

2018

Tycoons

in the Indonesian
palm oil



TABLE OF CONTENTS

	Page
Introduction	2
1. Methodology	3
2. Tycoon-controlled palm oil groups	6
3. The tycoons behind the oil palm groups	8
4. Tycoon control over Indonesian oil palm plantations	10
5. Tycoon control over the future of Indonesian oil palm plantations	18
6. Tycoon control over provincial oil palm landbanks	22
7. Financing of tycoon-controlled expansion	30
8. Banks financing tycoon-controlled groups	33
9. Investors financing tycoon-controlled groups	37
10. Conclusion	30
Endnotes	44

Introduction

In February 2015, TuK Indonesia launched a research report on tycoons in the Indonesian palm oil sector¹. The findings of the research, done by Profundo, have opened many eyes about how big the control of the tycoons is over this sector. It showed how many land banks of undeveloped plantations are under their control, and most importantly, how financiers have helped this power concentration took place.

Many institutions across various sectors referred to the research in their publications. As expected, it also supported the calls of NGOs for an agrarian reform and for a sustainable finance sector. Also, it stimulated the discussion on the importance of developing a downstream industry in palm oil. In addition, the public also was made more aware of the existing conflicts in the palm oil sector, and how the financial sector is also responsible to improve this situation.

TuK INDONESIA believes that many of the tycoons will participate – directly and indirectly - in Indonesia's upcoming elections: the election for the national parliament, provincial assemblies and district assemblies will be held in 2018, and the presidential election will be held in 2019. It has been three years after the launching of the tycoon publication, and TuK believes that it is the best moment to revisit the research and gather the latest information and data on the issue.

Profundo and TuK INDONESIA therefore has undertaken this update of its study on the power of tycoons in the Indonesian palm oil sector. The findings of this (update) research will be used by TuK Indonesia, in to collaboration with others, to identify the connections between the tycoons and politically exposed persons involve in the elections. It will help to provide the public with better information on the candidates promoted by the political parties and in the end, will help the public to make better decisions in using their right to vote.

This is a summary version of a more detailed data set on the overview, ownership, land bank and financing of 25 biggest palm oil groups controlled by the tycoons in Indonesia.

1. | Methodology

Selection of tycoon-controlled palm oil groups

A selection of the 25 most important tycoon-controlled business groups active in the Indonesian palm oil sector was made during the first research in 2014. The selection was based on listed palm oil companies with the largest market capitalization and revenues, as well as their landbanks in Indonesia.

Some of the companies originally selected in 2014, have been taken over by other tycoon-controlled groups or changed their names since

then. Of the 25 groups selected in 2014, 24 groups are still included in this study but two of them are listed under another name.

One group (Bakrie Group) has not been included anymore in this report, because the Bakrie family is no longer controlling a significant share of the shares of this group². A new tycoon-controlled group has been added to this report, which is the Boon Siew Group. Table 1 compares the selection of tycoon-controlled groups made in 2014 with the selection made for this report.

No.	Selection of 25 groups in 2014	Renamed into	Replaced by	Selection of 25 groups in 2018
1	Anglo-Eastern Group			Anglo-Eastern Group
2	Austindo Group			Austindo Group
3	Batu Kawan Group			Batu Kawan Group
4	Bakrie Group		Boon Siew Group	Boon Siew Group
5	Darmex Agro Group			Darmex Agro Group
6	DSN Group			DSN Group
7	Genting Group			Genting Group
8	Gozco Group		Korindo Group	Korindo Group
9	Harita Group			Harita Group
10	IOI Group			IOI Group
11	Jardine Matheson Group			Jardine Matheson Group
12	Kencana Agri Group			Kencana Agri Group
13	Musim Mas Group			Musim Mas Group

No.	Selection of 25 groups in 2014	Renamed into	Replaced by	Selection of 25 groups in 2018
14	Provident Agro			Provident Agro
15	BW Plantations Group	Rajawali Group		Rajawali Group
16	Royal Golden Eagle Group			Royal Golden Eagle Group
17	Salim Group			Salim Group
18	Sampoerna Group			Sampoerna Group
19	Sinar Mas Group			Sinar Mas Group
10	Sungai Budi Group			Sungai Budi Group
21	Surya Dumai Group			Surya Dumai Group
22	Tanjung Lingga Group			Tanjung Lingga Group
23	Tiga Pilar Sejahtera Group	TPS Group		TPS Group
24	Triputra Group			Triputra Group
25	Wilmar Group			Wilmar Group

Table 1. Changes in the selection of 25 tycoon-controlled groups
Selection of tycoon-controlled palm oil groups

Analysis of the tycoons and the groups

For each tycoon-controlled group information is collected on the different activities of the business group, its ownership structure and the background of the tycoon. This information is collected from the latest publicly available annual reports and websites of the companies belonging to the group, company registers, media reports and previous studies. In each chapter covering a different business group, the collected information is summarized in short

sections on the activities of the business group and the tycoon. The ownership structure is represented in graphical form, showing the different (foreign) shell companies the tycoon uses to control the oil palm activities of the business groups.

Analysis of plantation subsidiaries and landbanks

For each tycoon-controlled group information is collected from the latest annual reports and websites of the oil palm holding companies

of the groups, as well from RSPO reports and provincial registers of concession permits on the planted and unplanted landbanks of the group. This information is as far as possible differentiated per province and per plantation subsidiary.

The data on the (planted and unplanted) landbanks of the tycoon-controlled groups are compared with the most recent data from the Indonesian Ministry of Agriculture on the areas planted with oil palm per province and in the whole of Indonesia. No country-wide data are available on the total concession area for oil palm development - planted and unplanted - assigned to plantation companies.

Analysis of the financiers

To make an assessment of the level to which the different tycoons use external funds to facilitate their expansion process, we analysed the balance sheets of the 20 listed palm oil holding companies at the end of 2017, plus 2 of the private holding companies. We looked at how the total assets were financed and more specifically we looked at capital available for expansion. This includes the equity provided by the shareholders, minority interests (which is capital provided by joint-

venture partners) and long-term liabilities available for investments: bank loans and bonds.

Information on financing links between the oil palm holding companies of the tycoon-controlled groups and Indonesian and international banks and investors in the period January 2014 until June 2018 is compiled from annual reports and other publications of the oil palm holding companies, (financial) media and financial databases (Bloomberg, Thomson). All loans and credits provided by each bank in the past eight years are summarized in separate tables for each tycoon-controlled group. Similar tables are provided for the amounts underwritten by each bank for share and bond issuances and for the financial institutions owning bonds and shares in the companies.

Summary and policy consequences

All data compiled in the different chapters for each individual tycoon-controlled group, are summarized and trends are analysed in the summary at the start of this report. This analysis is illustrated by a number of graphs and followed by a brief analysis of policy consequences.

2. | Tycoon-controlled palm oil groups

A selection of the 25 most important tycoon-controlled business groups active in the Indonesian palm oil sector was made during the first research in 2014. The selection was based on the landbanks of privately-owned palm oil groups in Indonesia.

Some of the groups originally selected in the 2014, have been taken over by other groups or changed their name. One business group (Bakrie Group) is no longer tycoon-controlled and the landbank of one other business group (Gozco Group) was reduced recently.

These two groups were replaced by Boon Siew Group and Korindo Group

The resulting selection of 25 tycoon-controlled palm oil groups is presented in Table 2, which also provides an overview of the key result indicators for these business groups and their oil palm holding companies.

Of the 25 oil palm holding companies listed in Table 2, the vast majority (20 companies) is listed on a stock exchange: 9 in Jakarta, 6 in Singapore, 4 in Kuala Lumpur and 1 in London. The other 5 companies are privately-owned.

No.	Business group	Oil palm holding company				
		Name	Stock exchange	Revenues 2017 (US\$ mln)	Profit 2017 (US\$ mln)	CPO production (tonnes)
1.	Sinar Mas Group	Golden Agri-Resources	Singapore	7,508.0	79.1	2,179,000
2.	Jardine Matheson Group	Astra Agro Lestari	Jakarta	1,200.0	143.7	1,633,806
3.	Batu Kawan Group	Kuala Lumpur Kepong	Kuala Lumpur	2,600.0	322.0	992,524
4.	Wilmar Group	Wilmar International	Singapore	43,846.0	1,219.0	907,000
5.	Salim Group	Indofood Agri Resources	Singapore	1,091.0	44.6	842,000
6.	Harita Group	Bumitama Agri	Singapore	563.0	97.0	818,835
7.	IOI Group	IOI Corporation	Kuala Lumpur	1,769.0	362.0	757,949

No.	Business group	Oil palm holding company				
		Name	Stock exchange	Revenues 2017 (US\$ mln)	Profit 2017 (US\$ mln)	CPO production (tonnes)
8.	Surya Dumai Group	First Resources	Singapore	646.9	137.7	702,368
9.	Musim Mas Group	Musim Mas	Private	700.0	n/a	619,000
10.	Royal Golden Eagle Group	Asian Agri	Private	n/a	n/a	501,398
11.	Genting Group	Genting Plantations	Kuala Lumpur	429.9	82.1	437,000
12.	Darmex Agro Group	Darmex Agro	Private	420.0	n/a	432,000
13.	DSN Group	Dharma Satya Nusantara	Jakarta	353.0	40.2	403,600
14.	Anglo-Eastern Group	Anglo-Eastern Plantations	London	291.9	66.4	390,600
15.	Tanjung Lingga Group	Sawit Sumbermas Sarana	Jakarta	223.3	54.5	343,059
16.	Sampoerna Group	Sampoerna Agro	Jakarta	249.0	21.3	322,761
17.	Rajawali Group	Eagle High Plantations	Jakarta	212.0	-13.0	308,473
18.	Triputra Group	Triputra Agro Persada	Private	264.0	6.8	281,000
19.	Sungai Budi Group	Tunas Baru Lampung	Jakarta	618.5	65.7	280,000
20.	Austindo Group	Austindo Nusantara Jaya	Jakarta	161.8	47.4	210,248
21.	Boon Siew Group	Oriental Holdings	Kuala Lumpur	1,508.0	100.6	186,144
22.	Kencana Agri Group	Kencana Agri	Singapore	148.1	5.0	147,716
23.	Korindo Group	Korindo	Private	n/a	n/a	100,000
24.	Provident Agro	Provident Agro	Jakarta	52.0	4.7	74,963
25.	TPS Group	Golden Plantation	Jakarta	14.6	-2.4	15,899

Table 2. Selection of tycoon-controlled palm oil groups

3. The tycoons behind the oil palm groups

Although 20 companies included in Table 2 are listed on a stock exchange, the analyses of the ownership structures revealed that these companies are actually controlled by tycoons and their families. For each company, one or a few controlling tycoons were identified.

The tycoon(s) do(es) not necessarily have the majority shareholding, but they invariably have the largest shareholding which gives them the ability to control the management of the company. In many cases these shareholdings are managed via holding companies in tax havens.

Table 3 provides an overview of the tycoons which were found to control the 25 palm oil groups researched in this report. The country of origin of each tycoon is indicated, as well as his/her net wealth, as far as estimated recently by Forbes and Asia Globe. These wealth estimates are based on all business activities controlled by the tycoons, and not just on their palm oil activities alone.

When we count relatives as one tycoon family, Table 3 lists 26 tycoon families controlling the 25 oil palm groups. Among them are only two tycoon families headed by women, these are Lim Siew Kim of Anglo-Eastern Plantations and Arini Subianto of DSN Group and Triputra Agro Group. The other 25 tycoon families are headed by men, although in some cases female family members are involved in managing the business group.

The total wealth of the 27 tycoon families included in Table 3 can be estimated at over US\$ 88 billion, when taking the highest of Forbes and Jakarta Globe figures and making a conservative estimate for the tycoons not mentioned in these two sources. Even in comparison to the Gross Domestic Product of Indonesia - US\$ 1,016 billion in 2017³ - it is clear that these tycoons control a very considerable wealth.

No.	Group	Tycoon	Country of origin	Net wealth of the tycoon in 2017 (US\$ million)	
				Globe Asia	Forbes
1.	Anglo-Eastern Group	Lim Siew Kim	Malaysia		
2.	Austindo Group	Geoge Santosa Tahija	Indonesia	550	
3.	Batu Kawan Group	Lee Oi Hian	Malaysia		
4.	Boon Siew Group	Loh Kian Chong	Malaysia		210
5.	Darmex Agro Group	Suryadi Darmadi	Indonesia	1,400	
6.	DSN Group	Theodore Permadi Rachmat	Indonesia	4,100	1,500
		Andrianto Oetomo	Indonesia		
		Arini Subianto	Indonesia	980	820
7.	Genting Group	Lim Kok Thay	Malaysia		5,400
8.	Harita Group	Lim Hariyanto Wijaya Sarwono	Indonesia	1,500	790
9.	IOI Group	Lee Shin Cheng	Malaysia		5,600
10.	Jardine Matheson Group	Henry Keswick	Scotland		6,100
11.	Kencana Agri Group	Henry Maknawi	Indonesia		
12.	Korindo Group	Eun-Ho Seung	South-Korea		
13.	Musim Mas Group	Bachtiar Karim	Indonesia	630	900
14.	Provident Agro	Edwin Soeryadjaya	Indonesia	1,950	720
		Sandiaga Uno	Indonesia	300	
15.	Rajawali Group	Peter Sondakh	Indonesia	1,900	1,900
16.	Royal Golden Eagle Group	Sukanto Tanoto	Indonesia	2,700	
17.	Salim Group	Anthony Salim	Indonesia	11,500	6900
18.	Sampoerna Group	Putera Sampoerna	Indonesia	4,300	1,800
19.	Sinar Mas Group	Eka Tjipta Widjaja (deceased in Jan 2019)	Indonesia	13,900	9,100
20.	Sungai Budi Group	Widarto	Indonesia	435	
21.	Surya Dumai Group	Martias Fangiono	Indonesia	1,150	1,400
22.	Tanjung Lingga Group	Abdul Rasyid	Indonesia		
23.	TPS Group	Stefanus Joko Mogoginta	Indonesia		
24.	Triputra Group	Theodore Permadi Rachmat	Indonesia	4,100	1,500
		Arini Subianto	Indonesia	980	820
25.	Wilmar Group	Robert Kuok	Malaysia		13,700
		Khoon Hong Kuok	Malaysia		2,500

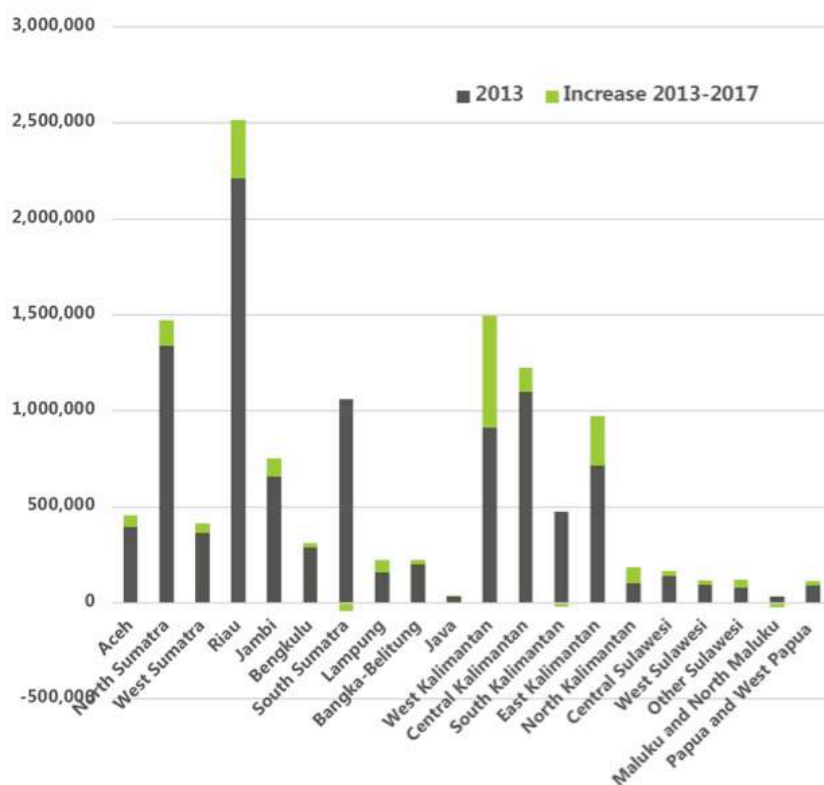
Table 3. Tycoons controlling the 25 oil palm groups

4. Tycoon control over Indonesian oil palm plantations

According to the Indonesian Ministry of Agriculture, the area planted with oil palms in Indonesia increased with 82% in the past ten years, from 6.8 million ha in 2007 to 12.3 million ha in 2017. This equals an increase of 550,000 hectares per year. This means that an area almost as large as Bali is converted into oil palm plantations every year. During the past four years, from 2013 to 2017, the growth of

the Indonesian palm oil sector was only slightly lower: the area planted with oil palm increased with 460,000 hectares per year.⁴

Figure 1 shows how the Indonesian oil palm area is distributed over the different provinces of Indonesia and where the strongest growth took place in the past four years: West Kalimantan, followed by East Kalimantan and Riau.



Source: Indonesian Ministry of Agriculture (2015, May), "Tree Crop Estate Statistics of Indonesia 2013-2015 Palm Oil", Directorate General of Estate Crops, The Indonesian Ministry of Agriculture, Jakarta, Indonesia, p. 9; Indonesian Ministry of Agriculture (2017, September), "Tree Crop Estate Statistics of Indonesia 2015-2017 Palm Oil", Directorate General of Estate Crops, The Indonesian Ministry of Agriculture, Jakarta, Indonesia, p. 11.

Figure 1. Oil palm area increase per province 2013-2017

No.	Province	2013	2015	2017	Increase 2013-2017
1.	Aceh	396.644	428.216	458.619	61.975
2.	North Sumatra	1.340.348	1.427.021	1.474.897	134.549
3.	West Sumatra	364.208	383.385	413.158	48.950
4.	Riau	2.212.757	2.419.889	2.515.605	302.848
5.	Jambi	657.929	714.399	755.522	97.593
6.	Bengkulu	290.633	288.914	311.671	21.038
7.	South Sumatra	1.060.573	952.082	1.020.328	(40.245)
8.	Lampung	158.045	207.868	224.175	66.130
9.	Bangka-Belitung	201.091	211.082	226.378	25.287
10.	Java	33.712	33.367	36.597	2.885
11.	West Kalimantan	914.835	1.144.185	1.497.841	583.006
12.	Central Kalimantan	1.099.692	1.142.004	1.227.874	128.182
13.	South Kalimantan	475.739	421.068	455.674	(20.065)
14.	East Kalimantan	714.211	849.609	973.073	258.862
15.	North Kalimantan	102.046	157.426	185.598	83.552
16.	Central Sulawesi	140.882	151.122	165.714	24.832
17.	West Sulawesi	96.318	108.154	116.500	20.182
18.	Other Sulawesi	81.680	108.601	121.846	40.166
19.	Maluku and North Maluku	33.981	10.050	11.063	(22.918)
20.	Papua and West Papua	89.696	101.833	115.546	25.850
	Total	10.465.020	11.260.277	12.307.677	1.842.657

Source: Indonesian Ministry of Agriculture (2015, May), "Tree Crop Estate Statistics of Indonesia 2013-2015 Palm Oil", Directorate General of Estate Crops, The Indonesian Ministry of Agriculture, Jakarta, Indonesia, p. 9; Indonesian Ministry of Agriculture (2017, September), "Tree Crop Estate Statistics of Indonesia 2015-2017 Palm Oil", Directorate General of Estate Crops, The Indonesian Ministry of Agriculture, Jakarta, Indonesia, p. 10-11.

Table 4. Oil palm area increase per province 2013-2017

Figure 2 shows that the 25 tycoon-controlled groups studied in this report control at least 3.4 million hectares planted with oil palm as of

the end of 2017. This figure is based on information provided by the oil palm groups themselves in annual reports, websites and progress reports

to the Roundtable on Sustainable Palm Oil (RSPO). This equals 28% of the total area planted with oil palm in Indonesia in 2017 (12.3 million hectares). The most important tycoon-controlled groups - in terms of their planted areas - are Sinar Mas Group

(Golden Agri Resources), Salim Group (Indofood Agri Resources), Jardine Matheson Group (Astra Agro Lestari), Surya Dumai Group (First Resources) and Triputra Group (Triputra Agro Persada).

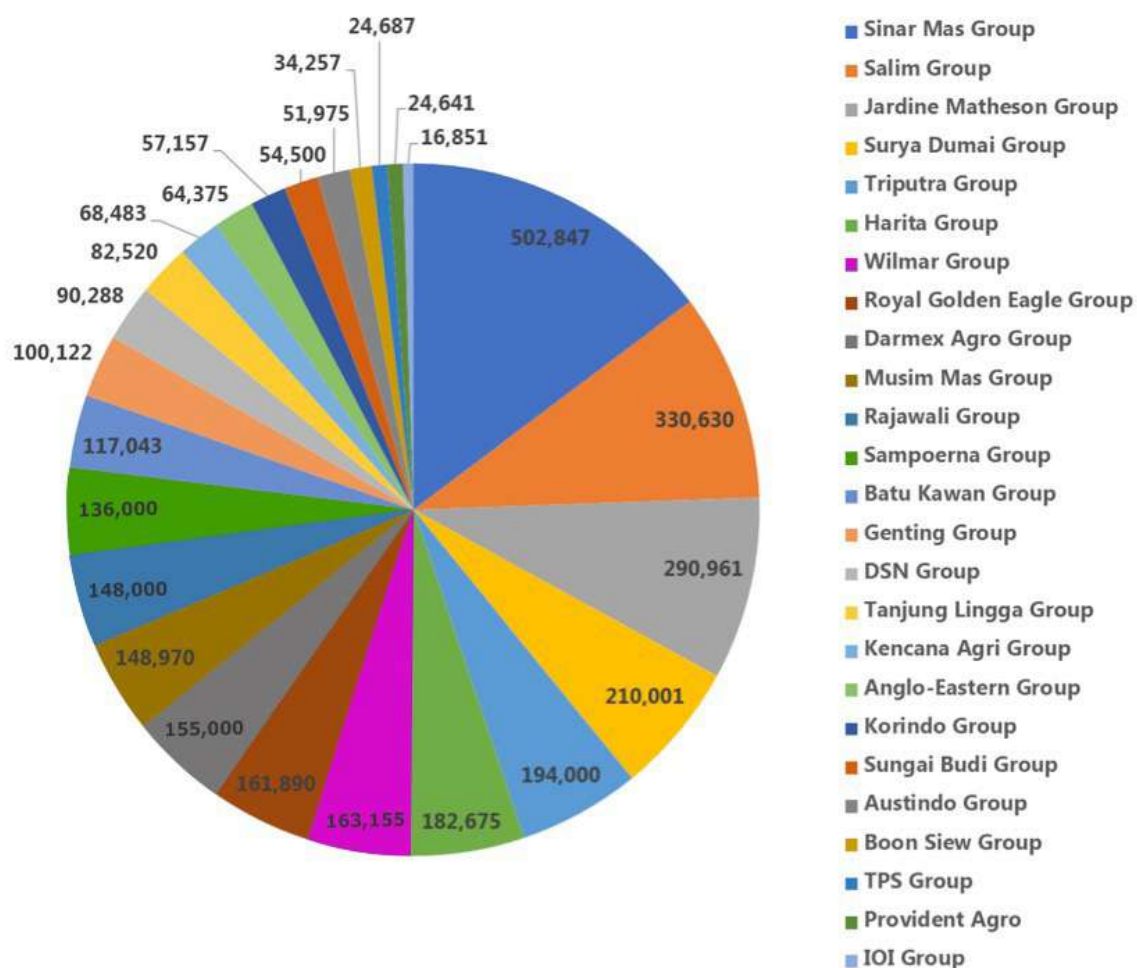


Figure 2. Oil palm areas planted by the 25 groups, end of 2017 (ha)

No.	Group	Area planted with oil palm (ha)
1.	Sinar Mas Group	502.847
2.	Salim Group	330.630
3.	Jardine Matheson Group	290.961
4.	Surya Dumai Group	210.001
5.	Triputra Group	194.000
6.	Harita Group	182.675
7.	Wilmar Group	163.155
8.	Royal Golden Eagle Group	161.890
9.	Darmex Agro Group	155.000
10.	Musim Mas Group	148.970
11.	Rajawali Group	148.000
12.	Sampoerna Group	136.000
13.	Batu Kawan Group	117.043
14.	Genting Group	100.122
15.	DSN Group	90.288
16.	Tanjung Lingga Group	82.520
17.	Kencana Agri Group	68.483
18.	Anglo-Eastern Group	64.375
19.	Korindo Group	57.157
20.	Sungai Budi Group	54.500
21.	Austindo Group	51.975
22.	Boon Siew Group	34.257
23.	TPS Group	24.687
24.	Provident Agro	24.641
25.	IOI Group	16.851
Total area planted		3.411.028

Table 5. Oil palm areas planted by the 25 groups, end of 2017 (ha)

Part of the area planted with oil palm by the 25 tycoon-controlled groups has been developed into plasma plantations, managed by smallholders. These smallholders receive credit and training from the plantation companies and supply their Fresh Fruit Bunches (FFB) to the Crude Palm Oil (CPO) mills of the plantation groups. We therefore consider these plasma plantations as part of the oil palm areas under control of the 25 tycoon-controlled palm oil groups.

We found data on the plasma areas they have developed for 18 of the 25 groups, on average this was 21% of the total area planted with oil palm under their control. In Figure 3 we show the percentages and areas found, whereby we estimate that the remaining 7 groups also have developed 21% of their planted areas into plasma plantations. For all 25 tycoon-controlled groups together, we therefore estimate they have developed 711,603 hectares of plasma plantations. This is 21% of their total area planted with oil palm (3.4 million ha).

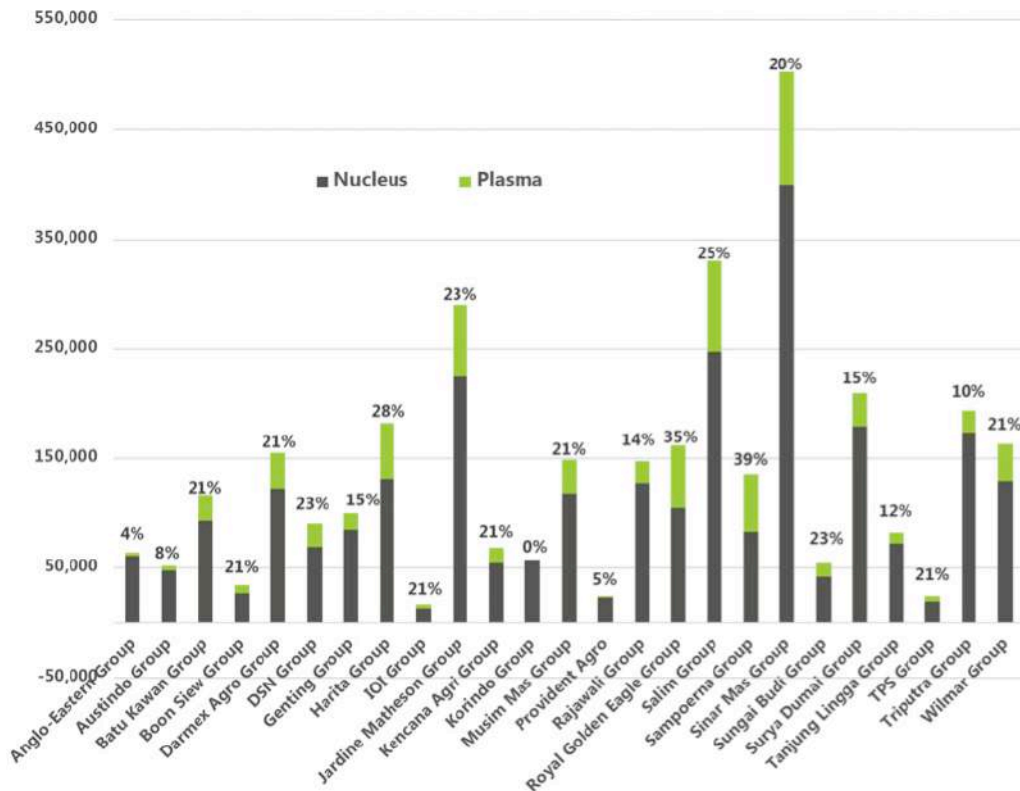


Figure 3. Plasma plantations as percentage of oil palm areas planted by the 25 groups, end of 2017 (ha)

The 25 tycoon-controlled groups do not account for the complete palm oil sector, there are also other companies active in the sector. State-owned companies (such as Perkebunan Nusantara and Sime Darby, as well as roughly 100 other tycoon-controlled groups (e.g. GAMA Group, Djarum Group, Barito Pacific Group, Makin Group Gudang Garam, Prosper Group, Gozo Group, etc.), independent smallholders and small family-owned companies⁵ account

for a large share of the remaining oil palm acreage.

However, the control of the tycoon-controlled palm oil groups over the Indonesian palm oil sector is likely to be much larger than the 28% we now have estimated. For many of the plantation subsidiaries of the tycoon-controlled groups we could not find lanabank figures, although they are likely to own concessions. Also, many groups hide their ownership of certain plantation subsidiaries for

various reasons.⁶ Further research is therefore needed to determine exactly who controls the planted

areas not controlled by the 25 tycoon-controlled groups covered in this report.

No.	Group	Nucleus area (ha)	Plasma area (ha)	Plasma area (%)
1.	Anglo-Eastern Group	61.513	2.862	4%
2.	Austindo Group	47.743	4.232	8%
3.	Batu Kawan Group	92.460	24.583	21%
4.	Boon Siew Group	27.062	7.195	21%
5.	Darmex Agro Group	122.444	32.556	21%
6.	DSN Group	69.368	20.920	23%
7.	Genting Group	84.824	15.298	15%
8.	Harita Group	131.421	51.254	28%
9.	IOI Group	13.312	3.539	21%
10.	Jardine Matheson Group	224.617	66.344	23%
11.	Kencana Agri Group	54.188	14.295	21%
12.	Korindo Group	57.157	-	0%
13.	Musim Mas Group	117.681	31.289	21%
14.	Provident Agro	23.418	1.223	5%
15.	Rajawali Group	128.000	20.000	14%
16.	Royal Golden Eagle Group	104.540	57.350	35%
17.	Salim Group	247.630	83.000	25%
18.	Sampoerna Group	82.900	53.100	39%
19.	Sinar Mas Group	399.995	102.852	20%
20.	Sungai Budi Group	41.832	12.668	23%
21.	Surya Dumai Group	179.521	30.480	15%
22.	Tanjung Lingga Group	72.537	9.983	12%
23.	TPS Group	19.502	5.185	21%
24.	Triputra Group	174.000	20.000	10%
25.	Wilmar Group	128.886	34.269	21%
	Total area planted	2.709.421	701.607	21%

Table 6. Plasma plantations as percentage of oil palm areas planted by the 25 groups, end of 2017 (ha)

Figure 4 shows that the share of the 25 tycoon-controlled palm oil groups in the total area planted with oil palm in Indonesia, stayed more or less equal in the past four years. In our previous study we estimated that 29% of the area planted with oil palms in 2013 was under control of the 25 tycoon-controlled groups, now we

estimate this percentage at 28% for 2017. The planted area under control of the tycoon-controlled groups increased with 83,000 hectares per year in the past four years, 19% of the growth for the country as a whole: 461,000 hectares per year over the past four years.

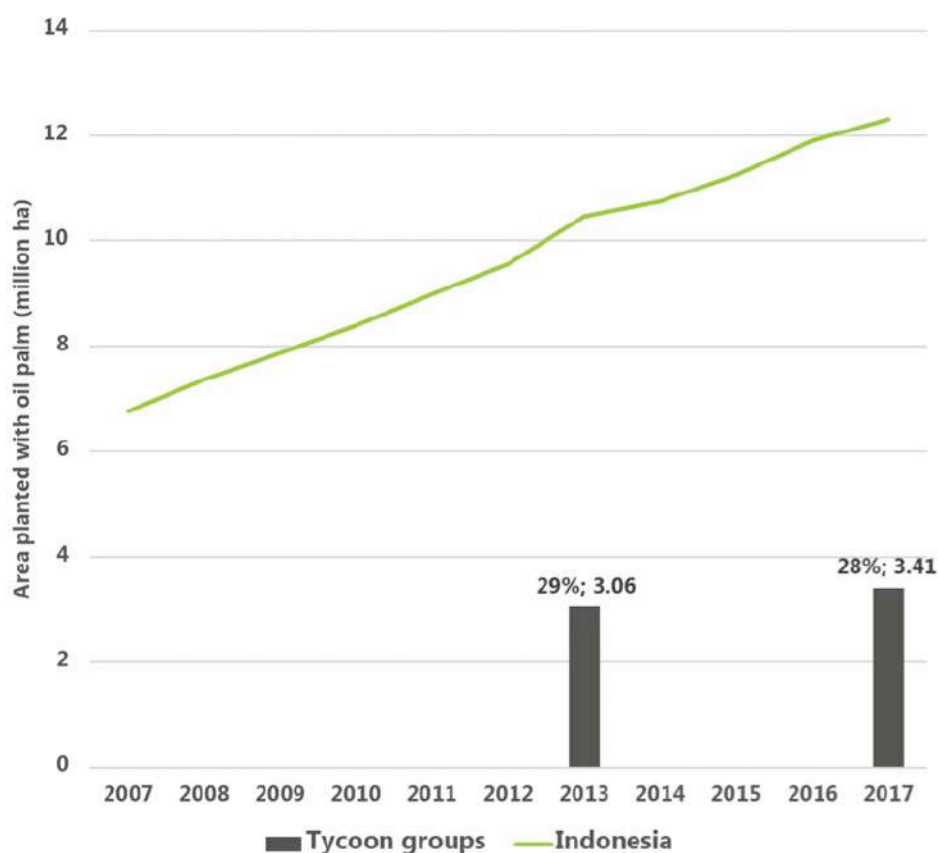


Figure 4. Share of the 25 tycoon-controlled groups in the growth of the Indonesian oil palm plantation acreage



No.	Year	Indonesian oil palm plantation (ha)	Tycoon-controlled oil palm plantations (ha)	%
1.	2007	6.766.836		
2.	2008	7.363.847		
3.	2009	7.873.294		
4.	2010	8.385.394		
5.	2011	8.992.824		
6.	2012	9.572.715		
7.	2013	10.465.020	3.056.454	29%
8.	2014	10.754.801		
9.	2015	11.260.277		
10.	2016	11.914.499		
11.	2017	12.307.677	3.411.028	28%

Table 7. Share of the 25 tycoon-controlled groups in the growth of the Indonesian oil palm plantation acreage



5. Tycoon control over the future of Indonesian oil palm plantations

Figure 5 shows the total Indonesian oil palm landbanks controlled by the 25 tycoon-controlled groups as mentioned in the annual reports of the companies

or in provincial lists with plantation permits⁷. The total Indonesian landbanks controlled by the 25 tycoon-controlled groups add up to 5.8 million hectares.

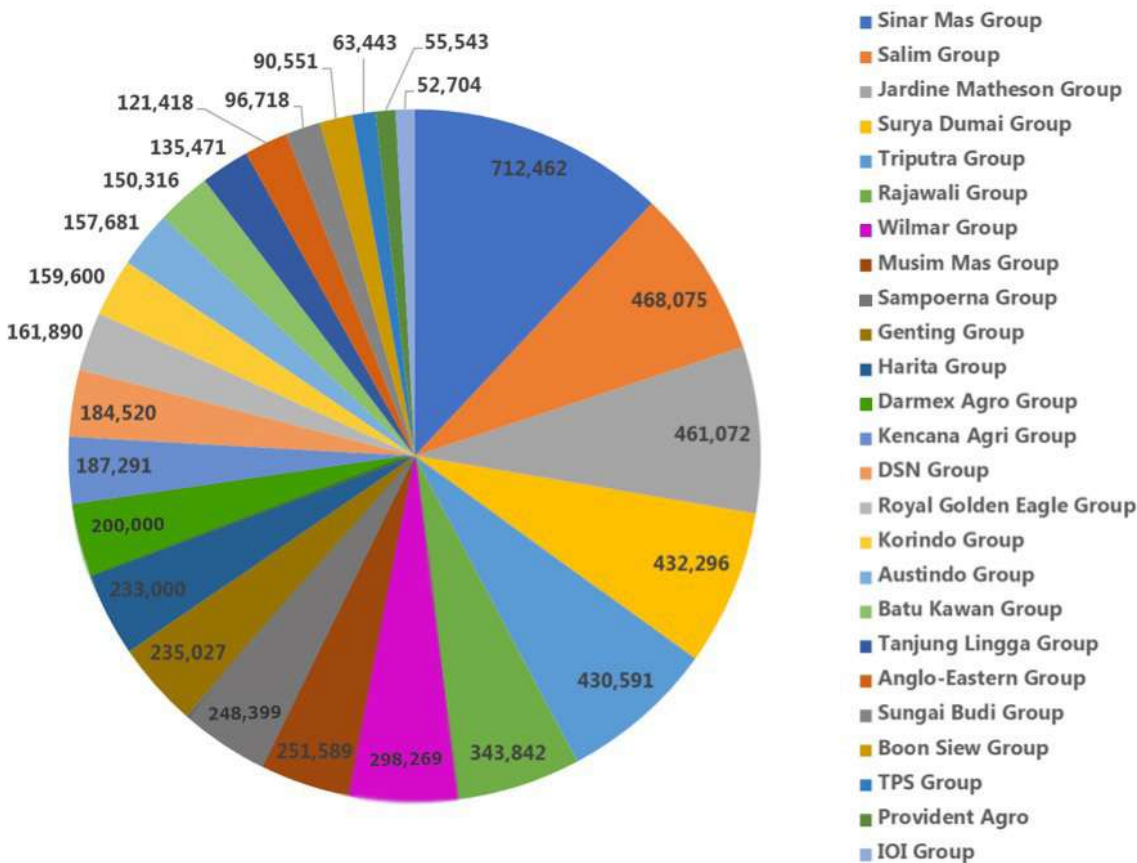


Figure 5. Total oil palm landbanks of the 25 groups, end of 2017 (ha)

No.	Group	Total oil palm landbank (ha)
1.	Sinar Mas Group	712,462
2.	Salim Group	468,075
3.	Jardine Matheson Group	461,072
4.	Surya Dumai Group	432,296
5.	Triputra Group	430,591
6.	Rajawali Group	343,842
7.	Wilmar Group	298,269
8.	Musim Mas Group	251,589
9.	Sampoerna Group	248,399
10.	Genting Group	235,027
11.	Harita Group	233,000
12.	Darmex Agro Group	200,000
13.	Kencana Agri Group	187,291
14.	DSN Group	184,520
15.	Royal Golden Eagle Group	161,890
16.	Korindo Group	159,600
17.	Austindo Group	157,681
18.	Batu Kawan Group	150,316
19.	Tanjung Lingga Group	135,471
20.	Anglo-Eastern Group	121,418
21.	Sungai Budi Group	96,718
22.	Boon Siew Group	90,551
23.	TPS Group	63,443
24.	Provident Agro	55,543
25.	IOI Group	52,704
Total for 25 groups		5,931,768

Table 8. Total oil palm landbanks of the 25 groups, end of 2017 (ha)

At the end of 2017, the 25 tycoon-controlled groups together developed only 58% of their palm oil land banks in Indonesia. This means that there are approximately 2.5 million hectares of undeveloped landbanks under the control of these 25 groups, which will be developed into oil palm plantations.

Figure 6 shows the Indonesian landbanks controlled by each group, differentiating between areas planted with oil palm and unplanted landbanks. The percentages indicate which part of the landbank of each tycoon-controlled group is not yet developed. The tycoon-controlled groups with the largest undeveloped landbanks are Triputra Group (236,591 ha), Surya Dumai Group (222,295 ha), Sinar Mas Group (209,615 ha) and Rajawali Group (195,842 ha).



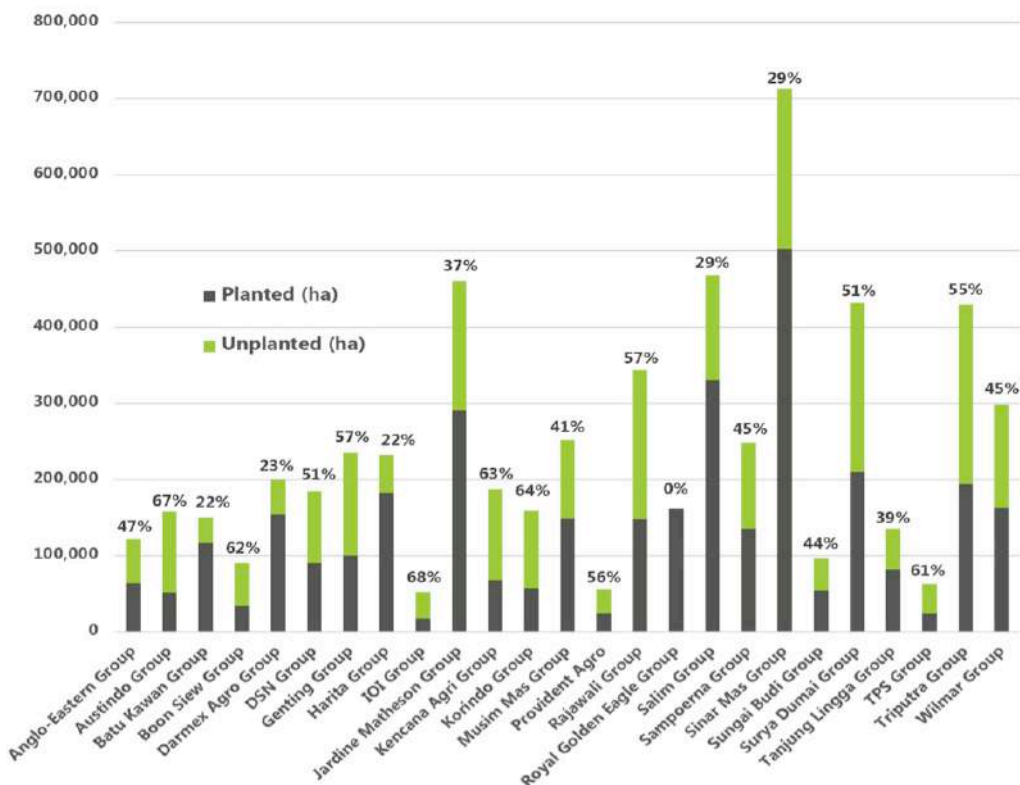


Figure 6. Planted and unplanted landbanks of the 25 tycoon-controlled groups (ha and unplanted %)

No.	Group	Oil palm landbank (ha)	Unplanted (ha)	Unplanted (%)
1.	Anglo-Eastern Group	121,418	57,043	47%
2.	Austindo Group	157,681	105,706	67%
3.	Batu Kawan Group	150,316	33,273	22%
4.	Boon Siew Group	90,551	56,294	62%
5.	Darmex Agro Group	200,000	45,000	23%
6.	DSN Group	184,520	94,232	51%
7.	Genting Group	235,027	134,905	57%
8.	Harita Group	233,000	50,325	22%
9.	IOI Group	52,704	35,853	68%
10.	Jardine Matheson Group	461,072	170,111	37%

No.	Group	Oil palm landbank (ha)	Unplanted (ha)	Unplanted (%)
11.	Kencana Agri Group	187,291	118,808	63%
12.	Korindo Group	159,600	102,443	64%
13.	Musim Mas Group	251,589	102,619	41%
14.	Provident Agro	55,543	30,902	56%
15.	Rajawali Group	343,842	195,842	57%
16.	Royal Golden Eagle Group	161,890	0	0%
17.	Salim Group	468,075	137,445	29%
18.	Sampoerna Group	248,399	112,399	45%
19.	Sinar Mas Group	712,462	209,615	29%
20.	Sungai Budi Group	96,718	42,218	44%
21.	Surya Dumai Group	432,296	222,295	51%
22.	Tanjung Lingga Group	135,471	52,951	39%
23.	TPS Group	63,443	38,756	61%
24.	Triputra Group	430,591	236,591	55%
25.	Wilmar Group	298,269	135,114	45%
	Total for 25 groups	5,931,768	2,520,740	42%

Table 9. Planted and unplanted landbanks of the 25 tycoon-controlled groups (ha and unplanted %)

If the 2.5 million hectares of unplanted landbanks controlled by these 25 tycoon-controlled groups would be developed in the coming years, the area planted with oil palms in Indonesia would increase with another 20% to approximately 14.8 million hectares, creating further social and environmental problems.

The share of the total planted area controlled by the 25 tycoon-controlled groups would thereby increase from 28% to 40%.



6. Tycoon control over provincial oil palm landbanks

While the 25 tycoon-controlled groups control a significant part of the total oil palm landbanks in Indonesia as a whole, their control varies strongly on the provincial level. Figure 7 shows how the oil palm landbanks of the 25 tycoon-controlled groups are distributed over

the different provinces in Indonesia. It shows that 55% of the landbanks of the 25 tycoon-controlled groups are located on Kalimantan, while 32% is located on Sumatra, 7% on Papua and 3% on Sulawesi. West Kalimantan, Central Kalimantan and Riau are the provinces with the largest tycoon-controlled landbanks

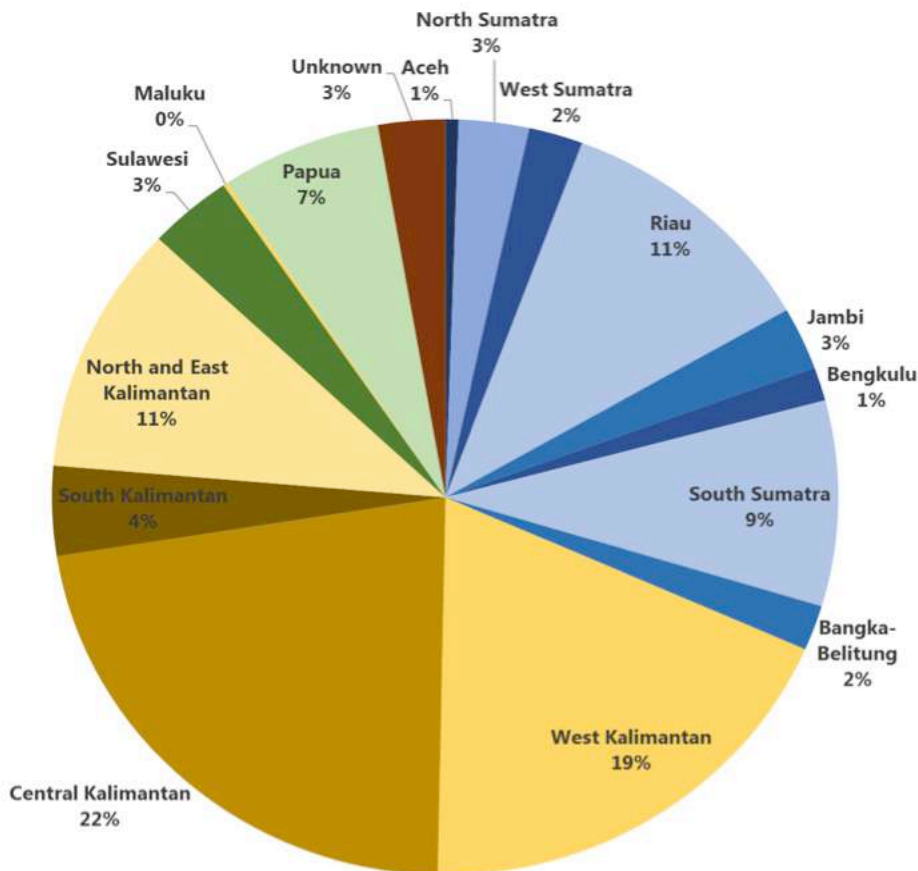


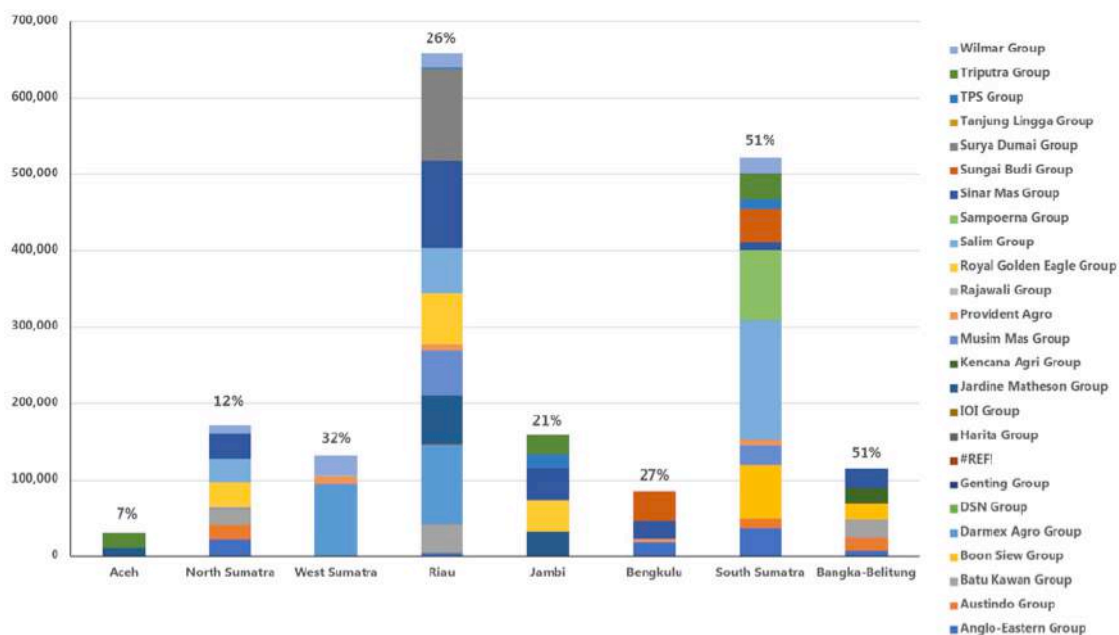
Figure 7. Tycoon-controlled oil palm landbanks by Indonesian province

No.	Province	Oil palm landbank (ha)	%
1.	Aceh	31,683	1%
2.	North Sumatra	171,975	3%
3.	West Sumatra	132,060	2%
4.	Riau	657,722	11%
5.	Jambi	159,104	3%
6.	Bengkulu	85,476	1%
7.	South Sumatra	521,049	9%
8.	Bangka-Belitung	114,946	2%
9.	West Kalimantan	1,110,503	19%
10.	Central Kalimantan	1,316,206	22%
11.	South Kalimantan	227,791	4%
12.	North and East Kalimantan	631,752	11%
13.	Sulawesi	205,719	3%
14.	Maluku and North Maluku	11,000	0%
15.	Papua	391,372	7%
16.	Unknown	163,410	3%
	Total	5,931,768	100%

Table 10. Tycoon-controlled oil palm landbanks by Indonesian province

Figure 8 shows the oil palm landbanks controlled by the 25 tycoon-controlled groups in the provinces on the island Sumatra, including Bangka-Belitung. The figure shows the sizes of the tycoon-controlled landbanks (planted and unplanted) in hectares and compares these landbanks with the present planted oil palm area in each province (as a percentage above each bar). The highest percentages can be found in the provinces of Bangka-Belitung (51%) and South Sumatra (55%).





Note: The percentages above each bar compare tycoon-controlled landbanks (planted and unplanted) to planted oil palm areas in each province in 2017.

Figure 8. Tycoon-controlled oil palm landbanks on Sumatra

No.	Group	Aceh	North Sumatra	West Sumatra	Riau	Jambi	Bengkulu	South Sumatra	Bangka-Belitung
1.	Anglo-Eastern Group	0	21,940	0	5,032	0	18,525	37,300	8,254
2.	Austindo Group	0	19,366	0	0	0	0	12,800	16,307
3.	Batu Kawan Group	0	21,372	0	36,997	0	0	0	24,381
4.	Boon Siew Group	0	0	0	0	0	0	70,551	20,000
5.	Darmex Agro Group	0	0	95,603	104,397	0	0	0	0
6.	DSN Group	0	0	0	0	0	0	0	0
7.	Genting Group	0	0	0	0	0	0	0	0
8.	Harita Group	0	0	0	2,400	0	0	0	0
9.	IOI Group	0	0	0	0	0	0	0	0
10.	Jardine Matheson Group	11,744	0	0	62,635	33,178	0	0	0
11.	Kencana Agri Group	0	0	0	0	0	0	0	20,731

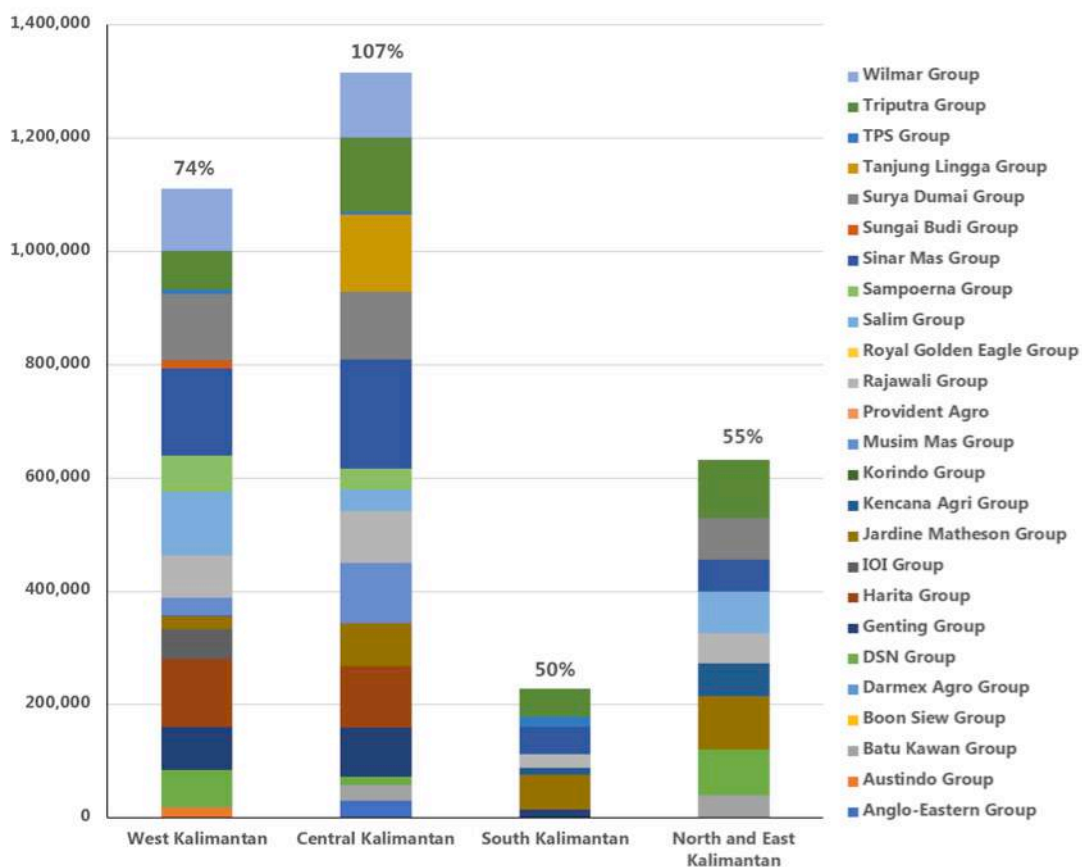
No.	Group	Aceh	North Sumatra	West Sumatra	Riau	Jambi	Bengkulu	South Sumatra	Bangka-Belitung
12.	Korindo Group	0	0	0	0	0	0	0	0
13.	Musim Mas Group	0	895	0	57,869	0	0	25,091	0
14.	Provident Agro	0	0	8,625	8,716	0	3,641	7,208	0
15.	Rajawali Group	0	0	2,172	0	0	0	0	0
16.	Royal Golden Eagle Group	0	34,319	0	66,734	41,292	0	0	0
17.	Salim Group	0	30,000	0	58,468	0	0	156,000	0
18.	Sampoerna Group	0	0	0	0	0	0	92,049	0
19.	Sinar Mas Group	0	32,885	0	114,018	40,995	23,445	9,791	25,273
20.	Sungai Budi Group	0	0	0	0	0	39,865	43,353	0
21.	Surya Dumai Group	0	0	0	120,981	0	0	0	0
22.	Tanjung Lingga Group	0	0	0	0	0	0	0	0
23.	TPS Group	0	0	0	2,086	18,029	0	13,284	0
24.	Triputra Group	19,939	0	0	0	25,610	0	33,061	0
25.	Wilmar Group	0	11,198	25,660	17,389	0	0	20,561	0
	Tycoon-controlled landbank	31,683	171,975	132,060	657,722	159,104	85,476	521,049	114,946
	Total planted	458,619	1,474,897	413,158	2,493,176	755,522	311,671	1,020,328	226,378
	Share*	7%	12%	32%	26%	21%	27%	51%	51%

* The share compares tycoon-controlled landbanks (planted and unplanted) to planted oil palm area in each province in 2017.

Table 11. Tycoon-controlled oil palm landbanks on Sumatra

The dominance of the 25-controlled groups is much stronger on Kalimantan compared to Sumatra, as shown in Figure 9. In the Kalimantan provinces, the 25 tycoon-controlled groups control a very significant part of the total oil palm landbank. The figure shows the sizes of the tycoon-controlled landbanks (planted and unplanted) in hectares and compares these landbanks with the present planted oil palm area in the province

(as a percentage). As the tycoon-controlled landbanks also include unplanted concession areas, these percentages are relatively high, as is the case in West Kalimantan and Central Kalimantan. On average, the oil palm landbank on Kalimantan controlled by the 25 tycoon-controlled groups equals 76% of the present area planted with oil palms on Kalimantan.



Note: The percentages above each bar compare the tycoon-controlled landbanks (planted and unplanted) to the planted oil palm areas in each province in 2017.

Figure 9. Tycoon-controlled oil palm landbanks on Kalimantan

No.	Group	West Kalimantan	Central Kalimantan	South Kalimantan	North and East Kalimantan
1.	Anglo-Eastern Group	0	30,367	0	0
2.	Austindo Group	17,998	0	0	0
3.	Batu Kawan Group	0	27,752	0	39,814
4.	Boon Siew Group	0	0	0	0
5.	Darmex Agro Group	0	0	0	0
6.	DSN Group	67,000	15,153	0	80,650
7.	Genting Group	76,115	85,993	14,661	0
8.	Harita Group	119,526	108,313	0	0

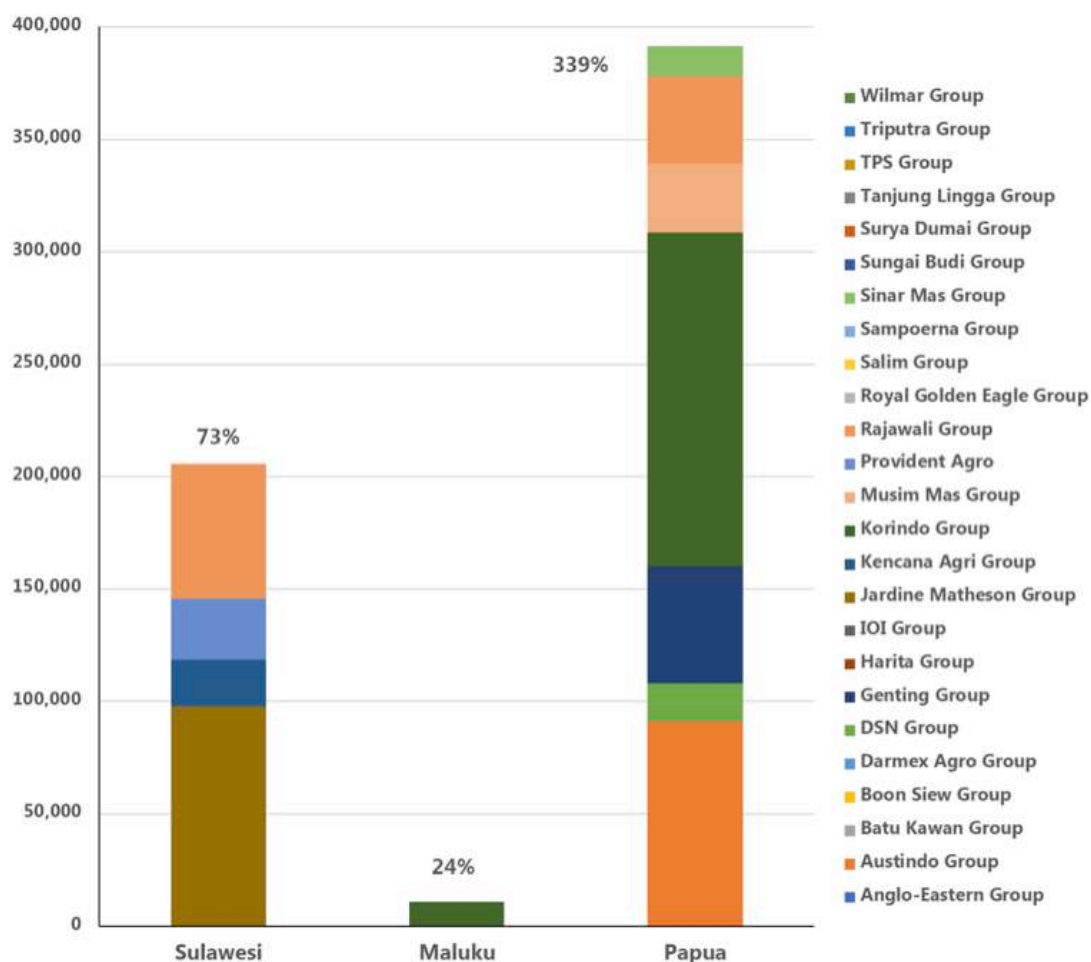
No.	Group	West Kalimantan	Central Kalimantan	South Kalimantan	North and East Kalimantan
9.	IOI Group	52,704	0	0	0
10.	Jardine Matheson Group	22,952	76,460	61,932	94,450
11.	Kencana Agri Group	1,500	0	12,339	57,500
12.	Korindo Group	0	0	0	0
13.	Musim Mas Group	30,700	106,194	0	0
14.	Provident Agro	0	0	0	0
15.	Rajawali Group	74,400	91,465	23,056	54,087
16.	Royal Golden Eagle Group	0	0	0	0
17.	Salim Group	113,015	37,200	0	73,392
18.	Sampoerna Group	63,274	37,800	0	0
19.	Sinar Mas Group	155,163	192,545	48,741	56,271
20.	Sungai Budi Group	13,500	0	0	0
21.	Surya Dumai Group	117,484	120,000	0	73,831
22.	Tanjung Lingga Group	0	135,471	0	0
23.	TPS Group	7,658	4,822	17,562	0
24.	Triputra Group	68,404	132,320	49,500	101,757
25.	Wilmar Group	109,110	114,351	0	0
	Tycoon-controlled landbank	1,110,503	1,316,206	227,791	631,752
	Total planted	1,497,841	1,227,874	455,674	1,158,671
	Share*	74%	107%	50%	55%

* The share compares tycoon-controlled landbanks (planted and unplanted) to planted oil palm area in each province in 2017.

Table 12. Tycoon-controlled oil palm landbanks on Kalimantan

Papua, Maluku and Sulawesi are considered as frontier areas for the development of palm oil plantations. This study shows an extremely high dominance of the 25 tycoon-controlled groups on these islands. Figure 10 shows the oil palm landbanks controlled by the 25

tycoon-controlled groups in Sulawesi and Papua. The figure shows that the size of the tycoon-controlled landbanks (planted and unplanted) on these islands is considerably larger than the present planted oil palm area on the islands.



Note: The percentages above each bar compare tycoon-controlled landbanks (planted and unplanted) to the planted oil palm areas on each island or group of islands in 2017.

Figure 10. Tycoon-controlled oil palm landbanks on Sulawesi and Papua

In Papua the tycoon-controlled groups control landbanks with a total size more than triple the current planted palm oil plantations (339%), while in Sulawesi the tycoon-controlled groups control landbanks with a total size almost equal to the size of the current planted palm oil plantations (73%). In Maluku, the tycoon-control is lower (24%).

The percentages are calculated from the total tycoon-controlled landbanks (including planted and unplanted) and compares these landbanks with the present planted oil palm area on each island. These figures show that palm oil plantation development in Sulawesi and Papua is almost exclusively in the hands of tycoon-controlled groups.

N0.	Group	Sulawesi	Maluku	Papua
1.	Anglo-Eastern Group	0	0	0
2.	Austindo Group	0	0	91,209
3.	Batu Kawan Group	0	0	0
4.	Boon Siew Group	0	0	0
5.	Darmex Agro Group	0	0	0
6.	DSN Group	0	0	16,726
7.	Genting Group	0	0	52,000
8.	Harita Group	0	0	0
9.	IOI Group	0	0	0
10.	Jardine Matheson Group	97,721	0	0
11.	Kencana Agri Group	20,645	0	0
12.	Korindo Group	0	11,000	148,600
13.	Musim Mas Group	0	0	30,840
14.	Provident Agro	27,353	0	0
15.	Rajawali Group	60,000	0	38,662
16.	Royal Golden Eagle Group	0	0	0
17.	Salim Group	0	0	0
18.	Sampoerna Group	0	0	0
19.	Sinar Mas Group	0	0	13,335
20.	Sungai Budi Group	0	0	0
21.	Surya Dumai Group	0	0	0
22.	Tanjung Lingga Group	0	0	0
23.	TPS Group	0	0	0
24.	Triputra Group	0	0	0
25.	Wilmar Group	0	0	0
	Tycoon-controlled landbank	205,719	11,000	391,372
	Total planted	282,214	45,014	115,546
	Share*	73%	24%	339%

* The share compares tycoon-controlled landbanks (planted and unplanted) to planted oil palm area in each province in 2017.

Table 13. Tycoon-controlled oil palm landbanks on Sulawesi and Papua

7. | Financing of tycoon-controlled expansion

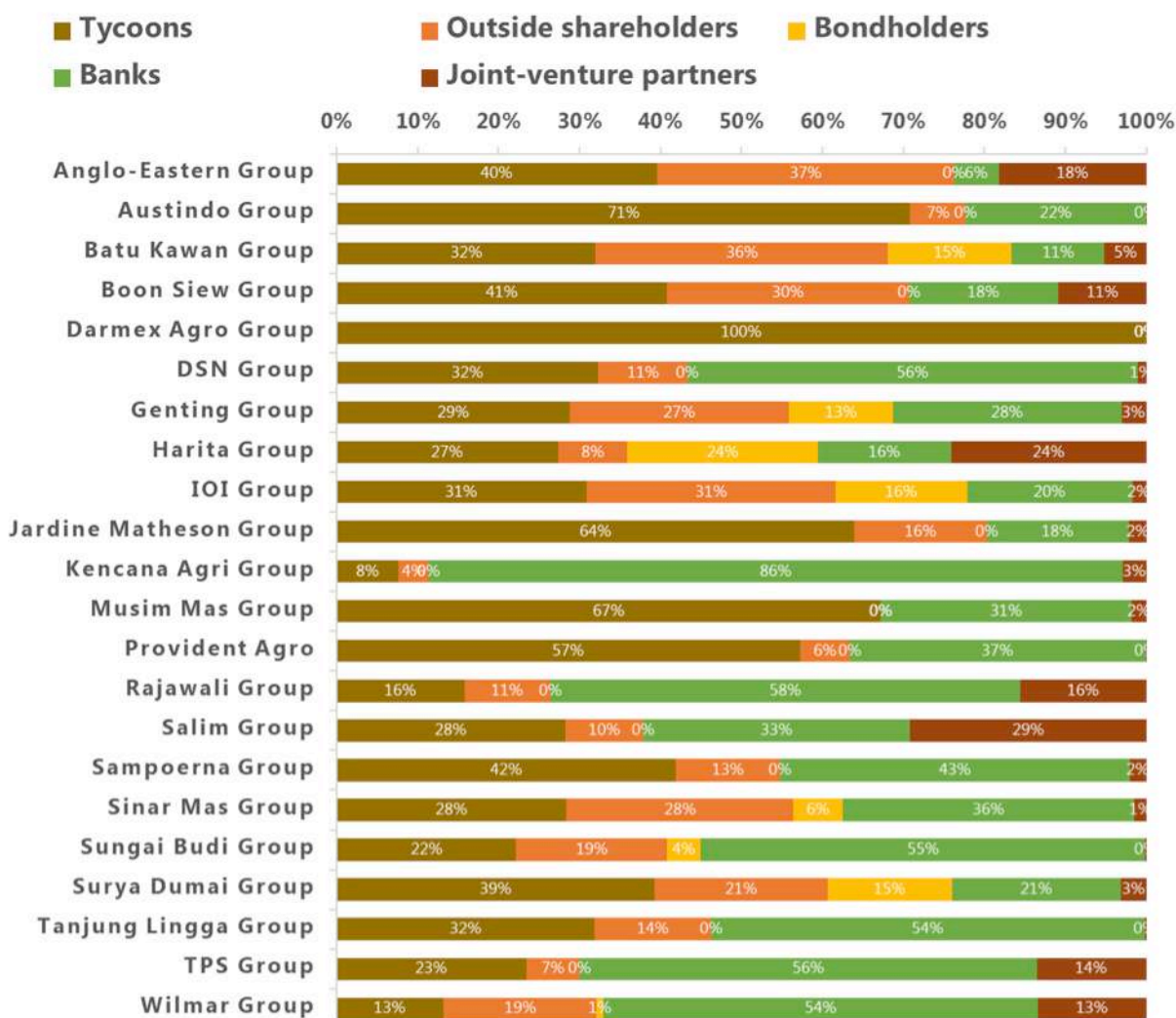
Although the 25 oil palm groups analysed in this report are all controlled by tycoons, they don't rely solely on the wealth of the tycoons to finance their further expansion. Of the 25 palm oil holding companies, 20 are listed on a stock exchange which means that they have attracted - and continue to attract - capital by issuing shares to private and institutional investors such as pension funds and asset managers. Some companies also issued bonds, mainly to institutional investors as well. And all palm oil companies have attracted bank loans.

To make an assessment of the level to which the different tycoons use external funds to facilitate their expansion process, we analysed the balance sheets of the 20 listed palm oil holding companies at the end of 2017 and 2 private holding companies. We looked at capital available for expansion, which includes the equity provided by the shareholders, minority interests (which is capital provided by joint-venture partners) and long-term liabilities available for investments: bank loans and bonds.

As shown in Figure 11, expansion capital is coming from the tycoons themselves (up to 100%), from outside shareholders such as pension funds and asset managers (up to 37%) and for some companies from bondholders, which are also pension funds and asset managers (up to 24%). On average, the tycoons financed 31% of the expansion capital available to the 22 analyzed palm oil holding companies, outside shareholders financed 18% and bondholders financed 5%.

Bank loans play a significant role for most companies, ranging from 0% to as much as 86% of all capital available for expansion. On average, banks were the most important financial stakeholders for the 22 analyzed palm oil holding companies, financing 35% of their expansion capital.

Joint-ventures with other palm companies also bring in significant funds for some companies (up to 29%). On average, they contribute 11% to the expansion capital of the 22 analyzed oil palm holding companies.



Source: Calculations are based on the annual reports of the listed palm oil holding companies of the groups.

Note: The total percentage for each group is derived from rounding up all components of financing, hence the figure can reach to more than 100%

Figure 11. Sources of expansion capital for 21 tycoon-controlled groups

No.	Group	Tycoons	Outside shareholders	Bond-holders	Banks	Joint-venture partners
1.	Anglo-Eastern Group	40%	37%	0%	6%	18%
2.	Austindo Group	71%	7%	0%	22%	0%
3.	Batu Kawan Group	32%	36%	15%	11%	5%
4.	Boon Siew Group	41%	30%	0%	18%	11%
5.	Darmex Agro Group	100%	0%	0%	0%	0%
6.	DSN Group	32%	11%	0%	56%	1%
7.	Genting Group	29%	27%	13%	28%	3%
8.	Harita Group	27%	8%	24%	16%	24%
9.	IOI Group	31%	31%	16%	20%	2%
10.	Jardine Matheson Group	64%	16%	0%	18%	2%
11.	Kencana Agri Group	8%	4%	0%	86%	3%
12.	Musim Mas Group	67%	0%	0%	31%	2%
13.	Provident Agro	57%	6%	0%	37%	0%
14.	Rajawali Group	16%	11%	0%	58%	16%
15.	Salim Group	28%	10%	0%	33%	29%
16.	Sampoerna Group	42%	13%	0%	43%	2%
17.	Sinar Mas Group	28%	28%	6%	36%	1%
18.	Sungai Budi Group	22%	19%	4%	55%	0%
19.	Surya Dumai Group	39%	21%	15%	21%	3%
20.	Tanjung Lingga Group	32%	14%	0%	54%	0%
21.	TPS Group	23%	7%	0%	56%	14%
22.	Wilmar Group	13%	19%	1%	54%	13%
23.	Weighted average	31%	18%	5%	35%	11%

Table 14. Sources of expansion capital for 21 tycoon-controlled groups

Bank loans and investments in shares and bonds by institutional investors enable the tycoons to invest more capital than they would be able otherwise, thereby accelerating the growth of the tycoon-controlled groups. Consequently, this growth

generates a strong cash-flow which is at the disposal of the tycoons to invest in further growth. While the tycoons control the expansion process of the oil palm sector, the funds of banks and institutional investors offer them a flywheel to accelerate their expansion.

8. Banks financing tycoon-controlled groups

Most tycoon-controlled oil palm groups attract bank loans to facilitate and accelerate their expansion process. Also, many of them regularly hire investment banks to help them sell new shares and bonds to investors to attract new capital for expansion. The investment banks then guarantee (“underwrite”) that they will find investors for a certain volume of shares and bonds for a given price.

As is shown in Figure 12, banks have helped tycoon-controlled oil palm groups to attract considerable amounts of capital during the past eight years, through providing loans themselves and by underwriting shares and bonds sold to investors

by the companies. For the period 2010 until 2018, this study identified loans with a total value of US\$ 19.4 billion provided by banks to the palm oil activities of 19 tycoon-controlled groups. In the same period, investment banks have underwritten share and bond issuances for the palm oil activities of 15 tycoon-controlled groups for a total value of US\$ 8.0 billion. This means that the banks helped the listed holding companies of these groups to attract this amount from investors.

Figure 12 presents the data we could find on bank financing (loans and underwriting) for 21 tycoon-controlled groups. For 4 tycoon-controlled groups we could not find data on bank

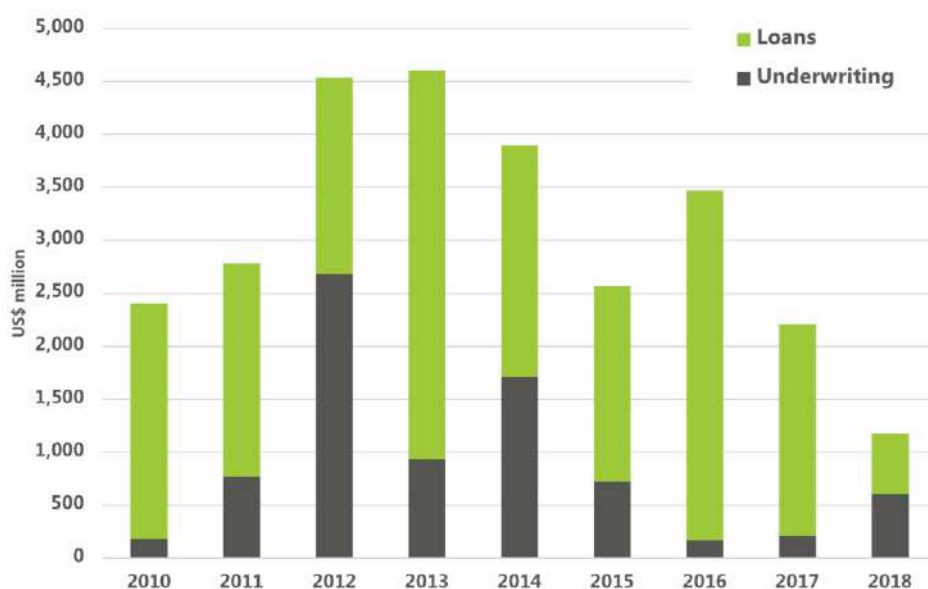


Figure 12. Bank financing for 18 tycoon-controlled groups, 2010 - June 2018 (US\$ million)

No.	Year	Loans	Under-writing	Total
1.	2010	183	2,131	2,314
2.	2011	771	1,983	2,754
3.	2012	2,687	1,804	4,491
4.	2013	938	3,604	4,542
5.	2014	1,712	2,342	4,053
6.	2015	727	1,776	2,504
7.	2016	174	3,194	3,368
8.	2017	213	2,000	2,213
9.	2018	610	565	1,175
	Grand Total	8,015	19,400	27,415

Table 15. Bank financing for 18 tycoon-controlled groups, 2010 - June 2018 (US\$ million)

financing. They quite probably attracted bank loans in the period as well, but details are not available.

Figure 13 shows how much domestic and foreign banks have contributed to the financing of the different tycoon-controlled palm oil groups. We could find data on bank financing (loans and underwriting) for 18 tycoon-controlled groups. For 7 tycoon-controlled groups we could not find data on bank financing. They quite probably attracted bank loans in the period as well, but details are not available.

For each group Figure 13 shows the bank loans to the palm oil activities of the group we could identify, since early 2014. It also shows the amounts

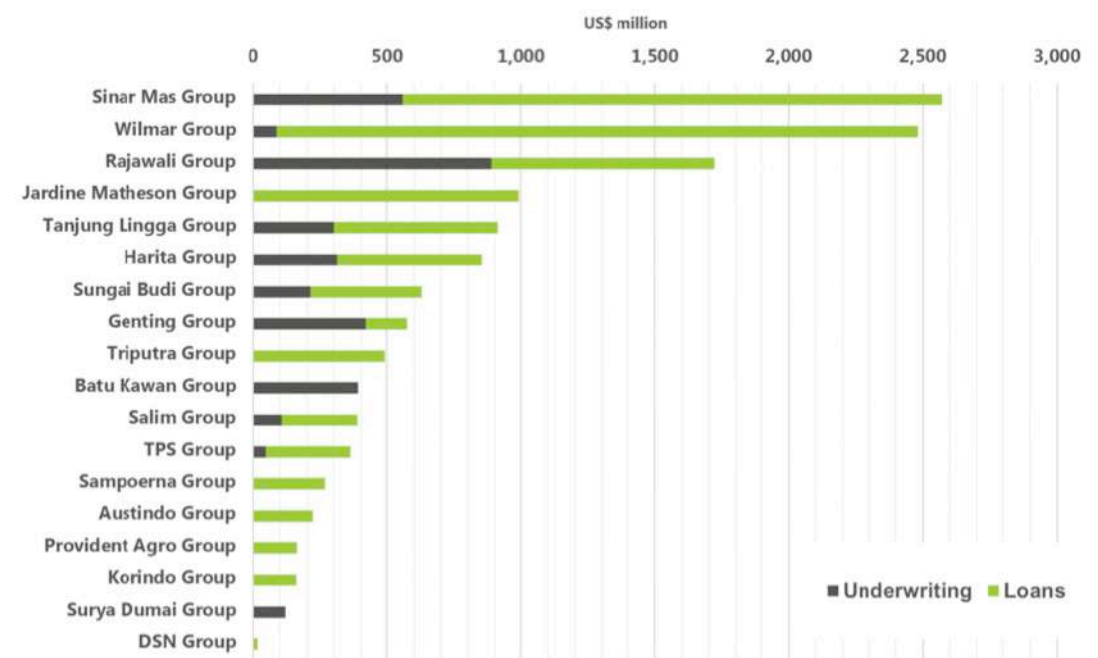


Figure 13. Loans and underwriting per tycoon-controlled palm oil group, 2014 - June 2018 (US\$ million)

No.	Group	Loans	Under-writing	Total
1.	Sinar Mas Group	557	2,014	2,571
2.	Wilmar Group	88	2,394	2,482
3.	Rajawali Group	886	835	1,721
4.	Jardine Matheson Group		994	994
5.	Tanjung Lingga Group	300	616	916
6.	Harita Group	312	540	852
7.	Sungai Budi Group	211	418	629
8.	Genting Group	417	157	573
9.	Triputra Group		491	491
10.	Batu Kawan Group	389		389
11.	Salim Group	106	280	386
12.	TPS Group	47	313	360
13.	Sampoerna Group		267	267
14.	Austindo Group		221	221
15.	Provident Agro Group		163	163
16.	Korindo Group		160	160
17.	Surya Dumai Group	122		122
18.	DSN Group		17	17
	Grand Total	3,435	9,878	13,313

Table 16. Loans and underwriting per tycoon-controlled palm oil group, 2014 - June 2018 (US\$ million)

for which banks have underwritten (guaranteed) share and bond issuances for the palm oil activities of the groups. All amounts are converted into US dollars, to allow for an easy comparison.

As shown in Figure 13, the top-5 recipients of bank financing since early 2014 were Sinar Mas Group, Wilmar Group, Rajawali Group, Jardine Matheson Group and Tanjung Lingga Group.

Figure 14 gives an overview of the domestic and foreign banks which have provided the loans and underwriting services we could identify for the palm oil activities of 18 tycoon-controlled groups since early 2014. Asian financiers dominated the financing of these 18 groups. For 7 tycoon-controlled groups we could not find data on bank financing. They quite probably attracted bank loans in the period as well, but details are not available.

The most important banks providing the financing we could identify to 18 tycoon-controlled groups were Oversea-Chinese Banking Corporation (Singapore), CIMB Group (Malaysia), Malayan Banking (Malaysia), Bank Negara Indonesia (Indonesia) and Bank Mandiri (Indonesia). The most important European banks were Credit Suisse (Switzerland), Rabobank (Netherlands) and BNP Paribas (France). The most important American bank is Citigroup.

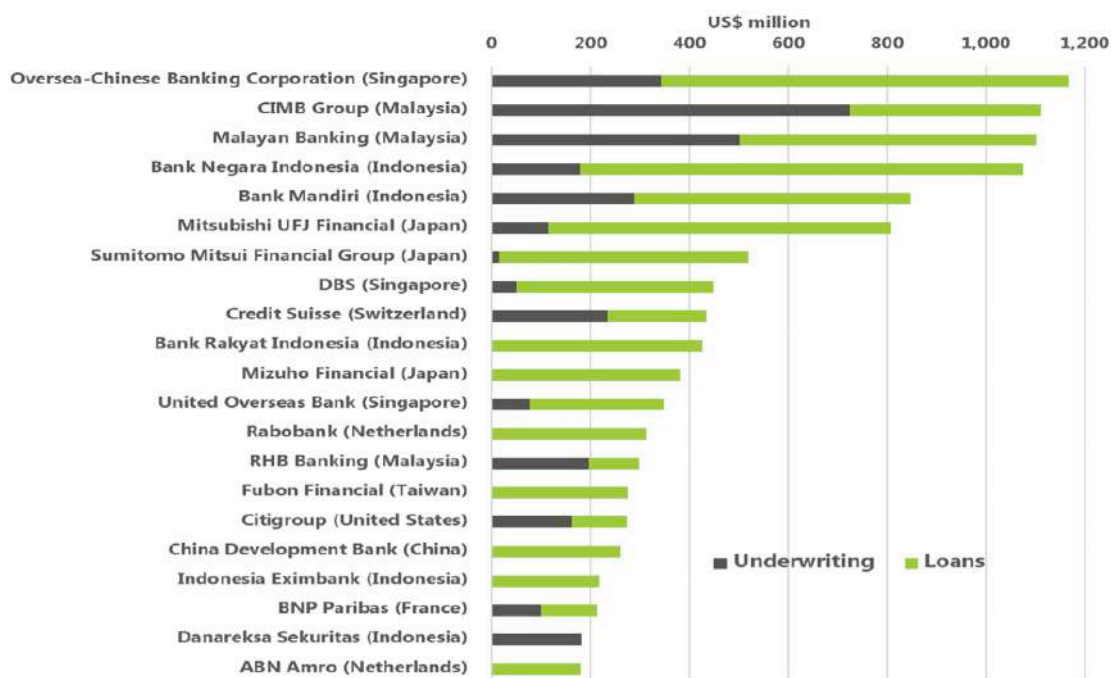


Figure 14. Banks financing 18 tycoon-controlled groups, 2014 - June 2018 (in US\$ million)

No.	Bank	Country	Under-writing	Loans	Total
1.	Oversea-Chinese Banking Corporation	Singapore	342	825	1,167
2.	CIMB Group	Malaysia	725	386	1,111
3.	Malayan Banking	Malaysia	501	600	1,101
4.	Bank Negara Indonesia	Indonesia	177	899	1,076
5.	Bank Mandiri	Indonesia	288	560	848
6.	Mitsubishi UFJ Financial	Japan	116	693	809
7.	Sumitomo Mitsui Financial Group	Japan	16	504	520
8.	DBS	Singapore	52	397	449
9.	Credit Suisse	Switzerland	234	200	434
10.	Bank Rakyat Indonesia	Indonesia	-	427	427
11.	Mizuho Financial	Japan	2	382	383

No.	Bank	Country	Under-writing	Loans	Total
12.	United Overseas Bank	Singapore	77	272	349
13.	Rabobank	Netherlands	-	312	312
14.	RHB Banking	Malaysia	197	101	298
15.	Fubon Financial	Taiwan	-	275	275
16.	Citigroup	United States	163	110	273
17.	China Development Bank	China	-	260	260
18.	Indonesia Eximbank	Indonesia	-	219	219
19.	BNP Paribas	France	100	112	212
20.	Danareksa Sekuritas	Indonesia	183	-	183
21.	ABN Amro	Netherlands	-	180	180

Table 17. Banks financing 18 tycoon-controlled groups, 2014 - June 2018 (in US\$ million)

9. Investors financing tycoon-controlled groups

As shown in Figure 11, institutional investors such as pension funds and asset managers are also important in providing expansion capital to the tycoon-controlled groups, by investing in their shares and bonds. Such investments are relevant for tycoon-controlled groups which have listed their palm oil holding company on a stock exchange, which is the case for 20 of the 25 groups researched. Figure 15 gives an overview of the institutional investors for which we have found investments

in shares and bonds related to the oil palm activities of 20 tycoon-controlled oil palm groups. The most important institutional investors are Employees Provident Fund (Malaysia), Permodalan Nasional Berhad (Malaysia), Vanguard (United States) and BlackRock (United States).

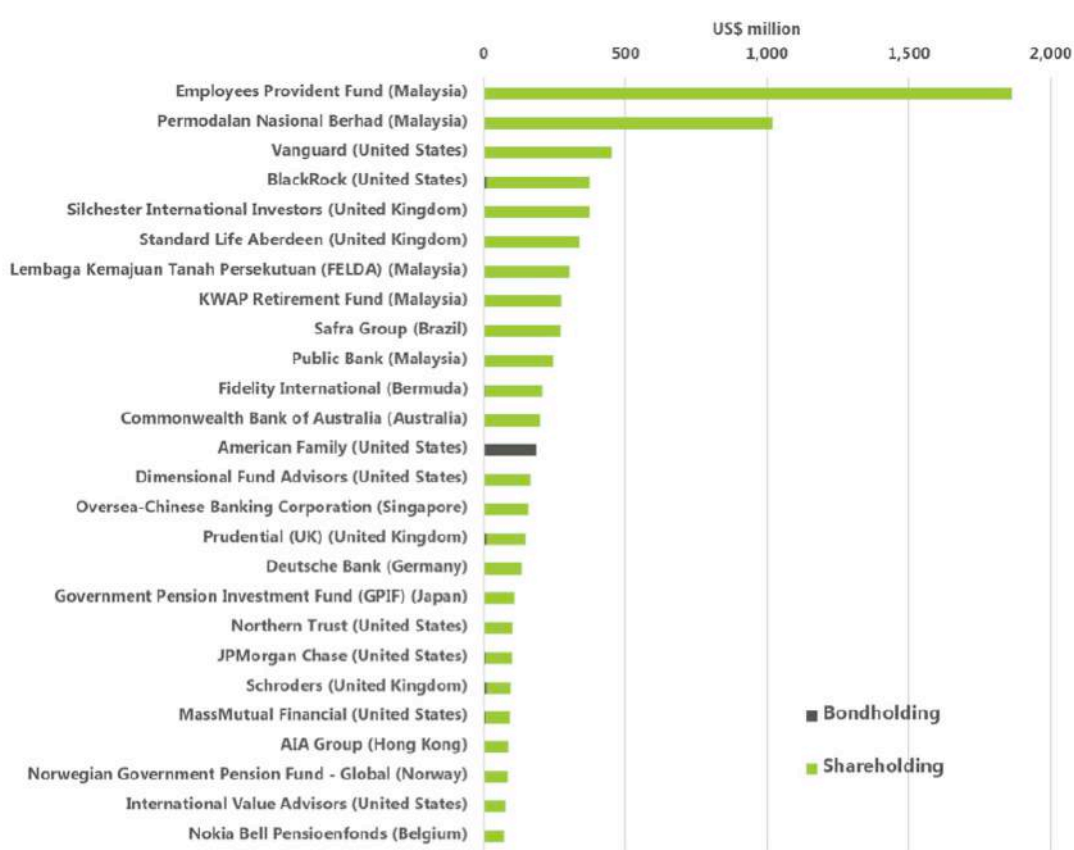


Figure 15. Institutional investors financing 20 tycoon-controlled groups, as of June 2018 (in US\$ million)

No.	Institutional investor	Country	Bondholding	Shareholding	Total
1.	Employees Provident Fund	Malaysia		1,861	1,861
2.	Permodalan Nasional Berhad	Malaysia		1,022	1,022
3.	Vanguard	United States		453	453
4.	BlackRock	United States	10	364	374
5.	Silchester International Investors	United Kingdom		374	374
6.	Standard Life Aberdeen	United Kingdom	2	334	335

No.	Institutional investor	Country	Bondholding	Shareholding	Total
7.	Lembaga Kemajuan Tanah Persekutuan (FELDA)	Malaysia		302	302
8.	KWAP Retirement Fund	Malaysia		272	272
9.	Safra Group	Brazil		269	269
10.	Public Bank	Malaysia		245	245
11.	Fidelity International	Bermuda	3	205	208
12.	Commonwealth Bank of Australia	Australia		199	199
13.	American Family	United States	184		184
14.	Dimensional Fund Advisors	United States		165	165
15.	Oversea-Chinese Banking Corporation	Singapore	1	158	159
16.	Prudential (UK)	United Kingdom	10	139	149
17.	Deutsche Bank	Germany	2	130	133
18.	Government Pension Investment Fund (GPIF)	Japan		110	110
19.	Northern Trust	United States		102	102
20.	JPMorgan Chase	United States	6	94	100
21.	Schroders	United Kingdom	11	80	92
22.	MassMutual Financial	United States	6	84	91
23.	AIA Group	Hong Kong		87	87
24.	Norwegian Government Pension Fund - Global	Norway		82	82
25.	International Value Advisors	United States		76	76
26.	Nokia Bell Pensioenfonds	Belgium		72	72

Table 18. Institutional investors financing tycoon-controlled groups, as of June 2018 (in US\$ million)

10. | Conclusion

Conclusion 1: Tycoon control over land

- Indonesia currently has 12.3 million ha of land planted with oil palm. Of this area, 3.4 million ha belongs to 25 tycoon-controlled business groups.
- In addition to the 3.4 million ha planted with oil palm, these 25 tycoon-controlled groups control a further 2.4 million of land not yet planted.
- The top five groups with the highest planting capability are Royal Golden Eagle, Batu Kawan, Harita, Darmex and in joint fifth place PT SMART, Gozco and Salim.
- Groups with the lowest planting capability are: IOI, Austindo, Kencana, Boon Siew, and Tiga Pilar Sejahtera
- Groups with the highest plasma realization are: Sampoerna, RGE, Harita, Salim and DSN, Jardine and Sungai Budi. And the lowest?

The findings of the [2015 and 2019?] ‘tycoons’ studies illustrate Indonesia’s [extreme?] imbalance in land tenure, between tycoons and other agricultural businesses and smallholders. [This is symptomatic of Indonesia’s broader problem of inequality and resource capture by (politically-connected) tycoons].

Secondly, public access to information on oil palm permits and land tenure is inadequate, with government and corporations failing to publish basic public documents. This is exacerbated with attempts by companies to obscure ultimate beneficial ownership through ‘shadow companies’ and complex corporate structures. Yet [national and international] investors and banks continue to provide financial support to companies whose transparency is inadequate.

Conclusion 2: Financing for tycoons

- Several of the tycoon-controlled groups in this study are not transparent in disclosing their source of funding. This practice has not received enough attention from regulators and stock exchange authorities in Jakarta, Singapore and Kuala Lumpur. [I don’t know what specifically this refers to?]
- Inadequate corporate transparency results in poor quality sustainability reporting, and prevents public participation in sustainable finance as the public cannot develop complaints for Financial Services Authority with insufficient data.

Bank and investor finance can hold enormous influence over corporate practices. Most banks and financial institutions have completely inadequate Environmental, Social and Governance (ESG) policies that do little to restrain illegal and unethical corporate practices prevalent in Indonesia's forest-sector. In 2015, the major fires from draining and converting peat land cost Indonesia an estimate IDR 3.7 Trillion.⁸ In the same year, bank financing for the largest 25 oil palm groups reached USD 2.6 billion. In 2016, bank financing for the same oil palm groups experienced a significant increase to USD 3.5 billion. This raises important questions as to whether banks are profiting from extreme environmental destruction, with economic losses absorbed by Indonesian government.

Policy consequences of the tycoon control over the palm oil sector

The findings of this study indicate the continued dominance of a small number of tycoon-controlled business groups in the Indonesian palm oil sector. It illustrates the key structural challenges facing Indonesia's forestry and agriculture sector, and presents opportunities for policy improvement, including:

- **Transparency:** Corporations and Governments need to publish comprehensive data on business permits and land tenure. This will provide clarity on existing overlapping land use and will be further regulated through the One Map Policy and Regional Spatial Planning and Land as Object of Agrarian Reform/Social Forestry.
- **Tax Issues:** the corporate structure described in this report shows that most tycoons control their shareholding in the palm oil group through shell companies in tax haven countries. PPATK needs to conduct a comprehensive investigation on the corporate structure of the palm oil tycoons to ensure the Indonesian state is benefiting from their economic activity. The transparency of concessions permits and cultivation rights area in the palm oil sector will be a starting point to optimize state revenues from

taxes. The latest developments around the tax amnesty and new regulations regarding beneficial ownership must be included in the investigation.

- Presidential Regulation 13 of 2018 concerning the Implementation of the Principles of Identifying Beneficial Owners of Corporations mandates corporations to: apply the principle of recognizing beneficial owners of corporations, updating the beneficial owners periodically every year. The public can request information from the beneficial owner to the authorities or the government to find out the beneficial owner. This Presidential Regulation requires that by March 2019 corporations must apply the principle of beneficial ownership, if not the government can impose sanctions⁹. There needs to be a special effort so that the sanctions that will be applied are clearer and stronger in order to create a deterrent effect.
- The potential for expansion by groups controlled by tycoons is worrying and will exacerbate existing economic disparities. A review of previously issued licenses is important to ensure that the applicable permits are legally valid and obtained without corruption and fulfil other policy

objectives of the Indonesian government, such as the palm oil moratorium.

- Presidential Instruction Number 8 of 2018 concerning Moratorium and Evaluation of Licensing of Oil Palm Plantation and Increased Productivity of Oil Palm Plantations has been issued, but this Presidential Instruction “only” mandates mainly the Minister of Environment and Forestry to carry out an inventory and verification of oil palm plants in forest areas. The legal consequences of when corporations planted oil palms in forest areas are not necessarily sanctioned in the form of law enforcement. Then more efforts are needed to ensure the existence of stricter law enforcement that cause a deterrent effect on violations committed.
- The two policies above, regarding beneficiary ownership and the moratorium also need to target financial service institutions, so that if corporations violate Indonesian law or carry out unsustainable practices, then the Financial Services Authority can immediately order a review financial facilities (debt, guarantees, and other banking services) provided to corporations that commit these violations.

- Banks still finance a significant number of business groups controlled by tycoons. OJK must see whether this is consistent with the sustainable financial plans of banks that are required to carry out OJK Regulations. The OJK also needs to reach out to foreign authorities because a sustainable financial plan will not “have teeth” if all the financing for expansion of the palm oil sector actually comes from foreign banks.
- Finance must lead to sustainable development to finance Sustainable Development Goals (SDGs). For authorities in Indonesia who are authorized to handle the Sustainable Development Goals (SDGs), the findings of this study should be sufficient reasons to make more careful decisions for financing palm oil expansion.



Endnotes

- 1 TuK Indonesia (2015, October), Tycoons in the Indonesian Palm Oil Sector, Transformasi Untuk Keadilan Indonesia, Jakarta, Indonesia, online: <https://drive.google.com/open?id=0B5PonW-ijsO7ZklyUELjYmIMTU0>, viewed in September 2018
- 2 Bakrie Sumatera Plantations (2018), Annual Report 2017, p. A82.
- 3 World Bank (n.d.) "GDP; Indonesia", online: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=ID>, viewed in September 2018.
- 4 The Indonesian Ministry of Agriculture (2017), Tree Crop Estate Statistics of Indonesia, Directorate General of Estate Crops, The Indonesian Ministry of Agriculture, Jakarta, Indonesia, p. 9-11.
- 5 The last available figure on smallholder areas in the oil palm sector is 3.3 million hectares in 2010 (Directorate General of Estate, "Luas Areal Dan Produksi Perkebunan Seluruh Indonesia Menurut Pengusahaan"). This figure does however include the plasma programs of the tycoon-controlled groups, the area controlled by independent smallholders is considerably lower, but no exact figures are known.
- 6 Kuepper, B. and T. Steinweg (2018, 21 June), "Shadow Companies Present Palm Oil Investor Risks and Undermine NDPE Efforts", Chain Reaction Research, available at: <https://chainreactionresearch.com/report/shadow-companies-present-palm-oil-investor-risks-and-undermine-ndpe-efforts/>
- 7 Provincial lists with plantation permits (Daftar Perusahaan Perkebunan Penerima Izin Usaha Perkebunan (IUP-B, IUP-P, dan IUP)), viewed in March 2015 at: www.pertanian.go.id.
- 8 <http://documents.worldbank.org/curated/en/776101467990969768/The-cost-of-fire-an-economic-analysis-of-Indonesia-s-2015-fire-crisis>
- 9 This regulation is classified as progress because the application of the principle of recognizing beneficial owners by corporations is carried out at first: the application for the establishment, registration, approval, approval or licensing of corporate business or, secondly: the corporation runs its business or business activities. Regarding corporations that are carrying out their business activities, they are also obliged to apply the beneficial ownership regulation. If later, the corporation includes a new name for the beneficial owner, then the corporation must change the company's deed of establishment and its management. As a consequence of this, corporations are also required to submit changes to the beneficial owner or include the beneficial owner who was not previously listed on the company deed and company management to the Financial Services Institution, one of them is the Bank where the company receives credit or other banking facilities. One of the applications for credit approval required by the Bank is the company's deed of establishment

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