

## Clarification and summary statement

### BSI-CUC Verifying Greenpeace Claims Case: PT SMART Tbk report

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It has come to the attention of BSI Group (BSI) that following the publication of the report “BSI-CUC Verifying Greenpeace Claims Case: PT SMART Tbk” on 10 August 2010, there have been elements of the report that have been misreported as it has been published and presented. We therefore wish to restate the key findings of the report in the IVEX Team Report Summary below and would ask all parties concerned to do the same. We also wish to clarify Section 2 of the report’s Executive Summary in the IVEX Team Clarification Statement below.

#### IVEX TEAM REPORT SUMMARY

The IVEX Team<sup>1</sup> concluded that the REPORTS<sup>2</sup> have six main points with the “Sinar Mas Group”. The methods used by the IVEX Team to verify the claims included extensive use of various types of data, field work and interviewing (a full methodology is shown in Appendix 1). Below are the six main points with the corresponding conclusion of the IVEX Team:

- **Point 1** – “Sinar Mas Group” had cleared and planted on peatland with a depth of more than three meters and are therefore deemed to have violated Indonesian Law.

**IVEX Team conclusion** – Planting on peat lands and deep peat were found but not as extensively as claimed in the REPORTS. There was planting on deep peat (> 3 m) in two estates from 2005 – 2008 which is in breach of the Presidential Decree with regards to deep peat issued in 1990. This also contravened SMART’s own operating instructions.

- **Point 2** – “Sinar Mas Group” had destroyed rainforests\* and Orang-utan habitat.

**IVEX Team conclusion** – All the land in the eleven concessions examined comprised of secondary forests, degraded and shrub land and were no longer primary forests before SMART started land clearing and planting. This suggests that the degradation process of forest areas that were habitats for Bornean Orang-utan happened before SMART took over the lands.

While the above findings indicate that it is highly unlikely that there are High Conservation Value (HCV) forests left in the concession areas in Central and West Kalimantan, 21% (37,698 Ha) of the total 182,528 Ha was opened before independent HCV assessment. This potentially contravenes Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria (P&Cs) and SMART would need to propose a compensation or

exclusion process when these plantations enter into the certification process.

- **Point 3** – “Sinar Mas Group” had performed forest land clearance/logging without obtaining Timber Utilization Permit-IPK or prior to obtaining approval of Environmental Impact Assessment (EIA).

**IVEX Team conclusion** – In West Kalimantan, all except two concessions examined had the necessary EIA (AMDAL) prior to land clearance activities. In Central Kalimantan, all concessions examined were found to have carried out land clearance before the EIA was approved.

- **Point 4** – “Sinar Mas Group” had conducted land clearance/preparation by means of burning.

**IVEX Team conclusion** – Field verification could not find evidence of burning in land clearing and preparation.

- **Point 5** – “Sinar Mas Group” had caused social conflicts including land rights and resource conflicts through plantation expansion.

**IVEX Team conclusion** – While the team found no evidence of negative social impact from the planting of oil palm in the concessions, it has noted weaknesses in SMART’s documentation of its engagement process with land owners during the land compensation dialogue. Separate research needs to be done and recommends that SMART embarks on this.

- **Point 6** – “Sinar Mas Group” had used the RSPO membership rules by making two companies under Golden Agri-Resources Ltd (GAR) – SMART and PT Ivo Mas Tunggal – members of RSPO to “greenwash” and create an impression that GAR is committed to sustainability through RSPO membership.

**IVEX Team conclusion** – It would appear that the literal reading of the RSPO membership rules may not sufficiently address organisations with complex legal and management structures who may use this loophole to “greenwash”. In GAR’s case, it is clear that GAR is not a RSPO member and therefore it cannot claim or give the impression that GAR and all its subsidiaries are in the process of obtaining RSPO certification.

*\*Please note that the term “primary forests” has been deleted and amended to “rainforests” as clarified in the IVEX Team Clarification Statement below.*

## **Appendix 1: Methodology**

1. Chronological tracing of the application and approval of the relevant licences;
2. Analysis of land-use history and development of land cover of the prospective concession areas, including the use of satellite images;
3. Reviewing the chronology of field activities from land survey and assessment, socializations, land acquisition, land preparation to planting;
4. Analysis of peat depth distribution map and re-measurement of peat depth through sampling by using a special drill for identification of peat depth and soil analysis;
5. Analysis of the overlap between the 2006-2007 hotspots distribution map (2008-2009 for Kapuas Hulu) with maps of land acquisition development process;
6. Estimation of the timber potential of forested area through vegetation analysis with plots established through sampling;
7. Observations of wildlife populations in forested areas using tract and point combination method;
8. Interviews or consultation with the Heads of relevant Provincial Services (Forestry, Plantations and the Environment Agency), Head of Sentarum National Park and local government leaders (Regency Head and Related Regional Services) and other relevant people;
9. Literature analysis on relevant and existing regulations and legislations, reference books, reports and research results and EIA were conducted;
10. Field audits against RSPO Principles and Criteria which relate to the claims being verified;
11. Review of RSPO Rules particularly in relation to organisations with multiple companies and how this affects the RSPO certification process.

## **IVEX TEAM CLARIFICATION STATEMENT**

1. In section 2.2 of the Executive Summary, we acknowledge that the Greenpeace REPORTS had not stated that the Sinar Mas Group destroyed “primary forest”.

The term “primary forest” was used in the verification report as the view of the forestry experts in the IVEX Team and that the term “rainforest” in the context of the claims in the REPORTS means “tropical rainforests” which are in the climax condition, a term often used analogously to “primary forest” or “virgin forest” – forest which has not been disturbed. Forests in this state serve many functions, including economic, ecological (wildlife habitat, biological/source of gene plasma) and also environmental. It is therefore the opinion of the IVEX Team that Greenpeace does not refer to secondary or degraded forest in relation to claims related to deforestation by PT Smart as the performance of these kinds of forests have little meaning in relation to wildlife and the environment.

2. In establishing an audit and assessment plan for the work, the IVEX Team examined the issues raised in the five Greenpeace REPORTS. The IVEX Team also examined these REPORTS to ascertain which concessions could be audited to verify the issues raised in the REPORTS. This is not

meant to imply a direct correlation between the issues raised by Greenpeace and the location of each issue but was used as a basis for the auditing plan.

Thus, in the Executive Summary, Section 2 should read as follows:

## “2. Greenpeace Claims

In summary, the REPORTS contain allegations that the “Sinar Mas Group”:

- 2.1. Had cleared and planted on peatland with a depth of more than three meters and therefore deemed to have violated Indonesian Law.
- 2.2. Had destroyed rainforests and Orang-utan habitat.
- 2.3. Had performed forest land clearance/logging without obtaining Timber Utilization Permit – IPK or prior to obtaining approval of Environmental Impact Assessment (EIA).
- 2.4. Had conducted land clearance/preparation by means of burning.
- 2.5. Had caused social conflicts including land rights and resource conflicts through plantation expansion.
- 2.6. Had used the Roundtable on Sustainable Palm Oil (RSPO) membership rules by making two companies under GAR – PT Smart and PT Ivo Mas Tunggal – members of RSPO to “greenwash” and create an impression that GAR is committed to sustainability through RSPO membership.”

These points of clarification are explanatory only and in no way affect the findings of the report.

The report is available in full on the websites of the Singapore Exchange, the Indonesia Stock Exchange, Golden Agri-Resources and PT SMART. Please visit [www.smart-tbk.com](http://www.smart-tbk.com).

**- ENDS -**

## **NOTES TO EDITORS**

<sup>1</sup> The Independent Verification Exercise (IVEX) Team comprised BSI Group (BSI), Control Union Certifications (CUC) and experts from the Faculty of Forestry at Bogor Agricultural Institute (IPB).

<sup>2</sup> Greenpeace REPORTS: “Burning Up Borneo”, “Illegal Forest Clearance and RSPO Greenwash: Case Studies of Sinar Mas”, “Caught Red Handed”, “New Evidence: Sinar Mas – Rainforest and Peatland Destruction” and PowerPoint Presentation: “Sinar Mas Continues Rainforest Destruction”.

### **About BSI Group**

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