

Progress Report to RSPO
on Complaint Filed Against PT Mitra Austral Sejahtera(PT MAS)
by the Project Affected Community,
Sanggau, Kalimantan Barat, Indonesia

Prepared by:

Sime Darby Plantation Sdn. Bhd

7th August 2015

Table of Contents

| | |
|--|----|
| 1.0 Executive Summary..... | 3 |
| 2.0 Background..... | 9 |
| 3.0 Recent Meetings Between TKPP and PT MAS..... | 10 |
| 3.1 Meeting on 6 th November 2014 | |
| 3.2 Meeting on 12 th December 2014 | |
| 3.3 Meeting on 24 th February 2015 | |
| 3.4 Meeting on 12 th May 2015 | |
| 4.0 Engagement Between Entapang & Kerunang Communities and Sime Darby | 14 |
| 4.1 Discussion on 19 th November 2014 | |
| 4.2 Discussion on 12 th December 2014 | |
| 4.3 Other engagement/ discussion between SD, Kerunang & Entapang, and RSPO | |
| 5.0 Other Matters..... | 18 |
| 5.1 Facilitating a process for the restitution of customary land/rights by TuK | |
| 6.0 Status of 14 Demands As At June 2015..... | 19 |
| 7.0 Moving Forward..... | 22 |
| 8.0 Conclusion..... | 23 |

Attachments

List of Attachments

- Attachment 1 : Minutes for TKPP Meeting on 6th November 2014
- Attachment 2 : Minutes for TKPP Meeting on 12th December 2014
- Attachment 3 : Progress of TKPP in 2013 and 2014
- Attachment 4 : Minutes for TKPP Meeting on 24th February 2015
- Attachment 5 : Draft Minutes for TKPP Meeting on 12th May 2015
- Attachment 6 : Reports on Mass Circumcision at MAS 2 Estate on 3rd July 2015
- Attachment 7 : Meeting Notes – Kerunang/ Entapang on 19th November 2014
- Attachment 8 : Meeting Notes – Kerunang/ Entapang on 12th December 2014
- Attachment 9 : Letter from SDP to RSPO on Request for Direct Engagement with
Kerunang/ Entapang Communities
- Attachment 10 : Letter from RSPO to SDP and Kerunang/ Entapang Communities
- Attachment 11 : First Draft Concept Note by TuK on Resolving Land Issues
- Attachment 12: Second Draft Concept Note by TuK on Resolving Land Issues
- Attachment 13: Comments by SDP on Second Draft Concept Note by TuK on Resolving Land
Issues
- Attachment 14: Draft Proposal by TuK on Resolving Land Issues
- Attachment 15: Email correspondence between RSPO and SDP on revision of proposal by TuK

1.0 Executive Summary

Sime Darby Plantation Sdn. Bhd. (Sime Darby Plantation) received a complaint on its subsidiary, PT Mitra Austral Sejahtera (PT MAS) after the annual RSPO roundtable meeting (RT) RT10 meeting in Singapore. The complaint on 5th November 2012 from the Project Affected Communities (PAC) in PT MAS II was made to RSPO although there was on-going engagement process between Sime Darby Plantation and the PAC.

The complaint was part of the earlier '14 demands' made by the same complainants through Serikat Petani Kelapa Sawit (SPKS) Kabupaten Sanggau in 2007 in relations to the development of PT MAS II in 1995-1996. The '14 demands' were submitted directly to the management of PT MAS and this matter was routinely brought up for discussion with Sime Darby Plantation Management during every RT since 2007.

This report is the seventh report submission to RSPO after RT 10. The previous six report submissions are as follows;

1. Report No. 1 dated 5th December 2012 covering responses to the complaint on 5th November 2012 by PAC in PT MAS 2 and progress updates up to end November 2012.
2. Report No. 2 dated 22nd May 2013 covering updates from December 2012 to end April 2013
3. Addendum to Report No.2 dated 18th July 2013 covering progress updates from May 2013 to end June 2013
4. Report No. 3 dated 28th January 2014 covering updates from July 2013 to end January 2014
5. Addendum to Report No.3 dated 10th April 2014 covering updates from February 2014 to April 2014
6. Report No.4 dated 13th November 2014 covering updates from March 2014 to end October 2014

The main contents of this progress report are activities conducted from November 2014 to 31st July 2015, in resolving the remaining demands.

During this period, four meetings between Tim Kerja Perwakilan Petani (TKPP) and PT MAS management have been conducted on 6th November 2014, 12th December 2014, 24th February 2015, and 12th May 2015.

- During the meeting on 6th November 2014, the TKPP reminded that SDP's effort in resolving the demands shall not be focused only on Kerunang and Entapang communities. Also, the following changes in PT MAS management team were announced to the TKPP members:
 - Bapak Sahfengi (newly appointed General Manager of Sanggau) has been appointed as the new TKPP Chairman, replacing Bapak Nata Singh.
 - Bapak Bidon is no longer Plasma Manager.
 - Bapak Penda (MAS II Estate Manager) has been transferred to another region and replaced by Bapak Denny Kurniawan (who is a local).

- In the meeting on 12th December 2014, the TKPP agreed that an evaluation on the effectiveness of TKPP meetings shall be conducted. Apart from that,
 - during the beginning of this meeting, representatives from Kerunang and Entapang, led by Bapak Musa and accompanied by TuK, highlighted and confirmed their decision not to join the TKPP.
 - In response to the highlight, TKPP requested for only one forum to be maintained for discussion of all PAC issues i.e. there should be not be a separate direct engagement between Sime Darby and the Kerunang and Entapang communities.
- Meeting on 24th February 2015 discussed and reviewed the progress of TKPP in 2013 and 2014. The meeting also discussed on the remaining Sijil Hak Milik (SHM) issuance for all villages. The management continues to work with the authority on this matter. The release of SHM to Kerunang and Entapang through KUD Mayting Hija was also highlighted.
- In the meeting on 12th May 2015, the representatives of the TKPP once again reiterated that issues between communities and the management shall be discussed through the current TKPP forum only.

To-date, two dialogue sessions on 19th November and 12th December 2014 were conducted between Sime Darby management and the Kerunang/ Entapang communities to better understand their reluctance to be part of the TKPP forum. Both sessions discussed about land ownership after expiry of HGU and intimidation issues.

For land matters, SDP has been engaging TuK Indonesia for consultation to resolve the issues. To-date, two physical meetings between SDP and TuK, have been held on 9th January and 11th February 2015.

Also, acknowledgment letter from Secretary General of RSPO dated 19th March 2015 indicates that negotiation on disputes between PT MAS II and Kerunang/Entapang communities, on land title after expiry of HGU and re-arrangement of Plasma locations, will be conducted through TuK.

TuK has sent the first draft of the proposal (in the form of concept note) on 4th May 2015. After review by SD and RSPO, the second draft of the concept note was circulated by TuK on 12th May 2015. However, the draft did not fully address some basic principles i.e. decision on restitution of customary land/rights and scopes of roles and responsibilities of SD. The proposal also needed to consider the following matters:

- Scope of proposal shall apply to overall SDP operation in Indonesia, not confined to Kerunang/ Entapang only.
- The process, person in charge and timeline were not clearly listed.
- The success stories on land disputes e.g. PTPN and PT Wilmar Sambas shall also be included to understand the similarity and differences between MAS II and the companies.

The concept note was then amended by RSPO during their meeting with TuK, and circulated to SD on 20th May 2015 as Proposal for Solution. Yet, the proposal needs to be revised as there are matters which need to be reviewed. SD has requested for TuK to present the proposal to SD management, for better understanding, before any signing of agreement takes place.

Up to end July 2015, 12 of the 14 demands have been resolved. The remaining two demands are mainly related to land matters which involve multi stakeholder engagement including the local government/authorities.

The table below highlights the status of 14 demands as at July 2015:

| No. | Demand | Current Status | Remarks |
|-----|--|----------------|---|
| 1. | Restoration of customary land rights (communal rights) - core estate in PT.MAS II (PT Golden Hope) should be returned to rightful holder of the oil palm farmers or local indigenous communities at the end of its 25 years period. | In progress | TKPP has been consistent in their stand that Company and Plasma members will have to work together with the Government in finding a resolution once HGU expires |
| 2. | Review the Partnership Pattern that is unfair and not in accordance with the applied rules/regulations (Regional Regulations Number 03 Year 2004, concerning the Partnership Pattern), especially 70%:30% ratio of the size of core plasma estate. | Completed | |
| 3. | The Company shall comply with the provision of 2 hectares of land for plasma estate | Completed | |
| 4. | Customary land that was part of the nucleus (Inti) estate in year 10 should be considered as farmers' or farmers organisation's shares of stock in holding /partner company with ratio of 60%:40%. | Completed | |
| 5. | Review the sub-standard credit agreement between the management of PT MAS and the representatives of farmers or farmer organizations and village / indigenous leaders, and cooperative. | Completed | |
| 6. | Reject 30% reduction (refuse to pay the credit) for credit reserve and semi management fee by the company/KUD until explanations are made | Completed | |

| | | | |
|-----|---|-------------|---|
| | directly to and openly with all farmers in accordance with prevailing norms and regulations/provision. | | |
| 7. | Holding company/partner must be responsible for similar plantation maintenance/treatment between core and plasma plantation (based on plantation technical regulations/standards) according to the prevailing provision or agreement by reassessment conducted by the Plantation Assessment Team including the oil palm farmers organisation as its member. | Completed | |
| 8. | The company is obliged to provide scholarship, education and training for ex-farmers' children in fair, open and transparent manner. | Completed | |
| 9. | The company is obliged to provide work opportunity for farmers' children or local community members based on their proportion gradually and continuously. | Completed | |
| 10. | Company is obliged to fulfill the promises to build infrastructure and public facilities for the community and the surrounding area of the plantation, as stated at the time of the initial consultation. If the promises are not fulfilled, the company is obliged to compensate the land-core promise to the community. | Completed | |
| 11. | The company partners (PT.Golden Hope/ PT MAS) are obliged to fulfill the rights of farmers who have given up land that is without a lot, especially (plasma) according to the agreement or rejection and distribution / management rights in a joint venture / partnership | Completed | |
| 12. | Rearrangement of plasma estate location for farmers must be based on each village's custom area location. | In progress | This is an internal issue between the farmers to swap the location of their land via "Adat" |
| 13. | The oil palm farmers in PT MAS II (PT Golden Hope) Plantation agree to establish new co-operation in order to improve and increase | Completed | |

| | | | |
|-----|---|-----------|--|
| | cooperation/farmers organisation's service to its members. | | |
| 14. | Urging security forces and indigenous leaders to follow up this case based on prevailing law due to indication of pressure, intimidation, and terror by the company's personnel, Satlak/Satgas and regional government personnel to members and the organizations of oil palm farmers (Oil Palm Farmers Union/ Serikat Petani Kelapa Sawit) in Parindu. | Completed | |

All in all, it is noted that the TKPP bi-monthly meetings have evolved and developed beyond the discussion of the remaining demands into a new and harmonious consultative panel between PT MAS management and the communities. Many issues have been able to be addressed and jointly agreed.

Sime Darby has started engaging the remaining two communities, Kerunang and Entapang, to better understand their unwillingness to be part of TKPP. However, TKPP is adamant that all issues should be solved within TKPP framework and request outside of TKPP should not be entertained.

Sime Darby also is working with TuK Indonesia, in resolving the land matters.

2.0 Background

Sime Darby Plantation Sdn. Bhd. (Sime Darby Plantation) received a complaint on its subsidiary, PT Mitra Austral Sejahtera (PT MAS) after the annual RSPO roundtable meeting (RT) RT10 meeting in Singapore. The complaint on 5th November 2012 from the Project Affected Communities (PAC) in PT MAS II was made to RSPO although there was on-going engagement process between Sime Darby Plantation and the PAC.

The complaint was part of the earlier '14 demands' made by the same complainants through Serikat Petani Kelapa Sawit (SPKS) Kabupaten Sanggau in 2007 in relations to the development of PT MAS II in 1995-1996. The '14 demands' were submitted directly to the management of PT MAS and this matter was routinely brought up for discussion with Sime Darby Management during every RT since 2007.

A meeting was conducted during RT10 in Singapore on 31st October 2012 between PAC and SDP management. The outcome of this meeting was an agreement to form a working committee between villagers known as Tim Kerja Perwakilan Petani (TKPP) for direct discussion with PT MAS management. It was also requested that the discussion should be without any third party (NGOs) involvement. Representatives from Sime Darby Headquarters should also be present to ensure transparency.

Another meeting was held between Sime Darby management and OXFAM Novib on 3rd November 2012, with the presence of RSPO Secretary General, Datuk Darrel Webber. As part of being transparent throughout the operation, during this meeting, Sime Darby has voluntarily committed to quarterly reporting on the progress of resolving the '14 demands' to RSPO.

The TKPP meetings proceeded well until April 2013, when some of the TKPP members from two villages (Kerunang and Entapang) felt that the formation of TKPP was improper and thus, decided to withdraw from the committee. The remaining TKPP members, nevertheless, continued to discuss with PT MAS management on bi-monthly basis.

A meeting was also conducted during RT11 in Medan on 13th November 2013 between Kerunang and Entapang representatives and Sime Darby management. In the meeting, the formation of another Tim Kerja Perwakilan Petani (TKPP 2) was proposed, specifically for Kerunang and Entapang communities who have refused to join the existing TKPP forum. This request however was not agreed by the current TKPP members.

For meetings during RSPO RT from 2010 the PAC was facilitated/represented by BOTH ENDS, OXFAM Novib, Sawit Watch, Serikat Petani Kelapa Sawit (SPKS), Transformasi untuk Keadilan Indonesia (TuK) and WALHI Kalbar. OXFAM is working with the PAC as the facilitator to the dispute resolving process up to February 2013. The current facilitator is TuK-Indonesia.

This report is the seventh report submission to RSPO after RT 10. The previous six report submissions are as follows;

1. Report No. 1 dated 5th December 2012 covering responses to the complaint on 5th November 2012 by PAC in PT MAS 2 and progress updates up to end November 2012.
2. Report No. 2 dated 22nd May 2013 covering updates from December 2012 to end April 2013

3. Addendum to Report No.2 dated 18th July 2013 covering progress updates from May 2013 to end June 2013
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5. Addendum to Report No.3 dated 10th April 2014 covering updates from February 2014 to April 2014
6. Report No.4 dated 13th November 2014 covering updates from May 2014 to end October 2014

The main content of this progress report are activities conducted from November 2014 to 31st July 2015, in resolving the remaining demands. These progress updates include the outcomes of meetings between TKPP & PT MAS management and a dialogue session with Kerunang/ Entapang communities, and SDP's engagement with TuK in resolving issues involving land matters.

Up to end July 2015, 12 of the 14 demands have been resolved. The remaining two demands are mainly related to land matters which involve multi stakeholder engagement including the local government/authorities.

3.0 Recent Meetings between Tim Kerja Perwakilan Petani (TKPP) and PT MAS

3.1 Meeting on 6th November 2014

A meeting was conducted on 6th November 2014 at MAS Mill in Modah. The meeting was attended by eight TKPP members, nine PT MAS management representatives and a management representative from Sime Darby Headquarters.

The agenda for the meeting:

- a) to confirm the minutes for the previous meeting on 28th August 2014;
- b) to discuss pending issues with regard to Demands no.1 and no.12;
- c) to discuss on FFB theft issue in PT MAS.

The salient points of the meeting were as below;

- a) Announcement on changes in PT MAS management team as below;
 1. Bapak Sahfengi (newly appointed Sanggau General Manager) has been appointed as the new TKPP Chairman, replacing Bapak Nata Singh (Senior General Manager who is now in-charge of Kalimantan Barat and Kalimantan Tengah Region).
 2. Bapak Bidon is no longer Plasma Manager.
 3. Bapak Penda (MAS II Estate Manager) has been transferred to another region and replaced by Bapak Denny Kurniawan who is a local.
- b) PT MAS management is still hopeful for the representatives from Kerunang/Entapang to join the current TKPP so that the resolution of all demands can be discussed transparently and agreed via one forum for all local communities.
- c) TKPP members requested for explanation on why RSPO/Sime Darby are engaging with Kerunang and Entapang communities separately and the benefit of doing so.

- d) The TKPP representatives highlighted that the management should not focus on issues raised by the Kerunang & Entapang communities or Bapak Musa. They agreed that it will be better for the communities to move forward towards resolution of all other important issues concerning the communities, with the hope that this can set an example for Kerunang/Entapang communities that the TKPP forum is working well to address the issues of the local communities.
- e) Discussion with higher government authority will be carried out to address the FFB theft.
- f) Monitoring/request for infrastructure works and repair (road, football field, school).

Minutes of this meeting is in Attachment 1.

3.2 Meeting on 12th December 2014

Another meeting was held on 12th December 2014 at MAS Mill in Modah. It was attended by eight TKPP members, seven PT MAS management and two representatives from Sime Darby Headquarters. RSPO Secretariat, Ms. Rahayu was also in attendance.

During the beginning of this meeting, Bapak Edi Sutrisno (from TuK), Bapak Musa, Bapak Kunnardi, Bapak Jais and a few other representatives from Kerunang and Entapang were present to declare that they will not join TKPP.

Agenda of the meeting:

- a) to confirm previous minutes of meeting on 6th November 2014;
- b) to discuss pending issues with regard to Demands no.1 and no.12;
- c) to discuss FFB theft issue in PT MAS.

Key points from the meeting include the followings;

- a) Effort to resolve issue of “tata ulang” and SHM are ongoing.
- b) Repair and allocation for new request of infrastructure are ongoing.
- c) TKPP and PT MAS management agreed that evaluation of TKPP meeting and its effectiveness shall be conducted.

Minutes of this meeting is in Attachment 2.

During the beginning of the meeting, delegation from Kerunang & Entapang led by Bapak Musa and accompanied by Bapak Edi Sutrisno of TUK joined the session for a short while. Bapak Musa highlighted that they had a meeting with SD representatives in KL during RT 12 and since then the community has had discussion and confirmed their decision not to join TKPP. The Kerunang/Entapang communities are not requesting for TKPP 2, as the forum only consists of representatives, whereas discussion should be with the whole communities of Kerunang and Entapang.

Nevertheless, the communities (Kerunang/Entapang) have no issues with the current TKPP existence and its regular meeting with the PT MAS management. Bapak Musa also highlighted the

recommendation by OXFAM during the meeting in KL, which suggested for both meetings (TKPP and Kerunang/Entapang community meeting with SD) to have observers from each party. He then invited TKPP members to attend the meeting between Kerunang /Entapang communities with SD in the afternoon.

Bapak Musa also mentioned that they had planned to discontinue from the current Mayting Hija KUD and to establish a new cooperative, exclusively for Kerunang and Entapang.

In response to the updates/highlights by Bapak Musa, the TKPP members;

- Expressed their surprise with the plan of establishment of new KUD for Kerunang/ Entapang.
- Questioned why the meeting between Kerunang/ Entapang communities and SD was held in KL, and why SD keeps meeting with Kerunang/ Entapang communities, with or without the presence of RSPO.
- Expressed that there should be only one forum for discussion i.e. no direct engagement with Kerunang and Entapang communities.
- Reiterated that TKPP was established to discuss on the 14 demands and the forum has been successful in solving the demands. The communities now need to look forward towards replanting.

In addressing the concerns by TKPP to Bapak Musa's highlights, Sime Darby management stressed that the invitation to Bapak Musa to attend RT12 was from RSPO and not Sime Darby. Ms Rahayu also confirmed that the invitation was from RSPO.

The management also prefers to continue with only one forum, preferably including Kerunang/ Entapang representative in the TKPP.

RSPO representative responded to all parties that RSPO is impartial and attended any meeting to know the two groups' stands on the issues.

3.3 Meeting on 24th February 2015

The meeting on 24th February 2015 at MAS Mill in Modah was attended by six TKPP members, six PT MAS management representatives and one representative from Sime Darby Headquarters.

Agenda of the meeting:

- a) to confirm the previous minutes of meeting on 12th December 2014;
- b) to discuss pending issues with regard to Demands no.1 and no.12;
- c) to review the progress of TKPP in 2013 and 2014;
- d) to discuss FFB theft issue within PT MAS.

Salient points from the meeting are as follows;

- a) PT MAS Management reminded TKPP members to encourage MAS Estates children to excel in education to be eligible for Yayasan Sime Darby scholarship.

- b) The progress of TKPP on 2013 and 2014 was summarized and reviewed during the meeting. Summary of the progress as agreed by both parties is in Attachment 3.
- c) Planned activities for year 2015 will be more on corporate social responsibilities.
- d) Infrastructure repair and request were monitored.
- e) FFB theft is no longer confined to Inti area. Hence, TKPP members suggested to revive the committee consisting of village heads & authorities to arrest this issue. It was also suggested that any form of incentive to be given to TKPP members and other village heads who become the committee members to recognize their contribution. This matter, nevertheless, will be studied by PT MAS management.
- f) The meeting also discussed SHM issuance effort to the remaining villages. The management continues to work closely with the authority on this matter. The release of SHM to Kerunang and Entapang communities through KUD Mayting Hija was also highlighted.
- g) It was also reminded to TKPP members that the dry season is coming and therefore, any activities that can trigger fire occurrence shall be closely monitored. The management added that they are willing to work and assist the community in the event of fire occurrence.

Minutes of the meeting is in Attachment 4.

3.4 Meeting on 12th May 2015

The meeting on 12th May 2015 at MAS Mill in Modah was attended by five TKPP members, six PT MAS management representatives and a representative from Sime Darby Headquarters.

Agenda of the meeting:

- a) to confirm the previous minutes for meeting on 24th February 2015;
- b) to discuss pending issues with regard to Demands no.1 and no.12;
- c) to review the progress of TKPP in 2013 and 2014;
- d) to discuss FFB theft issue within PT MAS.

Salient points from the meeting are as follows;

- a) The management is working together with the community to curb the issue of FFB theft.
- b) Issues on buying of independent smallholders with unknown quality
- c) Request for NGO (TuK) not to be involved in dealing between community and SDP/PT MAS.
- d) Future plan shall be focused on estate development and management.
- e) Preparation for mass circumcision event.

Draft minutes of the meeting is in Attachment 5.

3.5 Mass Circumcision

TKPP meeting scheduled in June 2015 was replaced with mass circumcision for the children of MAS 2 Plasma. This event was fully supported by PT MAS and was held on 3rd July 2015. A total of 34 children were involved. Details of event are in Attachment 6.

4.0 Engagement Between Entapang & Kerunang Communities and Sime Darby

The engagement sessions between Kerunang/ Entapang community and SD representatives conducted on 19th November 2014 (during RT12 in Kuala Lumpur), on 12th December 2014 in Entapang, and on 5th May 2015 in Jakarta.

Details of each engagement are in the following sections:

4.1 Discussion on 19th November 2014

This session was attended by Bapak Musa, two TuK representatives, three SD representatives and observed by Mr. Johan Verburg from OXFAM. The gist of the session was more on providing updates to both parties.

a) Issue of TKPP administration

- i. SDP highlighted that the administration of TKPP has been revamped as agreed during the last TKPP meeting on 6th November 2014:
 - a. Bapak Sahfengi (newly appointed Sanggau General Manager) has been appointed as the new TKPP Chairman, replacing Bapak Nata Singh (Senior General Manager who is now in-charge of Kalimantan Barat & Kalimantan Tengah Region).
 - b. Bapak Bidon is no longer Plasma Manager hence issue on intimidation should no longer exist.
 - c. Bapak Penda (MAS II Estate Manager) has been transferred to another region and replaced by Bapak Denny Kurniawan who is a local. This is to get better engagement as he understands the culture well.

b) Issue on status of 14 demands and (other additional demands)

- i. TuK highlighted that the issue of “tata ulang” must be solved immediately. SDP clarified that the issue has been discussed during TKPP meeting and it was agreed then that the land will be changed via Adat.
- ii. SDP also informed that with regard to HGU terms and duration, smaller teams within TKPP have been formed to liaise with the government (Bupati and BPN) in solving issues on land and HGU. It is noted that Global HGU is a complex issue and that high cost will be required in finding solution for this matter.
- iii. SD further responded that education financial aid is only given to selected students (with good education performance) and the issue on FFB theft has been regularly discussed in TKPP (as a permanent Agenda in the TKPP meeting).

- iv. Bapak Musa responded that Bapak Niko has met up with him and requested to join Bapak Musa (to have a separate TKPP). It is envisioned that the other communities will not be able to reach common understanding with Kerunang/Entapang due to their tribal history (in Wilayah Seribot) and Perang Adat and therefore having one TKPP is not preferred.
- v. TuK informed that Kerunang/Entapang communities requested for RSPO to become the mediator in solving this conflict.

c) Follow up from the previous dialogue session on 27th August 2014.

- i. Bapak Edi Sutrisno requested to have the next and future meetings with the community within 1st to 5th of the month.
- ii. He added that issue on harvesting fruits shall be prioritized instead of “infrastructure” issue.
- iii. Pn Sabarinah emphasized that all four dusuns (Modah, Kampuh, Entapang and Kerunang) shall conduct a discussion among the Dusuns to discuss about tata ulang issue.
- iv. Bapak Edi Sutrisno (and Bapak Musa) is concerned if the conflict will get worse if Kerunang/Entapang communities are to join TKPP 1.
- v. Cik Rahayu added that there have been many contradicting facts communicated by some personnel from the communities. Pn Sabarinah therefore highlighted that it is crucial for the communities to have only one platform for discussion to ensure no contradiction in information distribution.
- vi. Mr Johan Verburg further suggested to have observers, each from both TKPP and Kerunang/Entapang to attend TKPP meeting and Kerunang/Entapang meeting to avoid inconsistencies in delivering information.

d) Issue with HGU Status

- i. Bapak Edi Sutrisno informed that BPN (now has been changed to Kementerian Agraria) offers an open discussion with the communities and companies to solve issues on HGU. (Note: with the new government taking place, it is ensured that no bribery is involved when dealing with BPN – due to involvement of an NGO, Konsoriturum Pembaharuan Agraria).
- ii. He confirmed that if Kerunang/Entapang is declared as Masyarakat Adat then, the legalisation process shall also be available. (Note: Masyarakat Adat is recognised by at least 12 government agencies).
- iii. He also confirmed that joint mapping service is available to solve enclaved issues within HGU (however cost and expenses are required from the Company).
- iv. Bapak Edi Sutrisno will make a summary on the option for solution of enclaved issues within HGU, including information on funding.

4.2 Discussion on 12th December 2014

This meeting was attended by two representatives from SD, Ms. Rahayu from RSPO and Kerunang/ Entapang communities. An observer from Banktrack was also in attendance with WALHI and TuK. The meeting was held in Bapak Musa's house in Entapang village.

- a) Decision to have a separate forum due to differences in cultures and practices among the communities.
 - i. It was highlighted by the communities' representatives that Kerunang and Entapang communities do not want to merge with the current TKPP due to differences in culture and claims and they would like RSPO to assist them to solve their conflict with PT MAS.
 - ii. At PT MAS, there are four 'suku's/ethnics. 'Suku' Dayak is the biggest ethnic group in Kalimantan Barat. In 'Suku' Dayak, there are many other sub-sukus and naturally they differ in culture and practices.
 - iii. It is clear that from past experiences, the Kerunang & Entapang communities do not trust the rests of the communities and do not want to merge with them.
 - iv. It was also highlighted that the real issue that divides the communities is 'penyerahan lahan'. It was claimed that the other communities have never given away much of their land. Even if they had, they have given less than what they should but they get more in return.
 - v. The communities have their own territory and each territory has its own rules and regulations. Even language and the way they communicate are also different.

- b) Discrimination/ solicitation by the management
 - i. Bapak Musa related a few experiences of discrimination by PT MAS management in terms of employment, bonus and promotion to employees from the Kerunang & Entapang Communities.
 - ii. It was stated that Bapak Bidon has allegedly been disturbing harmony and unity of the Kerunang & Entapang communities, and influencing the community members into joining TKPP. The communities would like him to be transferred out of the Sanggau district.
 - iii. SD requested for evidence of all these allegations so that it can be conveyed to the management. At SD, there is a procedure on 'Whistle Blowing' that requires misconducts/abuse of power to be reported to the management. However, action cannot be taken without proper evidence.

c) Issue of HGU

- i. The real demand by the communities is for the return of land under HGU. The construction and repair of road is not the real demand as it shall be the responsibility of the company.
- ii. The communities, however, do not want the land to be given back to them now, but they want to know the Company's decision after the expiry of the HGU.
- iii. Bapak Edi Sutrisno updated that group of LSM has met the Agrarian Minister and presented the possibility of solving the land dispute. This can be used as the channel for SDP to get involved.

d) Others

- i. The communities highlighted that there will be not much progress achieved from these meetings if the representatives from SD cannot make decision and need to consult with PT MAS management.
- ii. They hoped that SD will give the decision whether or not it will continue its discussion with the communities. The communities will wait for the decision to be communicated by RSPO by 12th January 2015.

4.3 Other engagements/ correspondence between SD, Kerunang & Entapang, and RSPO

- 1) SDP has sent a letter to RSPO dated 13th January 2015, concerning request by Kerunang/ Entapang communities to know the decision on direct engagement with them. This letter is in Attachment 7. SD has stated that the management is committed to resolve on-going issues in PT MAS via direct engagement with the communities. This is well reflected through the TKPP meeting where focused areas of discussion have led to fruitful results. The common goal of all parties on issues of land ownership after expiry of HGU will be managed together with TuK. Other matters will be channeled directly to PT MAS management.
- 2) Online meeting via Skype between TuK, RSPO and SDP took place at RSPO office on 27th January 2015. The meeting was attended by six members of SD, RSPO secretariat, Bapak Edi Sutrisno of TuK. The objective of the meeting was to explain on the content of SDP's letter to RSPO in response to request by Kerunang/ Entapang communities (refer to Section 4.2).
- 3) Following up from the engagements done so far, RSPO Secretary General has sent a letter to SDP and Kerunang/ Communities on 19th March 2015 (as per Attachment 8). The letter on the status of dispute between Kerunang/ /Entapang and PT MAS stated that the disputes are on:
 - a. Status of land title after the expiry of HGU; and
 - b. Rearrangement of plasma location.

There two matters will be resolved through bilateral negotiation. TuK will prepare a proposal on this matter for consideration by SD as a basis for moving forward.

5.0 Proposal for resolving land matters by TuK Indonesia

SDP has been engaging with TuK Indonesia to resolve the land matters. To-date, two physical meetings between SDP and TuK, have been held on 9th January and 11th February 2015. Another meeting with the presence of RSPO Secretariat and Kerunang/ Entapang representative took place on 5th May 2015.

The meeting on 9th January and 11th February were focused on exploring of opportunity for TuK to assist in resolving the matters of land ownership after the expiry of HgU for the whole Sime Darby (Minamas) operation in Indonesia. This is crucial as Minamas' other operations, apart from PT MAS, has the same issue. This can also be a success story for the other oil palm companies in Indonesia.

On 4th May 2015, TuK has circulated the first draft of proposal/concept note entitled "*Facilitating a process for the restitution of customary land/rights belong to Kerunang and Entapang community by Sime Darby Plantation representing PT MAS II Sanggau district, West Kalimantan*" to RSPO and SD on 4th May 2015, to be discussed on the meeting scheduled on 5th May 2015. The draft is in Attachment 11.

The meeting held on 5th May 2015 discussed on the contents of the draft concept paper and agreed on the following timelines:

- 12 May 2015: 2nd draft (TuK)
- 18 May 2015: RSPO & SD send comments to TuK
- 19 May 2015: Further amendments, if any.
- 20 May 2015: Signing of agreement. (Tentative venue: RILO, Jakarta)

As per the timeline agreed, TuK has reverted with the revised draft (2nd draft appended in Attachment 12), addressing the following comments from RSPO:

- The scope of this Concept Note covers the transfer of disputed land to the community after expiry of the HGU. This requires a joint and participatory mapping mutually conducted by Kerunang and Entapang communities together with Sime Darby which will produce maps that will be presented to Ministry of Agrarian and Spatial Affairs-National Land Agency (ATR/BPN) and relevant government agencies, and that ensure Ministry of ATR/BPN confirms the disputed land is returned back to Kerunang and Entapang communities.
- The agreed joint and participatory maps will be used as a main reference to revise the existing arrangements of plasma [tata ulang].
- New negotiation on partnership will be discussed after Kerunang and Entapang communities get the disputed land back.
- All stakeholders will exercise transparency in the implementation of the Concept Note, and will be willing to share information with other interested parties. However, communities of Kerunang and Entapang will not merge with other group. All parties will share information each other, if needed.
- Roles of DSF to be incorporated.

SDP sent comments on the second draft on 18th May 2015 via email (as per Attachment 13) and sought for further clarifications on the contents of the document. The comments include:

- The overview was written from the view of Kerunang & Entapang communities only. As this concept note will be reviewed by many parties and used as a reference later (once it becomes a success story), the overview should be neutral statement of both parties.
- The details of the processes and personnel involved as well as timeline to be clearly listed.
- Details of the two success stories (PTPN & PT Wilmar Sambas) to be included as reference to better understand the similarity as well as difference between MAS II and the two success stories.

In the email, SDP invited TuK to present the concept paper to SDP's management for better understanding prior to signing any agreement.

Further comments on the draft were made by Ms. Rahayu and TuK replied to inform that the changes will be to be approved by Kerunang/ Entapang communities. It was to SDP's understanding that signing of agreement ceremony would not take place until the concept paper is finalized and agreed by all parties involved. However, the meeting scheduled on 20th May 2015 at RILO Jakarta, took place without the presence of SDP's representatives. This miscommunication was not foreseen as SDP and RSPO maintained regular correspondence throughout the period.

RSPO, TuK and representatives from Kerunang/ Entapang continued with the discussion on the proposal on 20th May 2015 and a new version of proposal was produced. SD again responded to inform that there are matters that need to be discussed and that SD will find a date for TuK to present the proposal to SD management.

RSPO Secretariat, Ms. Amalia, on 24th June 2015 informed SD through email that the proposal will be finalized by TuK on 25th June 2015 (the proposal is appended in Attachment 14). SD responded to state that until both parties agree with the contents, the proposal could not be finalized.

To-date, SD is still arranging for a suitable date for proposal presentation by TuK.

Regardless, in the latest correspondence to RSPO and TuK on 10th July 2015, SDP agreed to arrange for a session for TuK to present the final concept paper to the management.

All correspondences on the above are in Attachment 15.

6.0 Status of 14 Demands as at end May 2015

| No. | Demand | Current Status | Remarks |
|-----|---|----------------|---------|
| 1. | Restoration of customary land rights (communal rights) - core estate in PT.MAS II (PT Golden Hope) should be returned to rightful holder of the oil palm farmers or local indigenous communities at the end of its 25 years period. | In progress | |

| | | | |
|----|---|-----------|---|
| 2. | Review the Partnership Pattern that is unfair and not in accordance with the applied rules/regulations (Regional Regulations Number 03 Year 2004, concerning the Partnership Pattern), especially 70%:30% ratio of the size of core plasma estate. | Completed | |
| 3. | The Company shall comply with the provision of 2 hectares of land for plasma estate | Completed | |
| 4. | Customary land that was part of the nucleus (Inti) estate in year 10 should be considered as farmers' or farmers organisation's shares of stock in holding /partner company with ratio of 60%:40%. | Completed | |
| 5. | Review the sub-standard credit agreement between the management of PT MAS and the representatives of farmers or farmer organizations and village / indigenous leaders, and cooperative. | Completed | |
| 6. | Reject 30% reduction (refuse to pay the credit) for credit reserve and semi management fee by the company/KUD until explanations are made directly to and openly with all farmers in accordance with prevailing norms and regulations/provision. | Completed | |
| 7. | Holding company/partner must be responsible for similar plantation maintenance/treatment between core and plasma plantation (based on plantation technical regulations/standards) according to the prevailing provision or agreement by reassessment conducted by the Plantation Assessment Team including the oil palm farmers organisation as its member. | Completed | |
| 8. | The company is obliged to provide scholarship, education and training for ex-farmers' children in fair, open and transparent manner. | Completed | On 17 th August 2014, bursaries were distributed to 12 qualified students of SMA and SMP in Bonti. |

| | | | |
|-----|---|-------------|---|
| 9. | The company is obliged to provide work opportunity for farmers' children or local community members based on their proportion gradually and continuously. | Completed | |
| 10. | Company is obliged to fulfill the promises to build infrastructure and public facilities for the community and the surrounding area of the plantation, as stated at the time of the initial consultation. If the promises are not fulfilled, the company is obliged to compensate the land-core promise to the community. | Completed | |
| 11. | The company partners (PT.Golden Hope/ PT MAS) are obliged to fulfill the rights of farmers who have given up land that is without a lot, especially (plasma) according to the agreement or rejection and distribution / management rights in a joint venture / partnership. | Completed | |
| 12. | Rearrangement of plasma estate location for farmers must be based on each village's custom area location. | In progress | This is an internal issue between the farmers to swap the location of their land via "Adat" |
| 13. | The oil palm farmers in PT MAS II (PT Golden Hope) Plantation agree to establish new co-operation in order to improve and increase cooperation/farmers organisation's service to its members. | Completed | |
| 14. | Urging security forces and indigenous leaders to follow up this case based on prevailing law due to indication of pressure, intimidation, and terror by the company's personnel, Satlak/Satgas and regional government personnel to members and the organizations of oil palm farmers (Oil Palm Farmers Union/ Serikat Petani Kelapa Sawit) in Parindu. | Completed | |

7.0 Moving Forward

SDP's action plans are as below;

| No | Activity | Expected time-line | Status as at October 2014 |
|----|--|--|--|
| 1. | Engagement with TuK to undertake Land Rights issue with the various bodies and as a link between PT MAS management, TKPP and Kerunang/Entapang community | Before RT13 (mid November 2015) | Met & discussed with TuK on 9 th January, 11 th February and 5 th May 2015. TuK to present their framework/proposal |
| 2. | Conduct regular meetings with the PAC | Ongoing – to ensure continued representation of communities & consultation | The members for the meeting are known as 'Tim Kerja Perwakilan Petani (TKPP)' at two-monthly intervals. Direct engagements with Kerunang/Entapang communities will be done as and when needed. |
| 3. | Engage independent third party consultants to assess the effectiveness of all the progress made. | On-going | Since the termination of LINKS consultancy, SDP is exploring the possibility of engaging another consultant to give assurance that what we are doing is moving towards resolution. |
| 4. | Establish proper grievance handling system | On-going | SOP on grievance handling is available. Nevertheless, the management is continuing to enhance its implementation further. |

8.0 Conclusion

TKPP meetings have moved into a new dimension to be a consultative panel between PT MAS management and the communities. Many issues have been able to be addressed and jointly agreed.

Sime Darby has started engaging the remaining two communities, Kerunang and Entapang, to better understand their unwillingness to be part of TKPP. However, TKPP is adamant that all issues should be solved within TKPP framework and request outside of TKPP should not be entertained.

Sime Darby also is working with TuK Indonesia, in resolving the land matters.

-End of Report-