported abuses:

fire alerts



Eagle High Plantations (Rajawali Group) is among the palm oil groups that had concessions sealed due to fire. In the period January to September 2019, Greenpeace documented a total of 837 fire alerts on Eagle High-operated plantations. This made it the palm oil group with the highest number of alerts in the analysis. The burned area on the company's concessions identified by Indonesian authorities in the period August to October 2019 totalled 185 ha.¹³⁰ For the whole of 2019, CRR concluded that Eagle High Plantations had a total of 1,412 fire alerts on its concessions.¹³¹ Between 2015 and 2018, a total area of 6,200 ha was affected by fire in Eagle High Plantations' own concessions, of which 200 ha burned more than once.¹³²

In various periods between January and December 2019, Neste sourced PFAD from three Eagle High Plantation subsidiaries via three refineries:

Refinery	Parent Refinery	Supplier – Eagle High subsidiary	RSPO	ISCC	Source
PT. Karya Indah Alam Sejahtera	Wings Group	BW Plantation	-	-	133
Surabaya	PT. SMART (GAR)	Bumi Hutan Lestari	-	-	134
Tarjun	PT. SMART (GAR)	Bedaun	-	-	135

Source: Neste (n.d.), 'PFAD dashboard', online: www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard, viewed in August 2020.

Eagle High Plantations / Rajawali are not included on February through August 2020 Neste's grievance lists.¹³⁶

3.8 Gagah Putera Satria (GPS)

Reported abuses:

deforestation, fires alerts, peat destruction



GPS's concession area is located on the border of Tanjung Puting National Park in Central Kalimantan, which contains one of the largest populations of Bornean orangutans. According to CRR analysis, the company cleared circa 1,215 ha of peatland in 2019. Since 2016, the cleared area totals 2,575 ha.¹³⁷ GPS's subsidiary PT. Kumai Sentosa (PT. KS) has been linked to deforestation by Wilmar's Supplier Group Compliance Programme. It showed ongoing forest clearance in 2019, despite a written commitment to adhere to an NDPE policy in April 2019.*,¹³⁸ GAR internal monitoring also detected indications of 944

ha of peat development for the period January to April 2019 at PT. KS. It also engaged the company in relation to fire incidents, but with unsatisfactory results, leading to the suspension of the supplier.¹³⁹

In 2019, CRR identified 978 fire alerts on GPS's concession, making it the company with the 7th highest number of fires in Indonesia in that year.¹⁴⁰ In April 2020, the Office of the Central Kalimantan High Prosecutor determined that the corporate criminal case file against PT. KS for forest and land fire was ready for trial. An article on the case mentions 2,600 ha of burned land that was linked to the company.¹⁴¹

Between January and December 2019, Neste sourced PFAD from another GPS subsidiary via one refinery:

Refinery	Parent Refinery	Supplier – GPS subsidiary	RSPO	ISCC	Source
PT. Karya Indah Alam Sejahtera	Wings Group	PKS Batulaki	-	-	142

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

GPS is not included on Neste's February through August 2020 grievance lists.¹⁴³

* Wilmar states it has not purchased from Kumai Sentosa since July 2018.

3.9 Genting Plantations

Reported abuses:
fire alerts



In the period from January to September 2019, Greenpeace documented a total of 765 fire alerts on Genting Plantations (part of Genting Group) concessions. This made it the palm oil group with the 2nd highest number of alerts in Greenpeace's analysis. Between 2015 and 2018, a total area of 8,100 ha was affected by fire in Genting Plantations' own concessions, of which 100 ha burned more than once.¹⁴⁴



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In various periods between October 2018 and December 2019, Neste sourced PFAD from 12 Genting subsidiaries via seven refineries:

Refinery	Parent Refinery	Supplier - Genting subsidiary	RSPO	ISCC	Source
Genting MusimMas Refinery Sdn Bhd	Genting Plantations	Indah	-	-	145
		Jambangan	-	-	
		Mewah Mill	MB	-	
		Sabapalm	MB	-	
		Tanjung	MB	-	
		Trushidup	MB	-	
IOI Edible Oils	IOI Group	Indah	-	-	146
		Jambangan	-	-	
		Mewah Mill	MB	-	
		Sabapalm	MB	-	

CHAPTER **3**

LINKS TO
CONTROVERSIAL
SUPPLIERS

▲ CONTENTS
▼ REFERENCES

Refinery	Parent Refinery	Supplier – Genting subsidiary	RSPO	ISCC	Source
		Trushidup	MB	-	
IOI Pan-Century Edible Oils	IOI Group	Ayer Itam	IP	-	147
PT. Karya Indah Salam Sejahtera	Wing Group	Globalindo Oil Mill	-	-	148
		Golden Mill / DWK	-	-	
		Kharisma Inti Usaha	-	-	
		Mulia Mill SISM	MB	-	
Lahad Datu Edible Oils	Wilmar International	Tanjung	MB	-	149
		Trushidup	MB	-	
Mewah Oils Sdn Bhd	Mewah Group	Ayer Itam	IP	-	150
Olenex Edible Oils B.V. - Rotterdam	JV ADM / Wilmar	Indah	-	-	151
		Mewah Mill	MB	-	
		Sabapalm	MB	-	
		Tanjung	MB	-	
		Trushidup	MB	-	
Steelindo Wahana Perkasa	KLK	Mulia Oil Mill	MB	-	152

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Genting was not included on the February through August 2020 grievance lists in relation to fire incidents. But Genting Plantations was included on Neste's grievance list in relation to a Mighty Earth report on deforestation by PT. Citra Sawit Cemerland (PT. CSC); this case was closed in May 2020 after the company committed to adhere to the HCSA.¹⁵³ In the grievance lists for July and August 2020, Genting is mentioned as an indirect supplier of palm oil from Sime Darby. This is linked to a petition filed with U.S. Customs and Border Protection in relation to allegations raised by Liberty Shared that Sime Darby palm

oil products contain in whole or in part materials made with forced labour (see section 3.17).¹⁵⁴ Neste cancelled further purchases from supply chains that have been verifiably traced back to Sime Darby Plantations until the allegations by Liberty Shared have been sufficiently resolved. Neste further stated that it investigated the allegations with help from its direct suppliers, but that it had not yet received verified evidence by the end of August.¹⁵⁵

3.10 Indofood Agri Resources (Salim Group)

Reported abuses:

deforestation, fire alerts,
labour rights violations



IndoGunta consists of a group of companies that belong to different Indonesian individuals with relations to the Salim Group. The Salim Group is in turn the owner of Indofood Agri and its subsidiaries. IndoGunta cleared 709 ha of forest and peatland during the first half of 2020.¹⁵⁶ Furthermore, Indofood, the main company in the Salim Group, has been linked to breaches of NDPE violations through deforestation and human right violations for years.¹⁵⁷

Indofood Agri Resources had more than 1,000 fire alerts in its concessions in 2019, making it the palm oil company with the 5th highest number of alerts in Indonesia in that year as analysed by CRR.¹⁵⁸

In February 2019, the RSPO complaints panel terminated the membership of IndoAgri subsidiary PT. Salim Ivomas Pratama for labour rights violations in its subsidiaries.¹⁵⁹ In January 2019, Indofood withdrew from the RSPO. The Salim Group owns a majority stake in Indofood via its subsidiary First Pacific.¹⁶⁰

Neste sourced PFAD from an IndoGunta subsidiary via one refinery:

Refinery	Parent Refinery	Supplier – IndoGunta subsidiary	RSPO	ISCC	Source
Bina Karya Prima – Marunda	GAR	Gunta Samba Jaya	-	-	161

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Indofood / Salim Group have appeared on Neste's grievance lists since June 2020. It states that PT Salim Ivomas Pratama is not in its supply chain, but that the parent group relates to an indirect supplier via PT. Bina Karya Prima (PT. BKP).¹⁶² Neste's grievances detail engagement with PT. BKP since 2017, including a request for details and clarification around sourcing from Indofood and Sawit Sumbermas Sarana (SSMS), two companies that have been linked to repeated and persistent violations of NDPE policies.¹⁶³ PT. BKP put purchases from Indofood on hold as of July 2020.

3.11 Julong Group

Reported abuses:

deforestation, peat destruction



In early 2020, the Indonesian Supreme Court struck down a legal provision that had given a free pass to plantation companies operating illegally inside protected forests. One of the companies that had received a permit inside a protected area was PT. Rezeki Kencana (PT. RK), a member of China's Tianjin Julong group. Parts of PT. RK's

palm oil plantation in Kubu Raya district (West Kalimantan), where it has been operating since 2010, overlaps with the Sungai Arus Deras forest, which has protected status. Forest and peat on the plantation have been cleared for palm oil.¹⁶⁴ In addition, local communities have been deprived of their rights. Around 2,600 ha of land belonging to the people of Kampung Baru Village and Jangkang II Village, overlap with PT. RK's plantation.¹⁶⁵

Between October and December 2019, Neste sourced PFAD from another Julong Group subsidiary via one refinery:

Refinery	Parent Refinery	Supplier - Julong subsidiary	RSPO	ISCC	Source
Bina Karya Prima - Marunda	PT. BKP	Palmina Utama Mill	-	-	166

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Julong Group is not included in Neste's February through August 2020 grievance lists.¹⁶⁷ However, Neste put purchases from PT BKP on hold in July 2020 due to its purchases from Indofood and SSMS.¹⁶⁸

3.12 Kuala Lumpur Kepong (KLK)

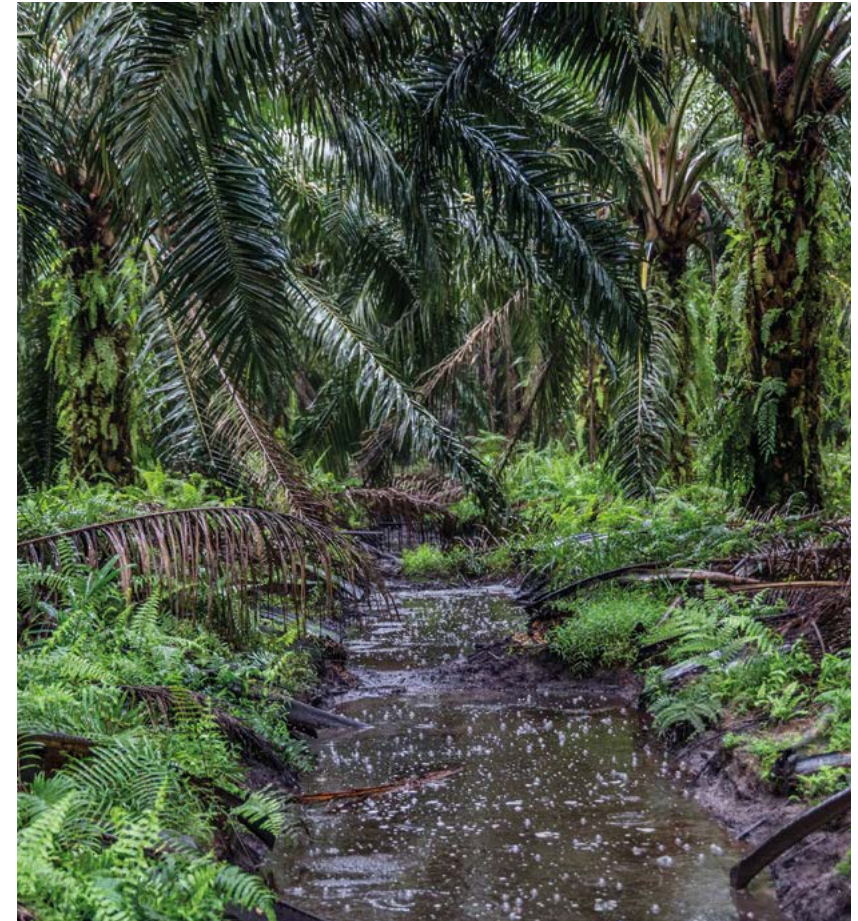
Reported abuses:
fire alerts



In 2019, KLK was one of the plantation companies that had land sealed off by Indonesian authorities for investigation after an open fire had been spotted in plantations. According to media reports, this referred to KLK's subsidiary PT. Adei Plantation and Industry in West Kalimantan (PT. Adai).¹⁶⁹ Reportedly, fire affected an area of 2.8 ha with 4.25 ha sealed off by authorities.¹⁷⁰ KLK confirmed a fire at PT. Adei and stated that it was successfully extinguished within a day.¹⁷¹ In 2014, PT. Adei was fined IR 1.5 billion due to fires, while the company's general manager was sentenced to a one-year jail term and fined IR 2 billion.¹⁷²

KLK is both a direct and indirect supplier of PFAD to Neste, as well as a direct supplier of palm oil.

In various periods between October 2018 and December 2019, Neste sourced PFAD from more than a dozen KLK subsidiaries, via seven refineries ▼



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Refinery	Parent Refinery	Supplier – KLK subsidiary	RSPO	ISCC	Source
FGV IFFCO	JV FGV / IFFCO	Batu Lintang	IP	-	173
		Changkat Chermin Palm Oil Mill	IP	☑	
		Kuala Pertang	MB	-	
Genting MusimMas Refinery	Genting Plantations	Tuan Mee POM	MB	-	
		Bornion	MB	-	174
		Lungmanis	IP	-	
IOI Pan-Century Edible Oils	IOI Group	Batu Lintang	IP	-	175
		Kekayaan Paloh	IP	☑	
			-	-	
Kreasijaya Adhikarya	KLK	Karya Makmur Abadi	-	-	176
		Mandau POM	IP	☑	
		Mulia Agro Permai	-	-	
		Nilo 1 POM	MB	-	
		Nilo 2 POM	MB	-	
		Sekarbumi Alam Lestari	MB	☑	
Lahad Datu Edible Oils	Wilmar International	Mill 1	IP	-	177
Mewah Oils	Mewah Group	Batu Lintang	IP	-	178
		Changkat Chermin Palm Oil Mill	IP	☑	
		Kuala Pertang	MB	-	
		Tanjong Malim	MB	☑	
Steelindo Wahana Perkasa	KLK	Tuan Mee POM	MB	-	
		Karya Makmur Abadi	-	-	179
		Parit Sembada	MB	-	
		SWP Mill	IP	☑	

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

In addition, between July and December 2019, KLK supplied palm oil from more than 40 of its own estates via 11 mills, located in Sabah, Riau, Sumatera Utara, Bangka Belitung and Johor:

Mill name – KLK subsidiary	RSPO	ISCC
Bornion	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Kekayaan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Lungmanis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mandau	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mill 2	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Nilo 1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Nilo 2	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Pinang	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Stabat	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tapung Kanan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Steelindo Wahana Perkasa	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Neste (n.d.), 'Palm oil dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/palm-oil-dashboard>, viewed in August 2020.

Neste's grievance list from February 2020 mentions KLK in relation to PT. Menteng Jaya Sawit Perdana (PT. MJSP). The case has been closed because the alleged area of deforestation reportedly is no longer under the management control of PT. MJSP and was gazetted as a Community Forest Plantation area. No other mentions are made in the February and August 2020 grievance lists.¹⁸⁰

3.13 Mulia Sawit Agro Lestari Group (MSAL)

Reported abuses:

deforestation, fires alerts,
peat destruction



MSAL Group has been linked to deforestation in reports by CRR and Mighty Earth. It was found to have cleared 1,743 ha of forest and peatland in the first half of 2020. Previously, MSAL Group was found to have deforested almost 4,300 ha of peat and peat forest in 2019, making it the 3rd largest deforester of that year.¹⁸¹

Between January and December 2019, Neste sourced PFAD from another MSAL subsidiary via one refinery:

Refinery	Parent Refinery	Supplier – MSAL subsidiary	RSPO	ISCC	Source
PT. Karya Indah Alam Sejahtera	Wings Group	Mulia Sawit Agro Lestari	-	-	182

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Neste mentions Mulia Sawit's PT. Persada Era Agro Kencana (PT. PEAK) subsidiary on its March 2020 grievance list, which has been linked to deforestation in the Mighty Earth reports. The case has been closed as the company is no longer a supplier.¹⁸³ It is unclear whether this only refers to PT. PEAK or whether the entire MSAL Group is no longer a supplier in 2020.

3.14 Musirawas

Reported abuses:
deforestation



Musirawas Group (part of Asam Jawa Group) was included in CRR's list of top deforesters of 2019. It deforested 2,100 ha in Central Kalimantan during that year via its plantation companies PT. Uni Primacom and PT. Sumur Pandanwangi.¹⁸⁴ Deforestation on Musirawas concessions had already been identified in Mighty Earth reports in 2018.¹⁸⁵

Between January and December 2019, Neste sourced PFAD from three other Musirawas subsidiaries via two refineries:

Refinery	Parent Refinery	Supplier – Musirawas subsidiary	RSPO	ISCC	Source
Karya Indah Salam Sejahtera	Wings Group	Musirawas Citraharpindo 1	-	-	186
		Musirawas Citraharpindo 2	-	-	
Olenex Edible Oils B.V. - Rotterdam	JV ADM / Wilmar	Teluk Panji	-	-	187

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Musirawas is not included in Neste's February through August 2020 grievance lists.¹⁸⁸

3.15 Palma Serasih

Reported abuses:
deforestation



According to research by Chain Reaction Research, Palma Serasih’s subsidiary PT. Nusantara Agro Sentosa deforested circa 3,400 ha on its estate between January 2016 and April 2020. In addition, its subsidiary PT. Global Primatama Mandiri cleared circa 3,000 ha of forest in East Kalimantan. In reaction to the ongoing clearance, several buyers with NDPE policies have suspended Palma Serasih from their supply chains.¹⁸⁹

Neste sourced PFAD from a Palma Serasih subsidiary via one refinery:

Refinery	Parent Refinery	Supplier – Palma Serasih subsidiary	RSPO	ISCC	Source
LDC East Indonesia	LDC	Anugerah Energitama	-	-	190

Source: Neste (n.d.), ‘PFAD dashboard’, online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Palma Serasih has been included in Neste’s grievance list as a supplier under monitoring since April 2020. It states that Neste’s direct suppliers, LDC and PT. KIAS, have engaged with Palma Serasih. The supplier stopped opening land in February 2020 and provided evidence that an HCV assessment and an Orangutan survey were conducted in 2016, concluding that the cleared area is located outside of the HCV area. An HCS assessment has been delayed due to Covid-19 and will be completed by the end of the year.¹⁹¹

3.16 QL Resources

Reported abuses:
deforestation



Mighty Earth links QL Resources' subsidiary PT. Pipit Mutiara Indah (PT. PMI) to deforestation of 57 ha in its concession in the period from January 2019 to April 2020.¹⁹²

Between January and December 2019, Neste sourced PFAD from PT. PMI via one refinery:

Refinery	Parent Refinery	Supplier – QL Resources subsidiary	RSPO	ISCC	Source
Genting MusimMas Refinery	Genting Plantations	Pipit Mutiara Indah	-	-	193

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Neste mentions PT. PMI as an indirect supplier via its supplier Wilmar on its grievance list until June 2020. Wilmar suspended PT. PMI. No reference is made on the grievance list in relation to the indirect supply chain relationship with PT. PMI via Genting MusimMas Refinery.¹⁹⁴

3.17 Sime Darby Plantation

Reported abuses:

fires alerts, community rights violations



Sime Darby is the world's largest palm oil company in terms of total area and a leading producer of RSPO-certified palm oil. Over the years, its direct and indirect supply chains have been repeatedly linked to unsustainable practices in palm oil production.¹⁹⁵

In July 2020, a Hong Kong-based anti-trafficking group, Liberty Shared, filed a petition with U.S. Customs and Border Protection, alleging labour abuses in Sime Darby Plantations. Based on interviews with workers and civil society organisations as well as reviews of public disclosures, audit reports and sustainability initiatives, the group concludes that forced and child labour conditions are present in Sime Darby's palm oil supply chain and asks for a ban of U.S. imports.¹⁹⁶ Liberty Shared identified, among other cases of imposition of arbitrary penalties, a threat of and actual sexual harassment, physical threats and abuse, various and inconsistent deductions in pay, varying conditions of accommodation and fees charged for basic facilities.¹⁹⁷

In March 2019, it became known that Sime Darby had divested PT. Mitra Austral Sejathera (PT. MAS), a company that has been at the centre of complaints by the Dayak Hibun indigenous peoples of West Kalimantan for its conversion of indigenous land into palm oil concession land by obtaining a HGU (business permit). The land conflict had dragged on since 1999. The affected communities stressed that the sale of PT. MAS was in breach of the spirit and commitment of the RSPO code of ethical business conduct.¹⁹⁸

In September 2019, Sime Darby was reportedly one of the plantation companies that had had 3.34 ha land sealed off by Indonesian authorities after an open fire had been spotted on one of its plantations.* According to media reports, this referred to Sime Darby's subsidiary Sime Indo Agro in West Kalimantan. Sime Darby denied the allegations.¹⁹⁹ Greenpeace identified 325 fire alerts on Sime Darby plantations between January and September 2019. In the period 2015-2018, some 2,000 ha of fires on Sime Darby concessions were identified.²⁰⁰

In June 2020, Sime Darby exited the HCSA steering committee, citing a strategy to 'focus more on the implementation of SDP's on-ground commitments.'²⁰¹ The step was criticised by Greenpeace as a way of avoiding membership requirements to provide evidence of NDPE implementation across its supply chain.²⁰²

In various periods between October 2018 and December 2019, Neste sourced from more than 25 Sime Darby subsidiaries via eight refineries ▼

* Excluding 4 ha affected on the PT. MAS concession, which was sold by Sime Darby in June 2019.

Refinery	Parent Refinery	Supplier – Sime Darby subsidiary	RSPO	ISCC	Source
Genting MusimMas Refinery	Genting Plantations	Binuang Oil Mill	IP	-	203
		Merotai Oil Mill	MB		
IOI Edible Oils	IOI Group	Sandakan Bay	MB	-	204
IOI Pan-Century Edible Oils	IOI Group	Bukit Benut Palm Oil Mill	IP	-	205
		Bukit Kerayong Palm Oil Mill	IP	-	
		Chaah	IP	-	
		Chersonese	IP	-	
		East Oil Mill	IP	-	
		Elphil Mill (SOU 3)	MB	-	
		Flemington POM	MB	-	
		Gunung Mas	IP	-	
		Hadapan (SOU 24)	MB	-	
		Jabor (SOU 12)	MB	-	
		Kempas Palm Oil Mill	MB	-	
		Kerdau (SOU 11)	MB	-	
		Kok Foh	-	-	
		Labu POM (SOU 13)	IP	-	
		Pagoh Palm Oil Mill	IP	-	
		Selaba	MB	-	
Seri Intan	IP	-			
Sua Betong POM (Sou 15)	IP	-			
Sungai Dingin	MB	-			
Tanah Merah (SOU 14)	IP	-			
Ulu Remis	IP	-			

Refinery	Parent Refinery	Supplier – Sime Darby subsidiary	RSPO	ISCC	Source
Lahad Datu Edible Oils	Wilmar International	Binuang Oil Mill	IP	-	206
		Giram	IP	-	
		Merotai Oil Mill	MB	-	
		Sandakan Bay	MB	-	
Mewah Oils	Mewah Group	Bukit Benut Palm Oil Mill	IP	-	207
		Bukit Kerayong Palm Oil Mill	IP	-	
		Chersonese	IP	-	
		Elphil Mill (SOU 3)	MB	-	
		Flemington POM	MB	-	
		Gunung Mas	IP	-	
		Jabor (SOU 12)	MB	-	
		Kempas Palm Oil Mill	MB	-	
		Kerdau (SOU 11)	MB	-	
		Kok Foh		-	
		Labu POM (SOU 13)	IP	-	
		Selaba	MB	-	
		Seri Intan	IP	-	
		Sua Betong POM (Sou 15)	IP	-	
		Sungai Dingin	MB	-	
		Tenamaram Oil Mill	IP	-	
Ulu Remis	IP	-			
Olenex Edible Oils B.V. - Rotterdam	JV ADM / Wilmar	Melalap	MB	-	208
		Merotai Oil Mill	MB	-	
		Sandakan Bay	MB	-	

Refinery	Parent Refinery	Supplier – Sime Darby subsidiary	RSPO	ISCC	Source
PGEO Edible Oils – Prai	Wilmar International	Elphil Mill (SOU 3)	MB	-	209
		Flemington POM	MB	-	
		Selaba	MB	-	
		Seri Intan	IP	-	
		Sungai Dingin	MB	-	
Wilmar Edible Oils	Wilmar International	Sungai Dingin	MB	-	210

Source: Neste (n.d.), 'PFAD dashboard', online: <https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

Sime Darby is included on Neste's June to August 2020 grievance lists. Purchases from Sime Darby have been halted while awaiting verified evidence regarding the allegations by Liberty Shared. This evidence had not been received as of September 1, 2020.²¹¹

3.18 Wilmar International

Reported abuses:

community rights violations



During the last few years, Wilmar's supply chain has been repeatedly linked to unsustainable practices. At the time of this research report, three RSPO complaints involving Wilmar subsidiaries are still under investigation.²¹²

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In April 2020, Wilmar announced its exit from the HCSA steering group. The company cited governance and financial problems within the multi-stakeholder group.²¹³ Meanwhile, other members as well as CSOs suspected Wilmar of trying to evade its sustainability commitments.²¹⁴

In November 2019, to highlight a recent allegation against the company in relation to human rights issues, the Nagari Institute with the support of Masyarakat Kehutanan Lestari and the Forest Peoples Programme released a report during the RSPO annual meeting that highlights human rights violations in palm oil concession areas of Wilmar and its suppliers in West Sumatra. The authors allege that community lands and customary forest areas have been converted to oil palm plantations without FPIC of the affected communities. The report is based on complaints by 50 communities negatively affected by Wilmar's oil palm operations and its suppliers who lost access and control of their customary lands and in several cases also reported incidents of intimidation and criminalisation after raising concerns and complaints with the companies. The presented cases involve nine Wilmar subsidiaries in West Sumatra of which the HGU area totals 27,437 ha.²¹⁵

Between October 2019 and September 2019, Neste sourced PFAD from more than a dozen other Wilmar subsidiaries and from Wilmar-owned refineries ▼

Refinery	Parent Refinery	Supplier – Wilmar subsidiaries	RSPO	ISCC	Source
Lahad Datu Edible Oils	Wilmar International				216
Multimas Nabati Asahan, Kuala Tanjung	Wilmar International	Aek Batu	-	-	217
		Bumi Sawit Kencana	IP	-	
		Daya Labuhan Indah 1	-	-	
		Daya Labuhan Indah II	IP	-	
		Kerry Sawit Indonesia POM	MB	-	
		Mentaya Sawit Mas	MB	-	
		Sarana Titian Permata	-	-	
		Sinar Alam Permai, Palembang	-	-	
		Sinar Perdana Caraka	-	-	
		Varem Sawit Cemerlang	-	-	
		Wilmar Nabati Indonesia, Bagendang	-	-	
		Wilmar Nabati Indonesia, Pelintung	-	-	
		Olenex Edible Oils B.V. - Rotterdam	JV ADM / Wilmar	Benso Palm Oil Mill	MB
PGEO Edible Oils Sdn Bhd, Prai	-			-	
Sabahmas POM	MB			-	
Sandakan Edible Oils Sdn Bhd	-			-	
Wilmar Nabati Indonesia, Dumai	-			-	
Wilmar Nabati Indonesia, Pelintung	-			-	

Refinery	Parent Refinery	Supplier – Wilmar subsidiaries	RSPO	ISCC	Source
PGEO Edible Oils – Prai	Wilmar International	Sandakan Edible Oils Sdn Bhd	-	-	219
		Wilmar Edible Oils Sdn Bhd	-	-	
Sinar Alam Permai – Palembang	Wilmar International	Buluh Cawang Plantation	MB	-	220
		Musi Manyasin Indah	-	-	
Wilmar Edible Oils	Wilmar International	PGEO Edible Oils Sdn Bhd, Prai	-	-	221
Wilmar Kuantan Edible Oils	Wilmar International				222

Source: Neste (n.d.), 'PFAD dashboard', online:

<https://www.neste.com/corporate-info/sustainability/sustainable-supply-chain/traceability-dashboard/pfad-dashboard>, viewed in August 2020.

The companies named in the Nagari Institute report are not included in Neste's February through August 2020 grievance lists.²²³ Wilmar states in its grievance list that it engages with the complainants and that meetings have taken place to seek clarification on the allegations.²²⁴



Conclusion & recommendations

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The aim of this investigation was to verify Neste's sustainability claims, by analysing its palm oil (including PFAD) supply chain and its exposure to deforestation, peat drainage, fires, human and labour rights violations and administrative and criminal sanctions in palm oil production.

Despite Neste's statements on sustainability and a stated commitment to responsible sourcing, its supplier list reveals multiple links to palm oil producers linked to environmentally and socially unsustainable practices. This research presents selected cases of these relationships based on an analysis of Neste's supplier information and multiple public sources, including civil society investigations and filings under complaints mechanisms of the Roundtable for Sustainable Palm Oil (RSPO).

This report does not provide a comprehensive overview but illustrates the widespread occurrence of sustainability issues in Neste's palm oil supply chain. Based on conservative estimates, the Neste suppliers highlighted in this report can be connected to at least 10,000 ha of deforestation, an area the size of Paris, in the period from January 2019 to June 2020 and circa 13,000 fire alerts in 2019. There were also several links to community and labour rights issues.



■ Recommendations for Neste:

- Stop the use of palm oil, PFAD and other vegetable oils for biofuels
- Disclose the feedstocks used in each individual production plant

■ Recommendations for the Dutch government:

- Stop the production of and trade in palm oil-based biofuels and other crop-based biofuels
- Exclude biofuels based on PFAD and other crop-based biofuels from counting towards blending mandates
- Include social and human rights criteria in the integrated sustainability framework for biomass
- Introduce national mandatory environmental and human rights due diligence for companies, including enforcement by public authorities, proportionate, effective and dissuasive sanctions, civil, criminal and administrative liability for harm in their global value chains, access to justice and remedy for victims
- Advocate for an EU mandatory human rights and environmental due diligence law, including provisions for civil liability and access to European courts for victims of EU companies
- Advocate for EU legislation introducing mandatory deforestation and human rights due diligence for companies marketing and financing deforestation risk products in the EU
- Advocate for an ambitious UN Treaty on Business and Human Rights that introduces mandatory environmental and human rights due diligence for multinational corporations, including provisions for civil liability and access to courts in the home country of corporations

■ Recommendations for the European Commission:

- Seize the review of the RED II to phase out food and feed crop-based biofuels, and as a priority, speed up the phase-out of feedstocks with a high risk of indirect land use change (ILUC)
- Amend the delegated regulation on high ILUC-risk feedstocks to include all vegetable oils and their co-products, and as a priority PFAD and soy oil
- Introduce mandatory human rights and environmental due diligence legislation with civil liability provisions and access to European courts for victims of EU companies
- Introduce EU legislation including mandatory deforestation and human rights due diligence for companies marketing and financing deforestation risk products in the EU
- Advocate for an ambitious UN Treaty on Business and Human Rights that introduces mandatory environmental and human rights due diligence for multinational corporations, including provisions for civil liability and access to courts in the home country of corporations.

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