

Joint Statement by GAR, SMART, IMT and the RSPO Grievance Panel

Kuala Lumpur, 28 October 2010 – The Roundtable on Sustainable Palm Oil (RSPO) Grievance Panel addresses alleged breaches by RSPO members of the RSPO rules, including the Code of Conduct, and recommends the course of actions for resolution.

Last month, the RSPO Grievance Panel (the Panel) entered into a constructive dialogue with representatives of PT SMART Tbk (SMART), PT Ivo Mas Tunggal (IMT) and their parent company, Golden Agri-Resources Ltd (GAR) with the goal of agreeing on actions to resolve cases of non-compliance with the RSPO Code of Conduct.

Since then, SMART, IMT and GAR have presented the Panel with a full written response detailing the action plans. The companies have the support and commitment of their respective managements and boards on how they will address each of the Panel's concerns.

The Panel has evaluated the companies' responses, and considers them acceptable at this stage of the Grievance Procedure. The Panel will monitor progress on the agreed action plans on a quarterly basis, with an initial progress report scheduled to be received on 15 Jan 2011.

All parties have consented to share the agreed actions, listed below.

1. RSPO membership for GAR

GAR has responded favourably to the conditions imposed by the Panel for its application for RSPO membership. The Panel has encouraged GAR to submit a full application for membership prior to the 8th Roundtable meeting which commences on 8 Nov 2010, to allow for consideration of provisional RSPO membership. Final approval would be considered by the RSPO Executive Board after a full time-bound plan for certification is submitted by GAR. That plan is expected by 31 Mar 2011. The companies' RSPO certification team is guided by a steering committee chaired by Daud Dharsono, President Director of SMART.

2. RSPO certification for GAR, SMART and IMT

GAR has discussed with the Panel that it has engaged an international non-governmental organisation (NGO) to help GAR prepare for certification of its existing 433,200 hectares of palm oil plantations and 40 mills (as at 30 Jun 2010) by December 2015. This includes about 89,000 hectares of plasma scheme plantations involving about 45,000 smallholders. A full listing of plantations and mills will be disclosed to RSPO in a time-bound plan for certification. Any majority-owned new palm oil plantations and mills acquired or developed worldwide after 30 Jun 2010 and eligible for RSPO certification will be under a separate time-bound plan.

The engagement will not include the 103,953 hectares of plantations and 11 mills covered by the ongoing SMART and IMT RSPO certification process.

Until 31 Mar 2011, SMART and IMT will voluntarily step down from any active roles within RSPO. RSPO will postpone approval of SMART and IMT certifications until that date.

The following milestones will apply:

- By 31 Mar 2011, GAR, SMART and IMT will report the overall gap assessment of all operations and a time-bound action plan to close identified gaps.

- The Panel will review progress with GAR, SMART and IMT on the action plan quarterly, starting with its first review in mid-January 2011. In the first year, from 31 Mar 2011 to 31 Mar 2012, quarterly updates will be provided.
- GAR, SMART and IMT will engage RSPO-approved certification bod(ies) to conduct the pre-audit and certification process.
- GAR, SMART and IMT will provide a dashboard to track the progress of the RSPO certification; and will make this publicly available in line with RSPO criterion 1.2.
- The speed of certification for mills with a supply base that includes schemed smallholders depends on their participation. The planning process will allow for this.

3. Social research

The Panel clarified that social research is not required for RSPO certification but may reveal gaps in relation to requirements in RSPO criteria 2.3, 7.5 and 7.6.

SMART and IMT have engaged Tanjung Pura University (UNTAN), Faculty of Agriculture, West Kalimantan, to conduct the social research and recommend solutions where applicable. UNTAN will be assisted by Palangka Raya University, Faculty of Agriculture, to conduct field work for Central Kalimantan.

UNTAN's work will start in Nov 2010 and will target to complete by Apr 2011. Their findings will be publicly available in English by the end of May 2011.

4. Verification that enhanced standard operation procedures (SOP) are applied

GAR, SMART and IMT have engaged the British Standards Institution (BSI), an RSPO-approved certification body, to verify that the relevant revisions are incorporated in the companies' SOP and implemented across all of GAR, SMART and IMT operations, following the timelines in an expected time-bound plan.

The enhanced SOP will be verified against the Indonesian National Interpretation of RSPO Principles and Criteria for Sustainable Palm Oil Production (May 2008), relevant national rules and regulations, and SMART's commitment published on 4 Feb 2010.

Given the scale and size of all of GAR's 143 estates, the coverage of the verification will include all 40 mills, all new plantings (50 estates, including 10 estates belonging to smallholders) and an agreed sampling of the existing matured plantations. RSPO normally allows such sampling in third party audits, based on the presence of suitable, adequate and effective internal auditing processes with full coverage of all operations. The Panel will advise on the appropriate sampling method.

5. Verification that RSPO New Planting Procedures are applied

GAR, SMART and IMT have engaged BSI to verify that all GAR majority-owned operations and SMART and IMT operations are applying the RSPO's New Planting Procedures, which have been incorporated into the company's revised SOP.

BSI will verify all new plantings (50 estates, including 10 estates belonging to smallholders). BSI will advise on the completion date for this exercise as part of the overall time-bound plan.

6. High Conservation Value (HCV) compensation

SMART and IMT have proposed:

- a) Compensation for the instances of the land cleared between 2005 and 2007 according to guidance established by the RSPO; and
- b) Suitable additional remediation measures agreed in consultation with RSPO for the land cleared after 2007.

SMART and IMT will proceed with retroactive HCV assessment of the 37,698 hectares of land that was developed without HCV assessment. The companies have engaged an RSPO-registered HCV assessor to ascertain the HCV that existed before land development in the above areas. Outside these areas, checking for HCV assessment will be part of the preparation of the certification plan, pre-audit and certification process.

With regard to compensation for land developed between Nov 2005 and Nov 2007, SMART and IMT will be guided by the decision of the RSPO Executive Board, once the proposal from the Indonesian Working Group on HCV compensation has been approved.

For land developed after Nov 2007, remediation will be on a case by case basis. SMART and IMT will work with the Panel to develop within 6 months and then implement these measures. The Panel will also advise on any independent third party to work with SMART and IMT on the implementation of the compensation and remediation.

7. Deep peat restoration

SMART and IMT have engaged a Peat Restoration Team (PRT) for the deep peat restoration project. This PRT will be led by the Bogor Agricultural Institute (IPB) and assisted by the Indonesian Center for Agriculture Land Resource Research and Development (Balai Besar Penelitian dan Pengembangan Sumberdaya Lahan Pertanian).

The PRT has started to visit the affected areas and will submit their proposal to SMART and IMT by the end of Nov 2010. SMART and IMT will discuss their proposal with the Panel with a view to developing the deep peat restoration plan by the end of Mar 2011. The Panel will also advise on any independent third party to verify implementation of the deep peat restoration plan.

SMART and IMT have clarified that people involved in transmigration had developed about 568 hectare of deep peat in Ketapang out of the 1,330 hectare cleared.

8. RSPO Grievance Panel

On their part, the Panel has agreed to take forward several actions and provide clarifications where required, as follows:

- Finalise guidelines on compensation for land cleared in Indonesia between 2005 and 2007;
 - Finalise guidelines on remediation for any land cleared in contravention of the RSPO requirements after 2007, which are to be agreed on a case-by-case basis with RSPO; and
 - Separately, the Panel will finalise the requirements and guidance for members owning or managing more than one palm oil unit with regards to phased certification (in clause 4.2.4 of the Certification Systems document) and partial membership (in the RSPO Code of Conduct).
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