African Oil Palm Expansion Slows, Reputation Risks Remain for FMCGs

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While West and Central Africa have been promising regions for large-scale palm oil production, expansion has not gone as planned. Only a handful of companies control industrial palm oil production and will likely drive expansion, but on a smaller scale and at a slower pace than originally anticipated. Nevertheless, these companies have been linked to numerous social and environmental impacts, violating their buyers' NDPE commitments.

Key Findings

- **There is substantial discrepancy between oil palm concessions in West and Central Africa and areas ultimately converted for industrial oil palm plantations.** Between 2016-2019, Africa's oil palm concession area dropped from 4.7 to 2.7 million hectares (ha). Of the remaining 2.7 million ha, only an estimated 220,608 ha have been developed into oil palm plantations.
- **The materialization of stranded land risks is linked to land acquisition and community resistance.** At least 27 planned oil palm projects, covering 1.37 million ha, have failed negotiations or have been abandoned between 2008-2019. Project failures can have adverse human rights impacts as well as lead to an increase in deforestation.
- **Only five international companies dominate industrial oil palm production in Africa: Socfin, Wilmar, Olam, Siat, and Straight KKM (former Feronia).** They control an estimated 67 percent of the industrial oil palm planted area with foreign investment and may drive continuous expansion. Risks are most pronounced in Nigeria, where expansion may come at the cost of state natural forest reserves.
- **Socfin and Wilmar, the two largest African operators, are linked to numerous social and environmental impacts on their African concessions.** These impacts vary from land-grabbing to loss of social and environmental high conservation values to violence and intimidation.
- **Investors may see risk in African palm oil caused by stranded land and reputation risk**. Palm oil buyers and FMCGs linked to escalated cases of land-grabbing and violence against local communities include Wilmar, Olam, Danone, PZ Cussons, FrieslandCampina, Nestlé, and Kellogg's.
- **Financiers and companies face reputation and regulation risk.** FMCGs and financiers with NDPE violations linked to African palm oil supply face reputation risk. Moreover, they will need to comply with upcoming EU supply chain regulation.

African oil palm expansion is not working as planned

The African continent has been considered one of the major promises for oil palm expansion due to the existence of large areas of uncultivated arable land. Triggered by little remaining arable land and tighter environmental regulations, Southeast Asian corporations searched for new frontiers for oil palm expansion. West and Central Africa have become the preferred regions since the early 2000s. Some of the largest Southeast Asian and European producers have moved into Liberia, Gabon, Nigeria, Sierra Leone, Cameroon, and Côte d'Ivoire. Reasons for targeting these countries include their large areas of cultivatable land, favorable soil and climatic conditions, the proximity to key markets in Europe and Africa, governments providing easy access to (state-owned) land, low cost of concessions, expected increasing demand from local markets, weak governance, and poor environmental and social oversight due to a recent history of political unrest and violent conflict.

But oil palm expansion did not go according to plan, with substantial disparities between awarded concessions and areas eventually developed into industrial oil palm plantations. An estimated 1.8 million hectares (ha) of land for palm oil plantations have been made available in West and Central Africa since 2008. Nevertheless, large areas have not been developed, in particular in Liberia and Congo-Brazzaville. Estimates in Liberia point to 755,000 ha of oil palm concessions awarded to palm oil companies, with only 7 percent (54,000 ha) developed into industrial plantations in 2019. The Congo-Brazzaville situation is even more extreme, with only an estimated 1,000 ha (0.2 percent out of 520,000 ha) developed into oil palm plantations. While these numbers also relate to the fragility of these states, land tenure insecurities and acquisition difficulties delay expansion plans in other African countries as well, such as Nigeria.

Once the largest global palm oil producer, Nigeria now ranks fifth on the world's production, among others linked to problematic land acquisition. The country is still the largest palm oil producing country on the African continent. Nigeria was leading the global palm oil market in the 1950s and 1960s, but currently is a net importer from Indonesia and Malaysia, because of Nigeria's negligence of its domestic palm oil sector. Disincentives for investment in Nigeria include, but are not limited to, an increased focus on petroleum as main source of revenue, land tenure issues, the absence of a palm oil marketing board, illegal cross-border inflows of palm oil, lack of affordable financing, and low-yield seedlings. As the chairman of the Plantation Owners Forum of Nigeria (POFON) puts it: *"We have the land, but the challenge is how to take peaceful possession of the land. Even potential investors with requisite financial capital find it difficult to acquire land."*

Oil palm expansion in Africa slowed, plantation area declined

Africa's oil palm concession area dropped from 4.7 to 2.7 million ha between 2016-2019

A 2019 collaborative effort involving GRAIN and other NGOs reveals the existence of 49 large-scale industrial oil palm concessions in Africa, covering 2.7 million hectares (ha), a drop of 2 million ha compared to 2016. In that year, the organizations documented 4.7 million ha of oil palm plantations through 65 large-scale land deals signed between 2000-2015. The database includes deals only since 2006 that are led by foreign investors, involve over 500 ha of land, and are meant to produce food crops (GRAIN *et al*. include biofuel deals as food deals).

The pace of land deals has slowed, with no announcements for new, large-scale oil palm plantation projects during 2017-2019. An exception was U.S.-based company Africa Palm Corp. The firm claims to have secured 4.5 million ha of area for palm production, of which 3 million ha are in the Republic of the Congo (with Congolese partner Ngalipomi) and 1.5 million ha in Guinea-Bissau. There is, however, little evidence of implementation to date, with no updates since 2018. The company's website was inaccessible at the time of publication.

Since 2019, several existing oil palm cultivated areas have expanded, but there is little evidence of new large-scale deals. LandMatrix, a public database on global land deals, confirms the absence, or at least a reduction, of awarding major oil palm land deals in African countries since 2019. Nevertheless, a GRAIN representative told CRR that since 2019, in certain cases, getting insight in land deal developments on the ground has become increasingly challenging, given that in some countries, partner grassroot organizations have had limited access to local authorities and communities due to the COVID-19 pandemic.

Stranded land risks in Africa materialize

In 2016, Chain Reaction Research (CRR) emphasized stranded land risks linked to African oil palm expansion, and these risks have appeared to have materialized. There is a huge discrepancy between African oil palm concessions and areas converted to industrial oil palm plantations. While multinational companies reported 2.7 million ha of oil palm concessions in 2019, GRAIN *et al*. estimates that only 220,608 ha of the total were developed into oil palm plantations between 2009-2019.

Planned oil palm plantations of at least 27 projects, covering 1.37 million ha, failed negotiations or were abandoned between 2008-2019. For instance, in Cameroon, negotiations for palm oil projects of Sime Darby (deal size 300,000 ha) and Cargill (deal size 50,000), both initiated in 2011, failed. Also in Cameroon, Biopalm Energy, a subsidiary of Singapore's Siva Group, saw its three-year provisional concession of 200,000 ha expire in 2015, without Biopalm starting operations. In Nigeria, only one project survived from the six projects that received the second largest funding from the World Bank for palm oil investments between 1975-2009. The rest went bankrupt. In the DRC, the Canadian Feronia and the Chinese ZTE abandoned their palm oil projects. In Liberia, an 80,000 ha intended concession of Malaysian Kuala Lumpur Kepong Berhad (KLK) failed in the negotiation stage, and another intended 55,289 ha concession was abandoned. Moreover, there are numerous examples of failed negotiations and abandoned palm oil projects in other African countries.

Reasons for delayed, failed, or dropped expansion plans vary and include community resistance to expansion on their traditional lands. Oil palm growers experience considerable operational risks and costs from violent community conflicts, and many African communities have been successful in their resistance to oil palm development. An earlier CRR report highlighted how palm growers that cannot effectively mitigate risks and compensate for the loss of social and cultural values from oil palm expansion will likely experience enduring complaints and conflicts with local communities. Other reasons for abandoned projects include the lack of experience and capacity of several Southeast Asian and European producers targeting African countries, as well as the manifestation of regulatory, operational, and financial risks.

Project failures can have social and environmental sustainability consequences, as Sime Darby's 2020 divestment from Liberia demonstrates. While the Liberian government awarded the company a 220,000-ha concession in 2009, only 10,300 ha were developed in 2020. The case emphasizes how companies and investors could face environmental, social, and governance (ESG) risks related to deforestation and human rights. A sudden shutdown of such land-related projects can increase the risk of adverse human rights impacts. Divestment could also indirectly lead to an increase in deforestation, as former workers look for alternative sources of income.

A handful of companies dominate African industrial palm oil production

Only five companies control an estimated 67 percent of the large-scale planted industrial oil palm plantations in Africa: Socfin, Wilmar, Olam, Siat, and Straight KKM. The latter took over Feronia's shares in Plantations et Huileries du Congo (PHC) in 2020 to avoid the company's bankruptcy. The combined oil palm planted area in ten African countries of these five companies is 309,636 ha (Figure 1). The total planted area under large-scale industrial oil palm plantations throughout the African continent was estimated at 462,665 ha in 2019. Current expansion priorities include Cameroon, the DRC, Congo-Brazaville, Côte d'Ivoire, Gabon, Ghana, Liberia, Nigeria, and Sierra Leone.

Figure 1: The five largest oil palm plantation companies in Africa

Palm producer / Country of incorporation	Area (ha) planted with oil palm	Operating in countries	Palm oil production (MT)
SOCFIN Luxembourg	91,207 (see also Figure 3)	Cameroon, Côte d'Ivoire, DRC, Ghana, Nigeria, São Tomé-et-Principe, Sierra Leone	319,289
wilmar Singapore	83,714*	Côte d'Ivoire, Ghana, Liberia, Nigeria, Uganda	na
Olam Singapore	64,000	Gabon	na
Siat Group Belgium	39,715**	Ghana, Nigeria	na
Straight KKM (former Feronia) Mauritius	23,500	DRC	41,000 MT (2019)
Total	**309,636**		**na**

*Source: GRAIN et al., 2019; Socfin corporate data shared with CRR in February 2022; corporate websites. *This is based on Grain et al. data of 2019. Wilmar indicates the number is incorrect but does not provide the actual number segregated for its Africa operations. The number reported here includes a 7,115-ha plantation of SIFCA's (Côte d'Ivoire) subsidiary MOPP in Liberia, and the oil palm plantations of SIFCA's subsidiary Palmci in Côte d'Ivoire, totaling 39,361 ha. Wilmar has a 27 percent stake in SIFCA and traceability documents indicate that Wilmar sources fully from these plantations. **Siat also indicates to have 16,000 ha of oil palm in Nigeria under company Siat Nigeria that can be replanted.*

Investments and expansion plans of these five companies expose them to high risks of being linked to negative social and environmental impacts from African oil palm development. In all African countries where Socfin is operating (Figure 1), the company is reportedly pursuing expansion, as illustrated by research and statements in the DRC, in Côte d'Ivoire, and Ghana. Also, Wilmar is mentioned as having expansion plans for many of the African countries where it is active, such as in Uganda and Nigeria. In response to a draft version of this report, both companies said that these statements are not necessarily true, and that the main source of this information, the report by GRAIN *et al.*, does not substantiate such assertions. While Wilmar does not confirm whether it is pursuing expansion in Africa or not, Socfin shared its 2018-2020 data, which shows that the company has not expanded its net planted area with oil palm on the continent during those years. It is unclear whether the company has had expansion plans on its African oil palm concessions since 2020.

Olam Palm Gabon states that it has "no plans for further expansion of palm production at this time," but unclear is whether the company has expanded oil palm planted area between 2019-2021 or plans to expand in the near future. Siat Group will mainly expand in Nigeria, where its firm Siat Nigeria reportedly owns 16,000 ha of oil palm plantations that are currently covered with old, unproductive oil palm plantations. To date, 5,000 ha have been replanted. Feronia's PHC plantation has just come under control of an investment fund, and it is still unclear if there are any expansion plans.

Expansion risks at the cost of natural forests most pronounced for Nigeria

The risks of expansion are most pronounced in Nigeria, where palm oil production is projected to grow, attributed to increased private investments and the Nigerian government's efforts. Since 2019, the Nigerian government has aimed to revive the ailing oil palm sector, with planned investment of USD 500 million. Nigerian palm oil production is expected to grow nine percent from 1.28 million metric tons (MT) in 2020/21 to 1.4 million MT in 2021/22 (Figure A, Appendix). Besides Nigeria, only Cameroon shows a trend of recent increasing growth rates of palm oil and palm kernel oil production, while the other palm oil producing African countries remain at constant levels (Figure B, Appendix).

Expansion plans appear to come at the cost of state natural forest reserves. The Nigerian government is actively distributing state forests to international companies for oil palm expansion. Reportedly, under the Edo State Oil Palm Production (ESOP) program, the state government has allocated 120,000 ha from its forest reserves to companies for cultivating palm oil. Edo State is one of Nigeria's major oil palm cultivation areas. While oil palm investors are "required to nurture and develop 1,000 ha as natural forest for every 4,000 ha of land devoted to oil palm production," the palm oil sector has had harmful effects on Nigeria's forests in recent years. In response, Socfin stated that: *"The State Government has de-reserved the 120,000 ha of degraded forest that has been decimated by illegal loggers for the European timber market,"* adding that *"No oil palm or tree company is permitted to obtain any land in these areas if they are not certified under RSPO or FSC first."*

Available loans largely benefit large-scale industrial growers, with Okomu Oil Palm Plc (operating company of Socfin) and Presco Plc (operating company of Siat) recently expanding their production. While Nigeria's palm oil industry is dominated by smallholder farmers which account for approximately 80 percent of local palm oil production, the remaining 20 percent is covered by industrial plantations that hold considerable market share. Government investments have supported large players such as Okomu Oil Palm Company to expand its "footprints in the sector". Okumu has increased its oil palm planted area from 18,879 ha in 2018 to 19,061 ha in 2019 and is expected to double its production from 40,000 MT in 2021 to a forecasted 80,000 MT per year by 2025. Despite being the intended target group, small farmers reportedly cannot access these funds. According to Socfin, "*The challenge for smallholders is to securitize their assets with the bank but to address this the Central Bank of Nigeria (CBN), NGOs and industrial actors, including Socfin, are working on a loan scheme for tree crop smallholder farmers."*

There is less evidence that the expansion plans of De United Foods Industries (Dufil) and PZ Wilmar in Nigeria have led to concrete new areas planted with oil palm (Figure 2). Dufil Prima Foods, the parent company of Dufil, a joint management with Indonesian Salim Group, has succeeded in the acquisition of 17,954 ha of land in the Ekiadolor Forest Reserve from the Edo state government for oil palm cultivation. But the company is still in the process of paying compensation to farmer communities. A recent High Conservation Value-High Carbon Stock Approach (HCV-HCSA) assessment was found satisfactory in December 2021, after two rounds of unsatisfactory evaluations. There are no indications that the planting has started. While PZ Wilmar, a joint venture (JV) between Wilmar International and PZ Cussons, has built an edible oils refinery in Lagos state, the status of its current plantation operations and expansion plans is unclear.

Figure 2: Nigeria top-10 largest concession holders with foreign investment

Operating company	Parent	Status	Concession size (ha)	Of which planted oil palm area (ha)
Flour Mills Nigeria (FMN), Honeywell Flour Mills Plc. (HFMP)	Honeywell Group	Operating	107,000	5,000
De United Foods Industries Limited (DUFIL)	Dufil Prima Foods PLC: joint management by Salim Group (ID), Tolaram Group (SG), and Kellogg's (US)	Project not started (Expression of interest in 2014)	60,000	-
Industrial Development Group	IDG-Agri (ZA)	MoU (2014), no evidence of implementation	55,000	-
Presco PLC	Siat (BE)	Pursuing expansion	54,803	23,660
Okomu Oil Palm Company	Socfin (LU)	Pursuing expansion*	33,113	19,061
PZ Wilmar	JV Wilmar Int (SG) & PZ Cussons (UK)	Pursuing expansion*	29,732	26,500
Siat Nigeria Ltd	Siat (BE)	Due for replanting	16,000	-
Victory Group	Victory Group (NG)	Operating	12,474	12,000
Fri-El Abia Palm	Fri-El Green (IT)	Project not started	11,292	-
Fayus Inc	Yusol Int. Foods (US)	Satellite imagery: plantation visible since 2019	5,200	-
Total			**384,614**	**86,221**

*Source: CRR, compiled from several data sources, including Grain et al., 2019, LandMatrix 2021, Orbis 2021, company websites. Note: Grain and Landmatrix data are rather similar, but sometimes numbers differ slightly. For instance, according to Grain et al., Siat holds 54,803 ha concession area in Nigeria, while LandMatrix estimates 54,611 ha. When available, Grain et al. data was selected. *In response to a draft version of this report, Wilmar indicated that the "pursuing expansion" statement was unverified, and Socfin showed data between 2018-2020 showing no change in area planted since 2019. Unclear is what will happen after 2020.*

Socfin, the largest operator in Africa, has a gap between responsible policies and practices

Africa's largest palm oil producer is Socfin Group, a Luxembourg-based holding company involved in oil palm and rubber production in Asia and Africa. The company has about 383,000 ha of concessions in ten countries. Socfin Group, which consists of major financial holdings Socfin, Socfinaf, and Socfinasia, is 39 percent held by the French group Bolloré and 54 percent held by the Belgian businessman Hubert Fabri. Socfin was a European agribusiness company during the colonial period and has largely expanded its

CHAIN REACTION RESEARCH sustainability risk analysis plantation territory through privatization of African state plantation companies. The group reported a consolidated revenue of EUR 605.3 million in 2020 and employs 48,283 people. The group says it is committed to promoting biodiversity and eliminating deforestation.

In Africa, Socfin Group is most present in Central and West African countries Cameroon, Côte d'Ivoire, DRC, Ghana, Nigeria, São Tomé-et-Principe, and Sierra Leone, producing over 300,000 MT of palm oil. It also operates in Indonesia through its subsidiary Socfindo, and in Cambodia as Socfin KCD and Coviphama. Altogether, the group produced 503,926 MT of palm oil and 160,411 MT of rubber in 2020. When considering its operations only on the African continent, Socfin produced 319,289 MT of palm oil (64 percent of total production), and 144,456 MT of rubber (90 percent of total production) in 2020 (Figure 3). The company planted a total of 139,353 ha of oil palm and rubber in Africa, of which more than half is for palm production (91,207 ha).

Figure 3: Socfin oil palm and rubber plantations in Africa

Operating company	Country	Area planted with oil palm and rubber (ha)	Area planted with oil palm only (ha)	Palm oil production (MT)	Rubber production (MT)
Agripalma	São Tomé	2,100	2,100	5,097	-
SAC Sierra Leone	Sierra Leone	12,349	12,349	30,748	-
Brabanta	DRC	6,169	6,169	20,438	-
Plantations Socfinaf Ghana (PSG)	Ghana	7,082	6,140	18,892	0
Socapalm	Cameroon	34,653	32,574	145,898	0
Safacam	Cameroon	9,750	5,325	16,543	5,276
SOGB	Côte d'Ivoire	23,666	7,489	36,228	67,594
Okomu	Nigeria	26,396	19,061	45,445	7,341
Liberian Agricultural Company (LAC)	Liberia	12,743	-	-	28,363
La Société Sud Comoé Caoutchouc (SCC)	Côte d'Ivoire	-	-	-	35,882
Salala Rubber Corporation (SRC)	Liberia	4,445	-	-	0
Total Africa (Socfinaf)	**-**	**139,353 (total concession: 323,367)**	**91,207**	**319,289**	**144,456**

Sources: Socfin corporate data shared 13 February 2022

Environmentalists highlight the gap between Socfin's "responsible management policies" and the reality of social and environmental impacts on and near their plantations. Nearby residents and campaign organizations say that the recent Roundtable on Sustainable Palm Oil (RSPO) certification of Socfin's Socapalm plantations in Cameroon and its Okomu's plantation in Nigeria are "based on fake processes," "incredible" and "examples of the RSPO's shortcomings." Social and environmental issues reported on Socfin's concessions in Africa include:

- Socfin's Socapalm (leased) plantations in Cameroon are linked to land grabbing and exploitation of local communities. Local villagers report atrocities in and around the plantations such as lack of access to land to cultivate food and sexual abuse of women. Moreover, there have been lawsuits against journalists who tried to report on social and environmental injustices on the plantations.
- For more than a decade, Socfin's Okomu Oil Palm Company in Nigeria has been in conflict with several communities inside its concession. The dispute is over land ownership and usage rights in the reserve, including displacement and alleged severe violence (e.g. burnings) by security staff and Nigerian soldiers against villagers. In 2015, five company staff members were killed by aggrieved residents of the area.
- In Sierra Leone, an estimated 9,000 people have been affected by Socfin's oil palm plantation in Malen Chiefdom, Pujeun District. This reportedly involves deforestation, land acquisition conflicts, and inadequate crop and land compensation.
- In 2021, Socfin is accused of evading taxes in Africa and shifting profits from Africa to Switzerland.

In response to a draft version of this report, Socfin denied the accusations in the cases above, citing various reasons. For instance, Socfin responded that "*any allegation of land grabbing done by Socapalm is irrelevant*" as no expansion occurred since the concession was taken over from the government in 2000. Moreover, the Okomu forest reserve was "*de-reserved at the time of oil palm planting, and when the federal government of Nigeria started oil palm planting, there were no communities in the forest reserve, since no community were permitted to reside, as stated in law.*" For the Sierra Leone case, the company said that "*the land leasing process was carried out in full compliance with national laws and regulations and international standards,*" and that "*FPIC was done with all relevant stakeholders*. Finally, the company stated that "*Socfin has always ensured strict compliance with the rules in force and does not enjoy any tax privileges in Switzerland.*"

In June 2021, a complaint was filed to the accreditation organization SCS Global Service for issuing Socfin's SOGB in Côte d'Ivoire with an RSPO certificate though the certification process was allegedly flawed. Socfin's Société des Caoutchoucs de Grand Béréby (SOGB) contracted SCS Global Services to conduct the RSPO certification assessment of its plantation and mill located in the Bas Sassandra District in Côte d'Ivoire. A recent study commissioned by Milieudefensie concluded that the certificate is "based on a flawed consultation process and does not assess relevant concerns in land rights, pollution and livelihoods." In response, SCS denied the majority of the allegations and said that no recent expansion of the SOGB farm was observed during the RSPO audit in September-October 2020.

Wilmar linked to land grabbing, human rights violations, deforestation

Wilmar International, a leading agribusiness company in Asia and Africa and the world's largest palm-oil trader, expanded its footprint to 16 countries on the African continent since entering in 2000. The company's total reported planted area under its oil palm plantation and sugar milling segment in Africa and Asia is 232,053 ha. This total is comprised of areas controlled through joint ventures (46,000 ha), smallholder schemes (35,276 ha), and associates (157,515 ha). The company directly owns three palm oil refineries in Africa, along with eight refineries indirectly through its associated companies. Wilmar, one of the largest producers of edible oils, soaps, and detergents on the African continent, adopted the first palm oil industry NDPE policy in 2013.

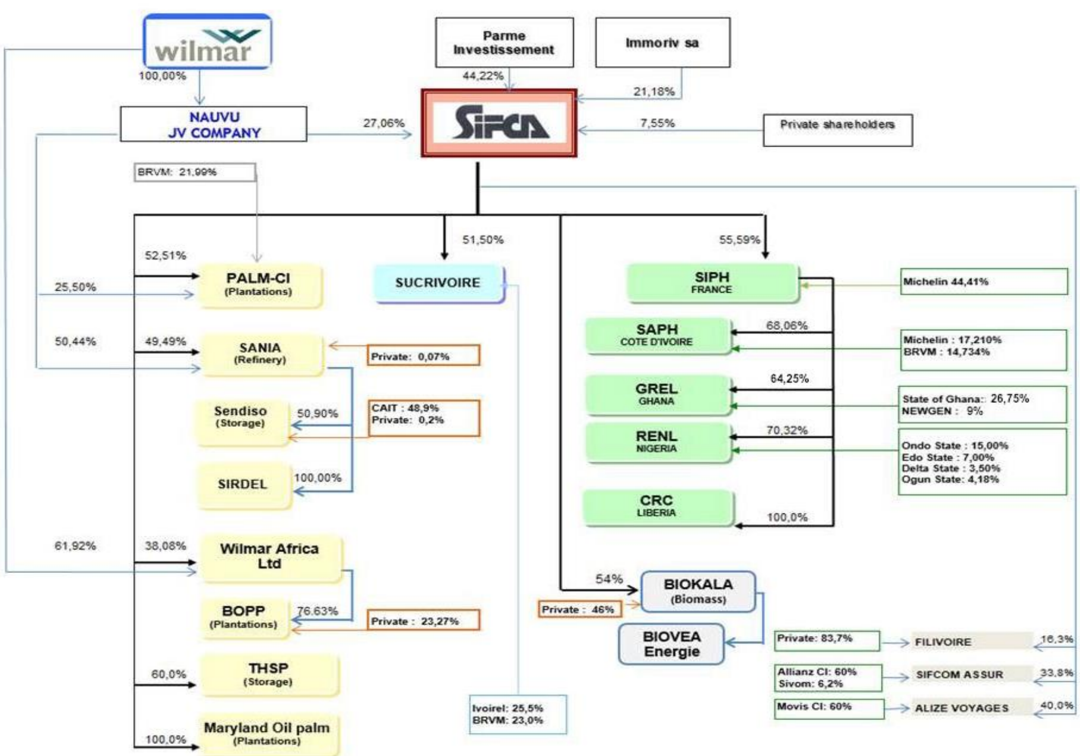
In Côte d'Ivoire and Liberia, Wilmar sources its palm oil supply through the SIFCA Group, which is 27 percent owned by and supported by Wilmar. SIFCA Group is a non-listed Ivorian agro-industry company active in palm oil, rubber, cocoa, cotton, sugar, and coffee. In Côte d'Ivoire, SIFCA Group runs its oil palm plantation operations under Palmci, while in Liberia, SIFCA Group is active in oilseeds through the Maryland Oil Palm Plantation (MOPP).

Wilmar, in response to a draft version of this report, asserted that it "*does not represent the SIFCA Group*" and that "*based on the shareholding structure of SIFCA, the attribution of SIFCA's plantation areas and operations in the draft report in numerous sections to Wilmar is factually inaccurate and misleading*."

CRR considers three reasons that justify linking the actions and operations of SIFCA Group to Wilmar:

1. Wilmar holds a 27.06 percent stake in SIFCA SA through Wilmar's wholly owned investment holding company, Nauvu Investments Pte. Ltd. ("Nauvu"). In 2018, Wilmar bought out Olam's shares in Nauvu (Figure 4);
2. Wilmar sources 100 percent of its palm oil in Côte d'Ivoire from SIFCA's largest African refinery (Sania) and plantations under Palmci;
3. Wilmar's NDPE policy also applies to its minority stakeholders, such as SIFCA. The policy says that "*all provisions in this policy, with no exception, apply to all Wilmar operations worldwide, including those of our subsidiaries, any refinery, mill or plantation that we own, manage, or invest in, regardless of stake*."

Figure 4: Wilmar has 27 percent stake in SIFCA Group



Source: SIFCA Group (2021), Shareholding Chart 31 August 2020. Wilmar responded that several names and numbers are incorrectly represented in SIFCA's shareholding chart. Nauvu is incorrectly reflected as a "JV company." Moreover, the shareholding of Sania is incorrect – Nauvu and SIFCA hold a 50.49 percent and 49.50 percent stake respectively.

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Wilmar directly and indirectly has an estimated 83,714 ha of oil palm planted in Africa, making it the second largest international oil palm plantation operator in Africa after Socfin. This consists of 7,115 ha of oil palm planted area through SIFCA's subsidiary MOPP in Liberia; 39,361 ha through SIFCA's subsidiary Palmci in Côte d'Ivoire; 26,500 ha planted on Biase Plantations of PZ Wilmar in Nigeria; 4,738 ha planted on the Benso Oil Palm Plantation (BOPP) in Ghana through its subsidiary Wilmar Africa Limited; and 6,000 ha in Uganda through BIDCO Uganda, its JV with BIDCO Africa. In response to a draft version of this report, Wilmar indicates the overall estimated area of 83,714 ha is incorrect but does not provide the actual number segregated for its Africa operations.

Despite having an NDPE policy that also applies to Wilmar's associated companies SIFCA, MOPP, and BOPP, Wilmar's operations in Africa have been repeatedly linked to land grabbing, human rights violations, and deforestation. The reported cases of social and environmental impacts from its (linked) African palm oil operations include:

- The RSPO has opened a 2020 case on Wilmar's subsidiary BOPP in Ghana that allegedly destroyed farmers' rubber plantations while expanding its oil palm area. The case is currently under investigation.
- Testimonies of community residents on the situation in and around SIFCA's Palmci oil palm plantations in Côte d'Ivoire since the beginning of the COVID-19 pandemic point to labor rights violations, the lack of access to clean drinking water, and conflicts around security checkpoints.
- In 2018, SIFCA's MOPP plantation in Liberia was allegedly impacting local communities by causing loss of land and livelihoods, damaging sacred sites, and destroying crops and water sources, as well as using state security forces to silence dissent. Deforestation and the loss of vegetation cover have also been reported. There were also allegations of non-compliance on Free, Prior and Informed Consent (FPIC) from local communities and violations of labor rights.
- In 2018, communities in Nigeria's Cross River accused PZ Wilmar (Biase Plantations Limited – BPL) of pollution and land grabbing. Wilmar said that the allegations are false and "not backed by any scientific proofs or concrete documented facts from the community people."
- In 2015, Wilmar's subsidiary Bidco Uganda was sued for land grabs in Uganda, as well as forest loss of an estimated 3,600 ha to make way for the oil palm plantations.
- Also in 2015, Wilmar was accused of land grabs, destroying areas of HCV, and failure to obtain FPIC from local communities of Cross River State in Nigeria.

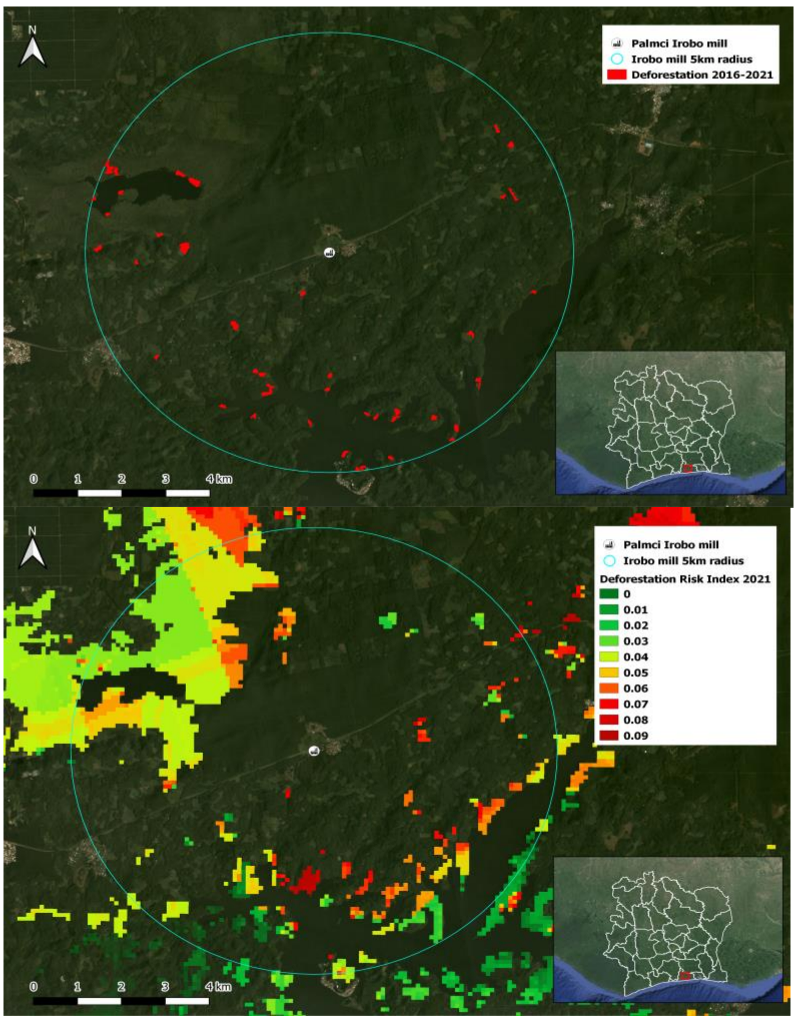
Benchmarking results point to weak social and environmental policies and practices of Wilmar and its linked African palm oil operating companies. The company's 2021 ESG rating by Sustainalytics of 34.3 out of 100 suggests a "high risk." Wilmar is on Robeco's 2021 'exclusion list' for palm oil companies. While Wilmar scored 91.3 percent on the 2021 SPOTT assessment of palm oil companies, 27 percent owned SIFCA group only scores 16.5 percent. SIFCA's operations violate Wilmar's policy to conduct FPIC, by not properly addressing and mitigating SIFCA's ongoing conflicts with local communities. Nevertheless, in 2021, the SIFCA group and Satelligence have signed a partnership agreement for satellite monitoring of deforestation plantations of the group.

Over 200 ha of deforestation potentially linked to Palmci mills in Côte d'Ivoire

CRR estimates that 212 ha of primary forest were cleared between 2016-2021 in a five-kilometer (km) radius around the 10 Palmci mills in Côte d'Ivoire operated by SIFCA (27 percent owned by Wilmar). There is no hard evidence that this deforestation can be directly attributed to Palmci, since SIFCA only publishes the locations of its mills and not the boundaries of its concessions. Moreover, other oil palm growers and farmers with private plantations are near the Palmci mills, and Côte d'Ivoire is also known for its other crop-related deforestation (e.g., cocoa). Nevertheless, considering the proximity of the forest loss to the Palmci mills, a high-risk deforestation index area, and the oil palm cultivation areas, part of this nearby clearing may be attributable to Palmci. Moreover, Palmci may source palm oil from nearby private plantations that are at risk of deforestation.

Figure 5 shows the location of one of the ten mills, Palmci's Irobo mill, and the 42 ha of primary forest loss between 2016-2021 in a five km radius around the mill. The Deforestation Risk Index identifies areas that were at high risk of deforestation in 2021, based on an Early Warning System and several spatial data layers. Buyers of Palmci's Irobo mill include Wilmar, ADM, Bunge, Danone, Fuji Oil, General Mills, Grupo Bimbo, Mondelez, and Unilever.

Figure 5: Deforestation of 42 ha in a five km radius around the Palmci Irobo mill (top image), deforestation high-risk areas around the mill (bottom image)



Source: Aidenvironment, based on Vivid Economics et RSAC, 2021; Imagery © 2020 Planet Labs Inc. Note: Forest loss data of Vivid Economics and RSAC between 2016-2019 was calculated with a lower resolution compared to the data of 2019-2021, implying that the measurements of the latest years have a more advanced detection technique.

Olam, Siat, and Feronia also likely non-compliant with NDPE policies

The third, fourth, and fifth largest oil palm plantation companies in Africa -- Olam, Siat, and Feronia -- are also associated with land grabbing and other social and environmental issues. While they were not assessed in detail for this report, their actions have been highlighted in RSPO's complaints tracker, international and local newspapers, and critical NGOs assessments. For instance, Presco PLC in Nigeria, a subsidiary of Siat, has been accused of "breaching the RSPO Rules on criminal land-grabbing activities, and for breaching the RSPO Rules in the indigenous community in Abraka Kingdom." Other reports on this case point to dispossession of land, intimidation, ignorance of community's FPIC, and failure to perform an environmental and social impact study.

Olam Palm Gabon, a JV between Olam Group and the government of Gabon, is linked to deforestation and land conflicts on its palm oil, rubber, and timber concessions in Gabon. Associated infringements include land dispossession and displacement, labor rights issues, loss of livelihoods, and specific impact on women. The company is currently under investigation by the Forest Stewardship Council (FSC) for potentially breaching FSC rules. A complaint filed by Mighty Earth accuses Olam of conversion of HCV forests and destruction of HCVs caused by Olam's development of palm operations in Gabon. Olam has contested Mighty Earth's allegations. Also, a 2020 report from the World Rainforest Movement accused the company of not following through on zero-deforestation pledges and neglecting the rights of local communities.

Finally, Feronia, a Canadian agribusiness company, has been accused of a series of environmental and human rights abuses in the DRC. The company has received over USD 100 million financing from four European development banks since 2013. The allegations on the company's operating subsidiary Plantations et Huileries du Congo (PHC) include violations of workers' rights, the use of severe violence and associated deaths, as well as dumping toxic waste in the Congo River. Although Feronia sold its shares in PHC to the Mauritius-based private equity company Straight KKM2 (KKM) in November 2020 following bankruptcy, an expert with GRAIN said it is unclear to what extent Feronia still controls the palm oil supply. The company's updated 2022 public website mentions the three plantations Boteka (4,104 ha), Yaligimba (9,076 ha), and Lokutu (11,727 ha) in the DRC. Since the "obscure" and reportedly "even more inept and ruthless" company Straight KKM took over PHC, two people have allegedly been killed in the escalating violence by the company's security staff. The change in ownership did not solve the existing land conflicts.

Numerous commodity traders, FMCGs linked to key African palm companies

Many large commodity traders and fast-moving consumer goods (FMCGs) companies source palm oil from the African continent. They include Bunge, Cargill, Danone, General Mills, Mondelez, Nestle, Upfield, Kellogg, FrieslandCampina, and Grupo Bimbo (Figure 6). They run the risk of being associated with social and environmental liabilities linked to these African growers, such as the cases illustrated above. These associations would not be compliant with their NDPE policies.

Wilmar and Olam also source from Socfin's and Siat's plantations, increasing their risk of being associated with social and environmental impacts described in this report. Wilmar and Olam appear to avoid sourcing from each other (Figure 6). Wilmar sources from Socfin's Plantations Socfinaf Ghana (PSG) and Okomu Palm Oil Company in Nigeria; Siat's operating companies Presco and Siat Nigeria in Nigeria; and Siat's GOPDC plantation in Ghana. Olam also sources from Socfin's Okomu and Socfin's SOGB in Côte d'Ivoire. Moreover, Socfin may also source from Wilmar, Siat, and Olam, but this connection could not be verified since the company has no publicly available palm oil mill supplier lists.

FMCGs linked to escalating cases of land grabbing and violence against local communities are at risk of negative reputation impacts. These buyers include PZ Cussons, FrieslandCampina, Nestlé, Danone, and Kellogg's. Escalating cases particularly include Okomu Palm Oil Company in Nigeria (buyers: FrieslandCampina, Olam, PZ Cussons, Socfin, Wilmar), Socapalm in Cameroon (Nestlé, Danone), Biase Plantations (PZ Cussons, Wilmar), Bidco Uganda (Kellogg's, Wilmar), and Siat's Presco PLC (Avon, Danone, FrieslandCampina, Nestlé, Olam, PZ Cussons, Wilmar).

Figure 6: Traders and FMCGs sourcing from the largest oil palm plantation companies in Africa

Palm producer	Linked plantation companies	Buyers
Socfin	SOGB (CI)	ADM, Avon, Bunge, Fuji Oil, General Mills, Grupo Bimbo, Nestle, Unilever, Mondelez, Olam, Socfin
	PSG (GH)	Socfin, Wilmar
	Safacam (CM)	Cargill, Grupo Bimbo, Johnson & Johnson, Mondelez, PZ Cussons, Socfin, Upfield
	Socapalm (CM)	Nestlé, Danone
	Okomu (NG)	FrieslandCampina, Olam, PZ Cussons, Socfin, Wilmar
Wilmar	Biase Plantations (NG)	PZ Cussons, Wilmar
	Benso Oil – BOPP (GH)	Avon, Grupo Bimbo, Lipidos, Mondelez, PZ Cussons, Wilmar
	Wilmar Africa (GH)	Lipidos, Unilever
	Maryland Oil – MOPP (LR)	Wilmar
	Palmci (CI)	ADM, Bunge, Cargill, Danone, Fuji Oil, General Mills, Grupo Bimbo, Mondelez, Lipidos, Unilever, Wilmar
	Bidco (UG)	Kellogg's, Wilmar
Olam	Olam Gabon (GA)	AAK, Bunge, Cargill, Grupo Bimbo, Johnson & Johnson, Olam, Oleon, P&G, PZ Cussons, Lipidos, Mondelez, Unilever
Siat	Preso PLC (NG)	Avon, Danone, FrieslandCampina, Nestle, Olam, PZ Cussons, Wilmar
	GOPDC (GH)	Grupo Bimbo, Lipidos, Oleon, KLK Oleo, PZ Cussons, Unilever, Upfield, Wilmar
	Siat Nigeria (NG)	PZ Cussons, Wilmar

Source: Most recent public palm mill suppliers lists of each company. Notes: The list may not be exhaustive. Socfin has no publicly available palm oil mill lists of its suppliers. Other operating plantation companies of Socfin (e.g., Agripalma, Brabanta, and SAC) could not be linked to any buyers. No links could be found to Straight KKM/Feronia or its operating company PHC.

Financiers, companies sourcing in Africa face reputation and regulation risk

Stranded asset risk, market access risk, financing risk, and reputation risk could hurt the financiers of African palm oil assets, and their parent companies, that are linked to NDPE violations (Socfin, Wilmar, Olam, Siat, and KKM/Feronia assets). Banks and investors face financial risks by financing companies active in the supply chain of palm oil produced in Africa as some palm oil activities can be linked to deforestation and social and human rights violations. These violations can impact the value of the loans and investments, and/or the reputation of the financier. The value of the loans and investments can be affected through stranded asset risk, market access risk of the violating company involved, financing risk, and reputation risk that impacts the value of the investment. In addition, the reputation of financiers (bank and investor) can be affected, in particular if the financiers have zero-deforestation and/or NDPE policies.

For Wilmar, with African plantations linked to deforestation and other ESG issues, stranded land risk for financiers is limited. Its African assets are relatively small compared to Wilmar's total revenue and net asset base, respectively 6.3 percent and 4.9 percent (2020). Wilmar's ESG benchmark scoring is currently low, and Robeco, an investor with an intense focus on ESG, has put Wilmar on their exclusion lists (see section on Wilmar).

Socfin's exposure to palm oil is high, accounting for 57.2 percent of revenues (2020), while 66 percent of its total revenues are generated in Africa. Of its assets, 76.1 percent is based in Africa. However, as only 6.1 percent of revenues is generated in Europe (meaning imports into Europe are limited), where there will be exposure to upcoming EU supply chain due diligence regulation, the stranded asset risk and market access risk are relatively limited. Socfin has a zero-deforestation commitment, but its large shareholder (39 percent) Bolloré lacks such a policy. In total, financers seem not to be incentivised to act on the level of financial risk.

HSBC and JP Morgan Chase ask their clients to commit to zero-deforestation for various commodities and have overall high scores on social policies, and yet they finance companies linked to NPDE violation. Figure 7 shows total financing (all categories) for all forest-risk categories to Bolloré/Socfin, Wilmar, Olam and Siat (Feronia lacks data) and shows the top 10 financial institutions, of which some are in conflict with their own policies. These banks and investors face reputation risk, while financial risk is limited as the relative exposure to the assets is small. Financiers of these institutions also face reputation risk. Most other financiers listed in Figure 7 have much weaker scores. Forest & Finance data show that European banks have gradually disappeared from this top-10 list. In 2013-2016 there were still three, but from 2017-2021 only one was in the top-10 and have been replaced by Asian banks.

Figure 7: Top 10 financiers of leading African palm oil plantations – 2017-2021

USD millions	Bolloré	Socfin	Olam International	Siat Group	Wilmar*	Grand Total
HSBC	1.2	NA	266.6	NA	86.3	354.0
DBS	NA	NA	136.3	NA	192.5	328.8
Mitsubishi UFJ Financial	NA	NA	192.8	NA	118.9	311.8
JPMorgan Chase	NA	NA	184.8	NA	13.7	198.5
Mizuho Financial	NA	NA	93.2	NA	63.5	156.7
Commonwealth Bank of Australia	NA	NA	53.7	NA	76.3	130.0
Oversea-Chinese Banking Corporation	NA	NA	NA	NA	124.9	124.9
Citigroup	0.7	NA	131.8	NA	14.2	146.7
Temasek	NA	NA	157.1	NA	NA	157.1
SMBC Group	NA	NA	51.0	NA	87.0	138.0
Grand Total	1.9	NA	1,267.3	NA	777.2	2,046.4

*Source: Forests & Finance, viewed January 2022. Identified financing, weighted. Including shares, bonds, loans, under-writing services; 2017-2021; for Feronia, no financing was identified. *Wilmar indicates the information is incorrect but cannot provide CRR "with additional information as this is commercially sensitive information."*

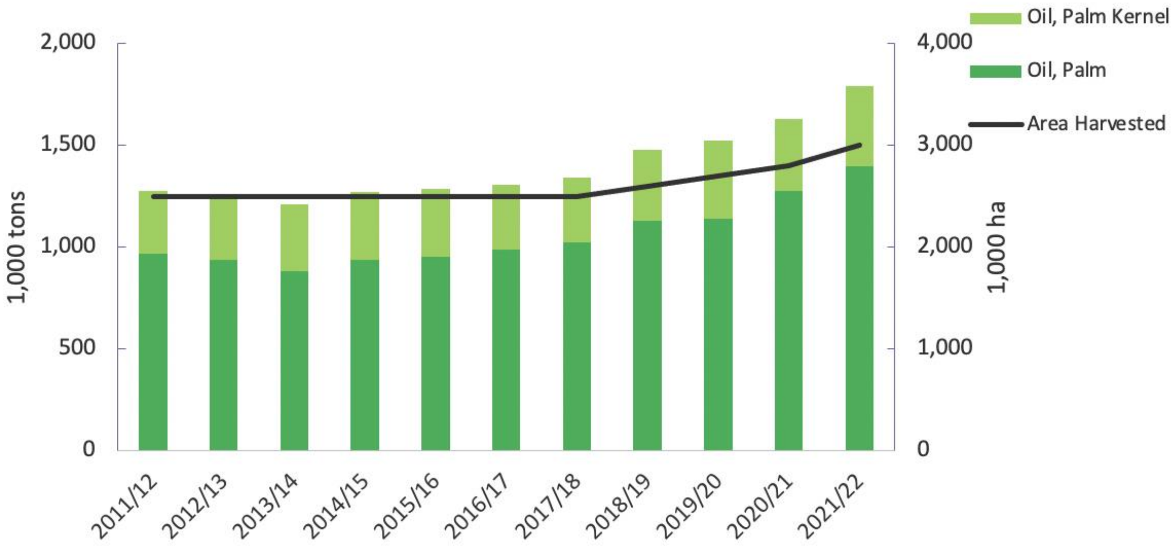
For Feronia, no financing was identified (Figure 7). Feronia's palm oil assets in Africa are now owned by a private equity fund controlled by Kuramo Capital Management (KCM), after Feronia filed for bankruptcy in 2020. Before KCM became controlling shareholder, several European development banks had a majority in the plantations PHC through Feronia. They invested more than USD 150 million in the assets from 2013-2020. KCM holds an 85 percent stake in Straight KKM, which in turn owns 76 percent of the plantation company PHC. The Congolese government owns the remaining 24 percent. Bill & Melinda Gates Foundation Trust, the Royal County of Berkshire Pension Scheme, the South African Government Employees Pension Fund and Public Investment Corporation, and the University of Michigan Endowment are all "major investors" in funds run by KCM. KCM is based in the United States. Through the sale to KCM, the development banks that had been earlier involved in Feronia's assets (UK's CDC Group, Germany's DEG, the Dutch FMO, Belgian, BIO, and the Emerging Africa Investment Fund) agreed to write off a large part of their loans. In February 2022, FMO and the UK, German and Belgian development banks sold their loans with a loss to KCM. FMO said to be disappointed in the ESG achievements by PHC.

The World Bank and development finance institutions (DFIs) have had a role in developing and financing palm oil plantations in Africa. The World Bank has provided loans to the African government to develop palm oil and rubber plantations, a program that already started in the 1970s and 1980s. Socfin and Siat benefited from this program in the 1990s when the World Bank demanded privatization of assets at the moment these plantations ran into financial difficulties. This DFI context has no impact on financial risks for banks and investors.

FMCGs and their financiers may face regulation and reputation risk due to EU regulation. In the supply chain of African palm oil, a number of FMCGs are linked to deforestation and ESG violations when focusing on the specific Wilmar and Socfin plantations. These FMCGs include PZ Cussons, FrieslandCampina, Nestlé, Kellogg's, ADM, Avon, Bunge, Fuji Oil, General Mills, Grupo Bimbo, Unilever, and Mondelez (see Figure 6 and the corresponding text). These companies are financed by a wide range of banks and investors. In the coming years, FMCGs and financial institutions with headquarters in the EU or activities in the EU will be confronted with EU regulation on supply chain due diligence and sustainable financing, all related to the EU Green Deal.

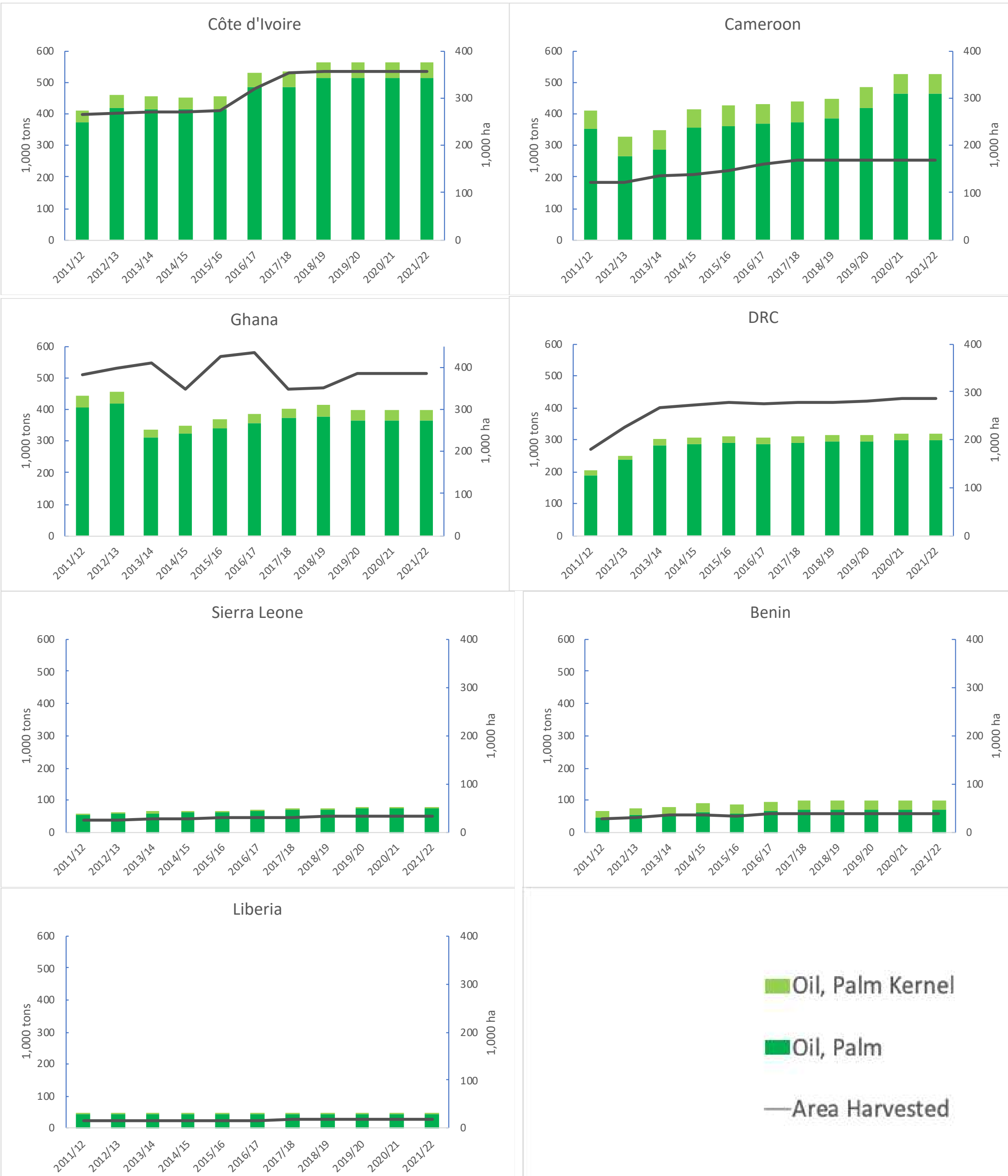
Appendix

Figure A: Nigeria expected growth in palm oil production



Source: USDA FAS (2021), PSD Online

Figure B: Selected African countries and palm oil and kernel production and harvesting



Source: CRR, based on USDA FAS (2021) data, PSD Online

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