

Response from SMART regarding situation in Karang Mendapo

1 February 2011

PT SMART Tbk (SMART) and its subsidiary, PT Kresna Duta Agroindo (PT KDA), regret any injuries resulting from clashes between villagers and police forces in the village of Karang Mendapo, Sarolangun, Jambi. PT KDA categorically rejects the use of violence in any dispute, from and by any parties.

The conflict between a group of villagers of Karang Mendapo and the Tiga Serumpun Cooperative (TSRA) is with regard to the harvesting of oil palm from the plasma plantation where PT KDA provides plantation management services only, while the land ownerships reside with smallholders. TSRA is a cooperative whose members are owners of the smallholders plantation. This is not a case of villagers being in conflict with PT KDA. PT KDA does not own the plasma plantation in question. However, PT KDA does recognise that the dispute has been ongoing for some time and will play a more active role to facilitate a peaceful resolution with the support from all stakeholders.

The TSRA management requested law enforcement aid from the police as it felt obliged to protect the assets of its members. TSRA also asked PT KDA to support this law enforcement request to the police. PT KDA, who provides plantation management services to TSRA under the plasma arrangement, supported this request. SMART and PT KDA repeat categorically that they deeply regret the injuries that resulted from the conflict between police forces and the villagers.

As part of SMART's objective to achieve Roundtable on Sustainable Palm Oil (RSPO) certification for its plantations and as a result of the incident in Karang Mendapo, the company is reviewing its approach to conflict resolution. This includes conflicts between villagers and its own plantations, as well as conflicts on plasma plantations - like in Karang Mendapo - which it does not own, but provides management services. SMART is developing a Social and Community Engagement Policy to guide its approach to avoid conflicts and achieve resolution where these conflicts exist. SMART will seek input on this draft policy from Indonesian palm oil industry stakeholders to ensure it represents best practice.

SMART will play its part in assisting to find a peaceful resolution to the dispute between TSRA and the villagers. SMART will provide assistance to the relevant authorities and all parties involved whenever necessary.

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