Rainforest Action Network
For the attention of
Ginger Cassidy
Executive Director

15th December 2020: By e-mail

Dear Ms Cassidy,

Your letter dated 13th November 2020 to various banks and investment firms.

I refer to your letter dated 13th November 2020 to various stakeholders, which has been passed to us and sets out various allegations against PT Salim Ivomas Pratama Tbk ("SIMP") and PTPP London Sumatra Indonesia Tbk Ltd ("Lonsum"), both companies are listed on the Jakarta Stock Exchange. As listed companies both SIMP and Lonsum conduct their business activities responsibly, ethically and in full compliance with prevailing rules and regulations, and Indonesian Law, whilst fully respecting workers' rights. Given the significant factual errors and misrepresentations in your letter, we are responding with the facts.

Whilst you are fully aware that SIMP and its subsidiary Lonsum resigned from the RSPO on 8th February 2019 (see attached letter) you continue to claim that they were "ousted" in March 2019, whereas in fact we had already resigned by March 2019. Your statement is therefore both factually incorrect and misleading.

You also continue to refer to the RSPO allegation that Lonsum breached 10 Indonesian labour laws. In response to these allegations by RSPO we engaged a legal firm, Hiswara Bunjamin & Tandjung (in association with Herbert Smith Freehills – "HBT"), to conduct an independent legal review of these allegations, and to ensure that labour rights breaches are detected, reported and remedied. The findings of this review confirmed that Lonsum is in full compliance with Indonesian Labour laws. The report was sent to you in September 2019, and the report can be found at the following link.

http://indofoodagri.listedcompany.com/newsroom/independent_legal_review_confirms_PT_Lonsum_in_compliance_with_indonesian_labour_laws.pdf

You refer to statements by the labour union Serbundo as if they are meaningful. I would like to point out that as of 30th October 2020 Serbundo represents only 362 of our plantation workers, or less than 1% of our entire workforce. This union cannot fully represent our workforce as the remaining workers have independently and autonomously chosen to be represented by other unions. We have had union representation on our estates since 1973, with Serbundo joining in 2016, and we maintain a good relationship with our unions. I trust you will agree that the depth and variety of union membership in our workforce testify to the strength of our commitment to freedom of association as mandated in our policies and backed up by the full force of Indonesian law.

1. With respect to your assertions in points 1 to 9 in the annex to your letter, we confirm that Lonsum continues to comply with the applicable processes, regulations and laws of Indonesia in respect to all labour matters and resolves any disputes in accordance with applicable laws, whilst fully respecting workers' rights. Further details can be found in the appendix to this letter.

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2. The points raised in your letter of 13th November 2020 to various stakeholders continues to include factually false and misleading information and allegations. They are defamatory.

In light of the above, we object to your continued publication of any of these unsubstantiated allegations. If you persist in doing so, we expect you to also refer to our full response to your letter, failing which we reserve the right to make this response available to the public to provide a more complete and accurate statement of the facts.

Finally, we reserve all of our rights, including the right to take appropriate legal action against you, for any misinformation pertaining to our Companies, without further reference to you.

Yours faithfully

Muhammad Waras
Head of Sustainability
Indofood Agri Resources Ltd.

Cc Herbert Smith Freehills
Hiswara Bunjamin & Tandjung
Recipients of RAN's letter of 13th November 2020

Appendix : Detailed response to the 9 allegations
Letters to Serbundo dated 4th November and 21st December 2019.

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Appendix: Detailed response to allegations of outstanding labour issues

1. ***Allegation: Union busting*:** Lonsum dismissed nearly 20 Serbundo officers in April, and its management threatened to dismiss workers if they do not withdraw their membership from Serbundo, which would be a violation of the right to organize protected under Indonesian Trade Union Law. In June 2020, a palm oil worker reported to the North Sumatra Regional Police on allegations of criminal offence against the right to organize under Article 28 of the Workers/Labor Union Act of 2000. The investigation is ongoing.

Reply: **We have a clear policy regarding freedom of association for all of our workers, as evidenced by 70% of our permanent workers being union members, and we enforce implementation of this policy in all our operations. We will not tolerate workers or managers who breach our policy, and in such cases we apply disciplinary sanctions. We remind all of our employees that they have the right to choose any labour union under the freedom of association stated in our internal memorandum No.016/HRD/C/VII/2018 which is available to all workers.**

There are 362 Serbundo union members (less than 1% from our total workforce) registered in our operations as of 30th October 2020. Every employee has the freedom and right to choose their union membership. There has been no threat of prohibition of Serbundo membership. Without exception, we have resolved all labour issues through mediation with the workers or unions.

This is a summary of the 362 Serbundo Union members as at the end of October, their job function, and how long they have worked for us.

Summary of 362 Serbundo Members

Job Position	Years in Service			Total
	1-5	>5 - 10	>10	
Factory	8	12	17	**37**
Field Upkeep Worker	8	6	23	**37**
Harvest/Pruner	73	47	18	**138**
Security	13	13	5	**31**
Transport & Workshop	35	30	22	**87**
Administration/General	11	6	15	**32**
Total	**148**	**114**	**100**	**362**

We have received confirmatory statements from the various Manpower Departments, confirming there are no reports of outstanding labour cases, let alone any cases related to freedom of association in our estates.

2. ***Allegation: Arbitrary dismissal*:** According to records and interviews, 567 plantation workers affiliated with Serbundo were allegedly laid off between November 2019 and April 2020 for reasons of "efficiency/rationalization" without the approval of the Industrial Relations Dispute Body (*Lembaga Perselisihan Hubungan Industrial*) as mandated by Indonesian Labour Law. In at least two estates, Serbundo found that the company had hired new employees between December 2019 and August 2020 after workers were dismissed in this way, putting into question the

company's reason for dismissal. Lonsum also refused to engage in bipartite negotiations with Serbundo to discuss alternative solutions to dismissal.

Reply: **As is normal commercial practice in the plantation sector, we constantly review the requirement for labour based on standard ratios of employee requirements, productivity and job requirements. This is also impacted by field activities (including replanting programmes) and the crop yields. This can result in increasing or decreasing labour numbers as appropriate. When we have to lay off workers, it is related to requirements for their job function, not to union membership. We ensure that any process of cessation of employment or layoff complies with UU No. 13 tahun 2003 and that the process is in accordance with bipartite meetings between the company, employees and labour unions. Such mutual agreement is notified to the Local Manpower Department in every single case.**

As part of our review of labour requirements and efficiency programmes in November 2019 and April 2020, there were 1,436 permanent workers laid off in Lonsum, of which 53 were members of Serbundo. The figure of 567 plantation workers who are members of Serbundo cannot be verified by us, because this may include temporary seasonal workers, who did not report their union membership to us. Of the 53 Serbundo members, 42 have signed a mutual agreement witnessed by the Serbundo Unit management, accepting the cessation of their employment and payment in accordance with Indonesian regulations. The remaining 11 are undertaking a settlement process through mediation and have brought the matter to the Industrial Relations Court. This is a normal procedure and Lonsum will follow the final decision of the Court.

3. ***Allegation: Severance pay*****:** According to data collected by Serbundo union officers, of the 567 plantation workers, 477 workers that were employed as casual workers were laid off in circumstances where they were not provided with their entitled severance pay. The workers contend that their severance was contrary to their correct employment status as permanent employees and did not consider the full duration of their employment, with several having worked for Lonsum for over 20 years. The 4th November Industrial Relations Court ruling, referred to in our letter, confirmed all the temporary workers in the case to be permanently employed and ordered Lonsum to pay them severance pay.

Reply**: The Company has paid the full severance pay in accordance with labour regulations (UU No 13 Tahun 2003 article 164, 156). Out of a total of 610 permanent employees who were laid off in North Sumatra (including 577 members of Serikat Pekerja Seluruh Indonesia "SPSI" union, 1 member of Serikat Pekerja Metal Indonesia "SPMI" union, 28 Serbundo union members and 4 with no Union affiliation) 98% agreed to the severance pay offered by the Company through bipartite agreement and the remaining 2% (11 Serbundo members) have taken the process to the Manpower Department and the Industrial Relations Court.**

In line with the Ministerial Decree No. 100 of 2004, we do not pay severance pay to casual workers as their status is temporary, working less than 21 days in a month for seasonal jobs. This is clearly stated in the individual working agreements signed by every casual worker and acknowledged by the local labour agency.

Referring to the decision dated 4th November 2020, Lonsum has submitted an appeal with the Supreme Court (Mahkamah Agung) and we are waiting the final decision. This does not involve casual labour as stated in the allegation.

4. Allegation: Contested eviction: In July, seven Serbundo union officers were given notice by Lonsum to leave their company housing at Begerpang Estate following the termination of their employment. According to Serbundo, the workers refused to leave their housing unless and until the reason for dismissal can be proven legitimate.

***Reply*: According to Article 14 of the Collective Labour Agreement, workers who are no longer working with the Company must vacate and return the house provided by the company in good condition no later than one month following cessation of employment. Currently four Serbundo members continue to occupy their houses more than six months following the company's cessation of their employment, and they have not raised this matter with the Industrial Relations Court. Lonsum itself will raise this at the Industrial Relations Court for a decision.**

5. Allegation: Unwarranted compulsory retirement: Lonsum sent letters to at least two Serbundo union officers in March 2020, informing them that they will be retired despite their ages being well below the retirement age. The case has been mediated by the government resulting in a recommendation in March 2020 to reinstate the workers. Lonsum refused to accept the recommendation and, in July 2020, Serbundo filed a lawsuit in the Medan Industrial Relations Court.

***Reply*: On 4th November 2019 Lonsum sent a letter to Serbundo informing them that Lonsum will implement the efficiency program and a follow up letter was sent on 21st December 2019 inviting Serbundo for a bipartite meeting to discuss the matter; both letters are attached. However, Serbundo did not attend this long-scheduled bipartite meeting until 23rd March 2020.**

The relevant employees who are part of this programme were advised in writing to confirm cessation of their employment as part of the efficiency programme. The issue relating to the two Serbundo officers has been raised through the normal industrial relations process No. 240/Pdt.Sus.PHI/2020 dated 6th August 2020, and we await a decision from the Industrial Relations Court.

6. Allegation*: *Late payment of minimum wage increase: Lonsum is alleged not to have paid workers residing in Deli Serdang District their entitled increase to minimum wage from January to June 2020, until July 2020, in violation of the North Sumatra Governor Decree on Deli Serdang Sectoral Minimum Wage for 2020 for Palm Oil Plantation Workers. Payment below the minimum wage is in violation of Indonesian Labor Law and considered a criminal offence. Only after Serbundo members staged a protest to the North Sumatra House of Representatives in July 2020 did Lonsum pay the increase in wages, as confirmed by July 2020 wage slips. According to Serbundo, the fine for its late payment has not yet been paid by Lonsum. Failure to do so is considered a criminal offence.

***Reply*: The payment of minimum wages in North Sumatra is in accordance the Governor of North Sumatra's Decree No 188.44/674/KPTS/2019 tentang Penetapan Upah Minimum Propinsi Sumatra Utara Tahun 2020, No 188.44/717/KPTS/2019 tentang Penetapan Upah Minimum Kabpaten Deli Serdang Tahun 2020, and No 188.44/731/KPTS/2019 tentang Penetapan Upah Minimum Kabupaten Serdang Bedagai Tahun 2020. Lonsum paid the revised wages in July 2020, backdated to 1st January 2020. We are not aware of any protest whatsoever by Serbundo members.**

***7. Allegation: Religious bonus/Tunjangan Hari Raya (THR)*:** In a letter to Lonsum from Serbundo, the Union alleges that Lonsum paid workers below their entitled annual religious bonus or THR as they were calculated based on 2019 wages instead of the newly increased 2020 wages. According to OPPUK, only

after Serbundo members staged a protest to the North Sumatra House of Representatives in July 2020 did Lonsum pay workers their religious bonus.

Reply: The payment of Religious Bonus/THR was paid in May 2020 based on the 2019 salary, and then an additional payment was made in July 2020 adjusting the payment to the revised salary. As stated above we are not aware of any protest by Serbundo.

8. Allegation: Temporary employment: As far back as 1997, Lonsum is alleged to have employed harvesters and upkeep workers under short term contracts in North Sumatra, South Sumatra and East Kalimantan. These jobs are considered to be permanent and core to production by civil society organizations. A 2013 Industrial Relations Court Decision in Pekanbaru also ruled harvesting palm oil to be a job that is permanent in nature and core to production. The latest court decision against Lonsum confirmed all the temporary workers in the case to be in fact permanently employed. The long-term engagement of workers in jobs that are permanent in nature under short-term contracts is against Indonesian Labour Law. Lonsum has also failed to prepare written contracts and register these contracts with the authorities as required by law. This practice denies temporary workers the increased wages and benefits that they may be entitled to under a permanent contract.

Reply: Lonsum has internal procedures and policies which clearly delineate the tasks that can be assigned to temporary workers. These tasks are not part of Lonsum's core regular production process and are typically assigned to temporary workers as the need arises. In the absence of any clear regulatory restrictions on the nature of work that can be assigned to temporary workers, Lonsum has sought clarification from the local manpower office. The manpower office replied that any work unrelated to the production process may be assigned to temporary workers, an interpretation that Lonsum relied on in formulating its internal guidance on the type of work available to temporary workers. Those who fulfil core tasks, such as harvesters and sprayers etc, are appointed as permanent workers after completing their training. In accordance with government regulations (Kepmenakertrans No 100/Men/ VI/2004 Ketentuan pelaksanaan perjanjian kerja waktu tertentu), workers who conduct seasonal jobs such as road and field upkeep, weeding, and fertiliser application are treated as temporary.

9. Allegation*: *Collective bargaining: A September 2019 dispute on the false inclusion of Serbundo's logo on a collective bargaining agreement between Lonsum and another union resulted in a recommendation by the Manpower Agency for Lonsum to engage in good-faith bargaining with Serbundo. According to Serbundo, the company has yet to engage in meaningful bargaining as recommended by the government.

Reply: The erroneous inclusion of Serbundo's logo was done not by Lonsum but by the Manpower Agency North Sumatra. Based on Permenaker No 16/MEN/XI/2011 article 17 in determining the Collective Labor Agreement, the Company negotiates with labour unions representing the majority of union members from our workers. This applies to all plantation companies in North Sumatra which are members of BKS PPS. In Lonsum North Sumatra the total percentage of union members is 78.5% for SPSI, Serbundo 2.5% and SBPI 0.3%. Employees who remain independent and have not joined a labour union number 18.7% of the total.

LONSUM

Ind Agri

No : 207/BGE/GEN/XII/2019

Begerpang Estate, 21 Desember 2019

Kepada Yth :
- Pengurus PUK-SPSI Begerpang Estate.
- Pengurus PB-Serbundo Begerpang Estate

Di –
T e m p at

Hal : Undangan Bipartit

Dengan hormat,

Berikut ini kami sampaikan rencana jadwal Bipartit dengan pengurus Serikat Pekerja (SPSI & Serbundo) di Begerpang Estate.
Masing - masing Serikat Pekerja agar dapat dihadirkan perwakilan maksimal 2 orang saja, pada :

Hari / Tanggal	:	Senin / 23 Desember 2019
Jam	:	09.00 Wib s/d 10.00 Wib
Peserta	:	1. IR Area
		2. EM & KTU
		3. Ketua & Sekretaris PUK SPSI / PB Serbundo. (max. 2 org)
Tempat		: Ruang Meeting Begerpang Estate.

Demikian disampaikan atas kehadirannya diucapkan terima kasih.

PT.PP London Sumatera Indonesia Tbk
Begerpang Estate

Ir. H. Fachrizal N.Pane
Estate Manager

Tembusan :
- AMA Serdang
- HRD Medan
- Pertinggal

Indofood

LONSUM

IndoAgri

Medan, 04 Nopember 2019

No. 032/GE/HRD/XI/2019

Kepada Yth,
Dewan Pengurus Pusat
Serikat Buruh Perkebunan Indonesia (Serbundo)
Jalan Garu VI No.70
Medan.

Hal : PROGRAM EFISIENSI/RASIONALISASI KARYAWAN

Dengan hormat,

Bahwa perusahaan PT.P.P. London Sumatra Indonesia Tbk perlu melakukan penataan kembali jumlah personil khususnya yang berada di kebun-kebun.

Sehubungan dengan hal tersebut dan setelah dilakukan review atas proses pekerjaan dan alur kerja terdapat beberapa posisi yang dikurangi, beberapa pekerjaan diberikan kepada yang lain sehingga pekerjaan dapat dikerjakan secara efisien.

Adapun hak-hak karyawan yang terdampak program Efisiensi/Rasionalisasi diberikan sesuai dengan peraturan perundang-undangan yang berlaku.

Copy Surat Perjanjian Bersama serta Surat Pernyataan masing-masing karyawan akan kami kirimkan menyusul setelah ditanda-tangani kedua belah pihak.

Demikian hal ini kami sampaikan kepada Bapak sebelum dan sesudahnya kami ucapkan terima kasih.

Hormat kami,
PT. PP. London Sumatra Indonesia Indonesia Tbk

Joefly J. Bahroeny
Direktur

cc : - Disnaker Kabupaten Sumut
- File.

a subsidiary of:
Indofood
THE SYMBOL OF QUALITY FOODS

No : 011/SUS/EXT/II/2019

Jakarta, 8th February 2019

Datuk Darrel Webber
Chief Executive Officer
Roundtable on Sustainable Palm Oil (RSPO)
Unit A-37-1, Menara UOA Bangsar,
No 5 Jalan Bangsar Utama 1,
Kuala Lumpur 59000, Malaysia

Re: PT Salim Ivomas Pratama Tbk ("SIMP") Resignation from RSPO Membership

Dear Sir,

Referring to RSPO letter dated 4th February 2019, and our Letter No. 005/ECSR-JKT/1/2019 dated 17th January 2019 from PT PP London Sumatra Indonesia Tbk ("Lonsum") regarding the withdrawal from the RSPO Certification Scheme (see attached), we hereby submit this letter as notice for the official resignation of PT Salim Ivomas Pratama Tbk ("SIMP") Group from the RSPO membership effective immediately.

We are one of the pioneers and have been an active member of RSPO since 2004 through the membership of Lonsum, one of the Group's subsidiaries; and, in 2007 SIMP followed suit. Whilst RSPO is voluntary, we have supported RSPO as an independent and objective body to guide us on our sustainability programs. The RSPO Principles and Criteria (P&C) are constantly evolving, and we have always complied with the recommendations and non-conformities (NC's) arising from the RSPO audits through the years, to ensure we remain compliant with RSPO P&C.

However, the Group is extremely disappointed with the way RSPO Complaints Panel handled the case filed against Lonsum. Despite our strong commitment to continuously improve and comply with the legal and RSPO requirements for sustainable palm oil production, RSPO still decided to immediately suspend one of Lonsum's mills without providing us sufficient support and time, and furthermore:

1. The Complaints Panel did not take note or include any of our comments on the draft audit report, including documentary evidence to verify our compliance with Indonesian Regulations.
2. We have been repeatedly denied the opportunity to have a formal meeting with the Complaints Panel to discuss the draft audit report and our comments.

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3. The Complaints Panel have not replied to our question to explain the material inconsistency in findings between the verification audit carried out from the 4th to 7th June 2018, and the previous 23 RSPO accredited audits as mentioned in our previous correspondence.

As a Group with listed entities in Indonesia and Singapore, we take our compliance obligations very seriously. We fully comply with Indonesian Department of Manpower Regulations, and all applicable Indonesian Laws and Regulations. We have seven Unions represented in our operations, and we have no outstanding issues with them.

Moving forward, we have therefore decided to focus our sustainability journey and practices on the implementation of the mandatory Indonesia Sustainable Palm Oil (ISPO) standards.

We also would like to take this opportunity to thank RSPO for the cooperation and for providing us with a comprehensive guidelines and standards for sustainable palm oil development.

Thank you for your attention.

Yours sincerely,

Muhammad Waras
Group Head of Sustainability
PT Salim Ivomas Pratama Tbk

CC :

1. RSPO Board of Governors
2. RSPO Complaints Panel
3. RSPO Indonesia
4. Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI)
5. File

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