

## **INDEPENDENT VERIFICATION REVEALS GREENPEACE CLAIMS ARE EXAGGERATED OR WRONG**

### **REPORT CLEARLY DEMONSTRATES THAT:**

- **SMART is not responsible for deforestation of primary forests and the destruction of orang-utan habitats in Indonesia as claimed by Greenpeace**
- **SMART operates responsibly and within the laws and regulations set out by the Indonesian government**
- **SMART is a vital player in leading the industry in promoting sustainable palm oil production**

**Jakarta, 10 August 2010** – The Independent Verification Report conducted jointly by Control Union Certification (“CUC”) and BSI Group (“BSI”) into the claims made by Greenpeace against PT SMART Tbk (“SMART” or “the Company”) and its parent company Golden Agri-Resources Limited (“GAR”) released today, clearly demonstrates that the environmental campaigner was wrong in much of its campaign and exaggerated throughout. CUC and BSI were aided in their report by two forestry conservation experts Prof. Dr. Bambang Hero Saharjo and Dr. Ir. H. Yanto Santosa, from Bogor Agricultural Institute (“IPB”), together known as the Independent Verification Exercise (“IVEX”) Team. The report concluded that the allegations made were largely unfounded and that SMART was not responsible for deforestation of primary forests and the destruction of orang-utan habitats as had been claimed.

The report also showed that SMART operates responsibly and within the laws and regulations set out by the Indonesian government. “We are glad that the very thorough and totally independent investigation by two bodies with a global reputation for integrity has revealed the truth about our management and development of our oil palm plantations. As one of the industry leaders, we seek to be a significant part of the solution in delivering sustainable palm oil production,” said Daud Dharsono, President Director of SMART.

Greenpeace’s claims included causing the deforestation of primary forests and the destruction of orang-utan habitats, clearing forests without permits, burning forests, clearing on peat land, causing social conflict and engaging in selective Roundtable on Sustainable Palm Oil (“RSPO”) membership, and the report’s findings in these areas are dealt with in detail as follows:

### **Causing the deforestation of primary forests and the destruction of orang-utan habitats**

The findings by the IVEX Team makes it absolutely clear that SMART and GAR are not responsible for the deforestation of primary forests that has taken place in Indonesia and have operated both within the law and with a keen awareness and desire to operate its oil palm plantations based on actions taken as to safeguard the continuing protection of the existing primary forests and land with High Conservation Value (“HCV”).

The IVEX Team found that all the land in the 11 concessions examined comprised of secondary forests, degraded and shrub land and were no longer primary forests before SMART started land clearing and planting. This was verified by analysing historical land use, sighting of minutes of the process of compensation and also sampling of timber potential of existing trees. It was confirmed by analysis of satellite photographs covering the areas before and after the land was acquired by SMART for oil palm cultivation.

The IVEX Team concluded that the degradation process of forest areas that were habitats for the orang-utan happened before SMART started land clearing and planting.

The IVEX Team noted that in Indonesia, HCV is a concept that is dynamic and ambiguous; and it is the daunting task of the HCV assessments to identify and conserve HCV areas. It noted that 37,698 ha or approximately 21% of the total area of the 11 concessions was opened up before HCV assessments. Meanwhile, SMART has identified about 21,000 ha or 11.5% of the 11 concessions that contains HCV land and has conserved this.

### **Clearing forests without permits**

SMART completed all required land development permits, namely Timber Utilisation Permits (“IPK”) and Environmental Impact Assessment or better known as AMDAL prior to land development, for all five concession areas in West Kalimantan.

In the case of Central Kalimantan, the AMDAL for all six concessions were completed after land clearing which is not in compliance. SMART obtained in-principle plantation business permit and proceeded to develop the concessions while AMDAL was being processed. SMART has since received AMDAL for all six concessions in Central Kalimantan. Moving forward, it will ensure that AMDAL is obtained before land clearing.

### **Burning forests**

The IVEX Team conducted field verification and could not find evidence of burning in land clearing and preparation. SMART has a zero-burning policy since 1997 for land preparation. Most hotspots and burning in or near SMART concession areas occurred before land compensation and preparation and were likely to have been caused by slash-and-burn practices of the local community.

### **Clearing and planting on peat land**

The IVEX Team has identified that over 98% of SMART’s concession areas are not planted on peat of more than 3 metres deep. The planting on deep peat land in other cases was incidental due to the difficulty in identifying sporadic and small plots of peat. In Central Kalimantan, development on peat was 1,880 hectares (ha) or 2.1% of SMART’s concession area and in West Kalimantan it was 1,330 ha or 1.4% of SMART’s concession area. SMART recognises this non-compliance with its SOPs and is currently taking the necessary remedial action including reinstating of the land.

### **Causing social conflict**

Based on the limited scope of field visits done by the IVEX Team, there was no evidence of negative social impact from the planting of oil palm trees in SMART’s concessions. Interviews by the IVEX Team with the local community support the view that the plantations had a positive impact on the community.

In terms of small holders, the IVEX found no evidence of negative relations from visits with local land holders, including those that did not sell land to SMART. SMART and GAR treat the local land owners and communities fairly. Many local land owners become small holders working in partnership with the plantation. Their estimated income can range between US\$9 and US\$12 per day, well above the average minimum wage of US\$5 per day.

SMART and GAR constructed and manage 129 schools with over 1,000 teachers catering to more than 21,800 students. SMART and GAR also build and maintain public infrastructure such as roads and bridges, health clinics and places of worship.

### **Engaging in selective RSPO membership**

GAR has a total of 53 companies under its holdings which are involved in the cultivation of oil palm. Currently, SMART and PT Ivo Mas Tunggal are members of the RSPO and are in the process of RSPO certification. GAR aims to obtain RSPO certification for all of its existing palm oil operating units by 2015. In line with this commitment, GAR, the holding company of SMART is currently seeking plans to become an RSPO member.

The Independent Verification Exercise covered a total of 11 concessions covering 182,528 ha or over 40% of all oil palm plantations owned and managed by GAR and SMART. The IVEX Team spent over two months in terms of field visits, chronological tracking, data analysis, interviews research and field audits.

### **SMART's commitment to sustainable palm oil production**

As a business, SMART complies with national laws and regulations and the principles and criteria of the RSPO. The commitments apply to all plantations owned and managed by SMART and its parent company.

SMART is absolutely against burning and established a zero burning policy in 1997, ahead of the Indonesian government, which subsequently established the same policy in 1999. As part of its overall strategy to conserve high carbon stock land and biodiversity, SMART is committed not to plant oil palm trees on peat land, primary forests nor convert land with HCV.

GAR provides employment for almost 140,000 people, of which 37,500 are direct employees, 59,000 are small holders and 43,000 are casual workers on plantations. In 2010, the average plantation worker earns about US\$8 per day or US\$2,800 per annum.

Palm oil is an important product and helps to alleviate poverty in Indonesia. The industry provides direct and indirect employment for approximately 4.5 million persons in the country. In 2005, palm oil accounted for US\$ 3.8 billion of exports, or 6% of non oil and gas exports of the country. In 2009, it reached US\$ 10.4 billion worth of exports or 11% of Indonesia's non oil and gas exports. In addition, the product is a vital component in the food chain, allowing the world to meet its growing demand for food. The presence of palm oil makes a wide range of products – from food to cosmetics – affordable for households.

The IVEX Team was appointed in April 2010 in consultation with Unilever, who currently chairs the RSPO, to review and verify in particular the claims raised in the Greenpeace reports "Burning Up Borneo" and "Illegal Forest Clearance and RSPO Greenwash: Case Studies of Sinar Mas". Subsequently, it was agreed that the IVEX Team cover claims in three additional reports "Caught Red Handed: How Unilever's Use Of Palm Oil Is Having A Devastating Impact On Rainforest, The Climate And Orang-Utans", "New Evidence: Sinar Mas – Rainforest and Peatland Destruction" and "Sinar Mas Continues Rainforest Destruction".

Mr Dharsono said, "The IVEX Team was appointed based on their ability to provide an independent assessment of the claims through transparent and objective verifications and using scientific methodology. To ensure complete transparency and integrity, we are releasing the findings of the IVEX Team's report in its entirety. It was vital to get an independent third-party opinion to clear the

allegations so that all parties can move forward in a constructive manner. We look forward to engaging with all our stakeholders including Greenpeace to work towards continued improvement in sustainable palm oil production.”

### **SMART’s ongoing sustainability efforts**

As an active leader in the industry, SMART partners with Centre de Coopération Internationale en Recherche Agronomique pour le Développement (“CIRAD”), in France, and WWF in leading the International Conference on Oil Palm and Environment (“ICOPE”) to constantly try to find solutions to improve the existing practices.

SMART also works closely with the community such as the indigenous people and small holders to educate them on industry best practices. Together with the Indonesian Oil Palm Association, small holders and government bodies, SMART also promotes increasing the productivity of the entire palm oil industry. SMART’s research institute, SMARTRI continues to push the frontiers of innovation to enhance productivity of palm oil.

The IVEX report establishes that GAR and SMART are responsible companies. Their sustainability commitments apply to all areas of the environment, people and the economy.

“We believe in engaging all our stakeholders including NGOs and customers and will work closely with key influencers and the government. We recognise that we have a crucial role to play in setting the industry standards for the ongoing improvement of sustainable palm oil production,” concluded Mr Dharsono.

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### **For further information please contact:**

#### **For Indonesia:**

Fajar Reksoprodjo  
Corporate Affairs  
Tel : (62 – 21) 318 1388  
Fax : (62 – 21) 318 1390  
Cell : (62 – 881) 123 9513  
Email : [fajar-reksoprodjo@smart-tbk.com](mailto:fajar-reksoprodjo@smart-tbk.com)

#### **For Singapore:**

Pelham Bell Pottinger Asia  
Claire Yong / Ang Shih-Huei  
Tel : (65) 6333 3449  
Email : [cyong@pelhambellpottinger.asia](mailto:cyong@pelhambellpottinger.asia) / [sang@pelhambellpottinger.asia](mailto:sang@pelhambellpottinger.asia)

#### **For London:**

Pelham Bell Pottinger  
Gavin Davis / Charles Goodwin  
Tel : (44) 207 861 3159 / 3117  
Email : [gdavis@pelhambellpottinger.co.uk](mailto:gdavis@pelhambellpottinger.co.uk) / [cgoodwin@pelhambellpottinger.co.uk](mailto:cgoodwin@pelhambellpottinger.co.uk)

### **About PT SMART Tbk (“SMART”)**

SMART is one of the largest, publicly-listed, integrated palm-based consumer companies in Indonesia which is committed to sustainable palm oil production.

Founded in 1962, SMART’s palm plantations have a total coverage area of approximately 135,000 hectares (including small holders). SMART also operates 15 mills, four kernel crushing plants and three refineries. SMART listed its shares on the Indonesia Stock Exchange in 1992.

SMART’s primary activities are cultivating and harvesting of palm trees, processing of fresh fruit bunches into crude palm oil (“CPO”) and palm kernel, and refining CPO into value-added products such as cooking oil, margarine and shortening.

Besides bulk and industrial oil, SMART's refined products are also marketed under several brands such as Filma and Kunci Mas. Today, these brands have been recognised for their high quality and command significant market share in their respective segmentation in Indonesia.

SMART is a subsidiary of Golden Agri-Resources Ltd (“GAR”), one of the largest palm-based companies in the world which is listed on the Singapore Exchange. SMART also manages all oil palm plantations of GAR which has a total planted area of 430,200 hectares (including small holders) in Indonesia, as at 31 March 2010.

This relationship benefits SMART with its economies of scale in plantation management, information technology, research and development, sourcing of raw material, and access to a wide domestic and international marketing network.