



How Sinar Mas is expanding its

EMPIRES OF DESTRUCTION



GREENPEACE

‘Sinar Mas has always striven to be responsible and sensitive on ecological and environmental matters. All operating companies are committed to comply with all regulations on preservation of the environment around its operations. [...] Climate change is a phenomenon that all businesses are facing everyday. All of our operations follow the process of preservation and regeneration of the environment as an important aspect of its culture of corporate sustainability.’

SINAR MAS GROUP WEBSITE (2010) GROUP OVERVIEW ON SUSTAINABILITY
WWW.SINARMAS.COM/EN/SUSTAINABILITY/#

‘WWF requests that the Sinar Mas Group discloses the extent of its clearance of land including peat areas for oil palm production undertaken since November 2005 and without prior HCV [High Conservation Value] assessment.’

WWF (2010) PRESS RELEASE



PT Agro Lestari Mandiri

Location: Lat. S 1° 36'58.50" Long. E 110°23'40.40"

Date: March 14 2010

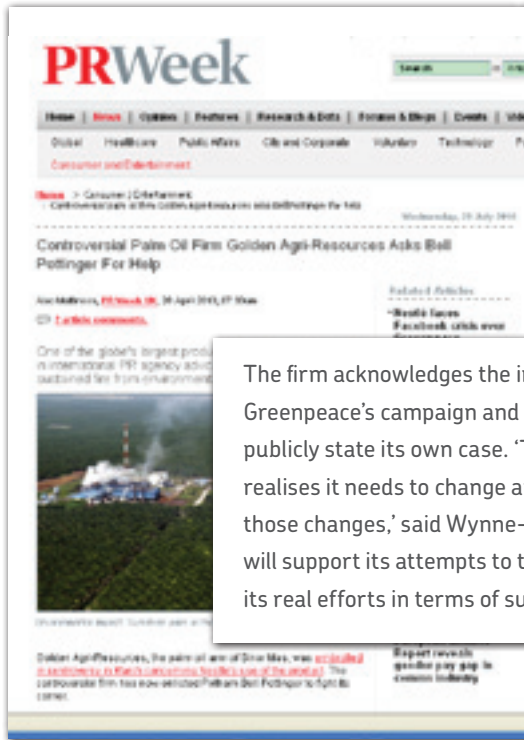


PT Agro Lestari Mandiri

Location: Lat. S 1° 26' 10.40" Long. E 110° 25' 49.13"

Date: July 5 2010

IN BRIEF



The firm acknowledges the impact of Greenpeace's campaign and the need to publicly state its own case. 'The company realises it needs to change and is making those changes,' said Wynne-Morgan. 'We will support its attempts to tell people about its real efforts in terms of sustainability...



Trafigura's lobbyists, Bell Pottinger, claimed to be "appalled" by the report, saying it was "premature", "inaccurate", "potentially damaging", "poorly researched", and "deeply flawed".

Yesterday Greenpeace launched a legal action in Amsterdam calling for the oil firm to be prosecuted.



Sinar Mas is notorious for its destruction of millions of hectares of Indonesian rainforest, peatland and wildlife habitat.¹ Two divisions within the group lead the destruction: pulp and palm oil.² More recently, the group has diversified into coal.³

Although Sinar Mas divisions regularly claim not to develop land with high carbon stock such as peatland or primary forests,⁴ or only to develop 'least-valuable' degraded forests and denuded wasteland,⁵ Greenpeace⁶ and many other environmental and social justice NGOs⁷ have exposed the devastating impact of Sinar Mas operations in Sumatra, Kalimantan and Papua.⁸ This includes destruction of carbon-rich peatlands and critical wildlife habitat.⁹ Many responsible corporate consumers have ceased to trade with Sinar Mas, considering the group a risk to their brand.¹⁰

In the face of market pressure, rather than change business practice, Sinar Mas has hired PR companies Bell Pottinger.¹¹ They have also been working with Weber Shandwick.¹² Bell Pottinger is the same PR company hired by disgraced oil trader Trafigura¹³ when it was caught exporting hazardous waste to the Ivory Coast.¹⁴

Sinar Mas is actively developing and expanding its landbank for pulp plantations, oil palm and coal. Confidential Sinar Mas documents obtained by Greenpeace reveal that Sinar Mas has been targeting several million hectares of land across Indonesia for pulp and oil palm expansion.¹⁵ In July 2010, Franky Widjaja, head of Sinar Mas' oil palm division, confirmed in an interview with the UK *Sunday Times* his intention to develop a further 1.1 million hectares of oil palm

plantation. Analysis by Greenpeace of areas targeted by Sinar Mas for oil palm development in Papua indicates that these areas contain 50% primary forest cover and significant areas of peatland.¹⁶

Photographic documentation from field investigations and aerial monitoring in July 2010 provides fresh evidence of Sinar Mas' continued active clearance of Indonesia's remaining rainforests and destruction of carbon-rich peatlands important for climate and endangered wildlife habitat.¹⁷

Expansion plans and evidence of the ongoing devastating impact of current operations – despite recent changes in company policies – again undermine Sinar Mas' attempt to spin itself a new reputation as a clean, transparent business.

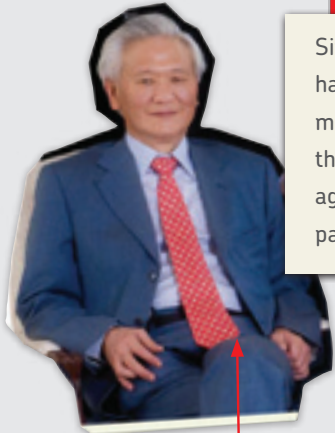


SINAR MAS IS A WIDJAJA FAMILY EMPIRE

SOURCE: GREENPEACE INTERNATIONAL (2010C)

MUKTAR WIDJAJA

Since 1983, Mr. Muktar Widjaja has been actively involved in the management and operations of the property, financial services, agriculture, chemical and pulp and paper businesses.

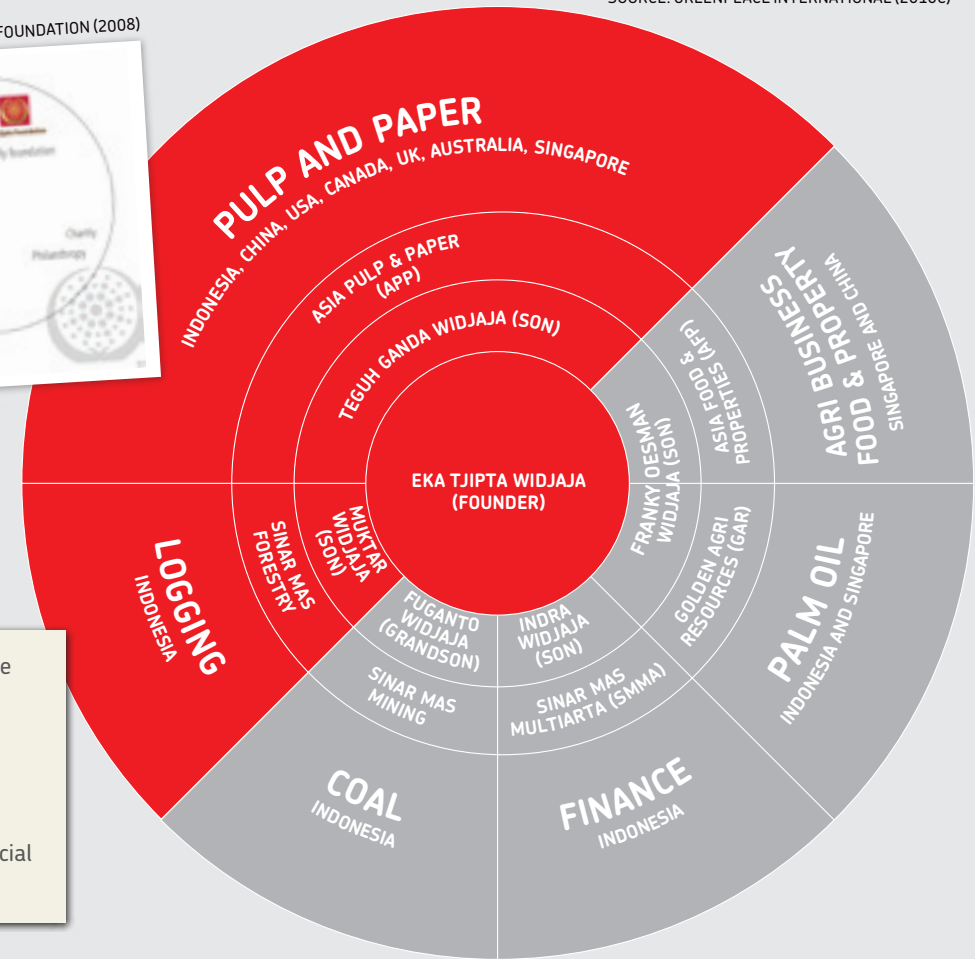


SOURCE: EKA TJIPTA FOUNDATION (2008)



FRANKY WIDJAJA

Mr. Franky Widjaja has extensive management and operational experience. Since 1982, he has been involved with different businesses, including pulp and paper, property, chemical, financial services and agriculture.



SOURCE: GAR 2010



The Sinar Mas Group refers collectively to companies operating across a diverse range of sectors, often operating under a Sinar Mas brand.

What these have in common is control by the Widjaja family, headed by Sinar Mas founder, Eka Tjipta Widjaja. Sinar Mas divisions are typified by a lack of transparency in both operations – for example, lack of publicly available concession area maps – and corporate structure.¹⁸

Businesses within Sinar Mas describe it as ‘one of the world’s largest natural resource based companies with operations in Indonesian archipelagos’.¹⁹ Sectors in which Sinar Mas is actively expanding include pulp and paper, palm oil production and coal.

Sinar Mas’ pulp division includes the Asia Pulp & Paper (APP) group, Indonesia’s largest pulp and paper producer,²⁰ and one of the largest pulp and paper companies in the world.²¹ It

controls 30% of Indonesia’s current pulp capacity.²² Sinarmas Forestry is APP’s ‘exclusive supplier’ of pulpwood.²³

Sinar Mas’ palm oil division Golden Agri Resources (GAR) produces 10% of Indonesia’s palm oil.²⁴ PT SMART is a subsidiary of GAR, and now claims ‘SMART manages all oil palm plantations of GAR’.²⁵ GAR lists 158 subsidiaries, associate companies or subsidiaries of subsidiaries, of which 61 are involved in ownership and cultivation of oil palm plantations.²⁶



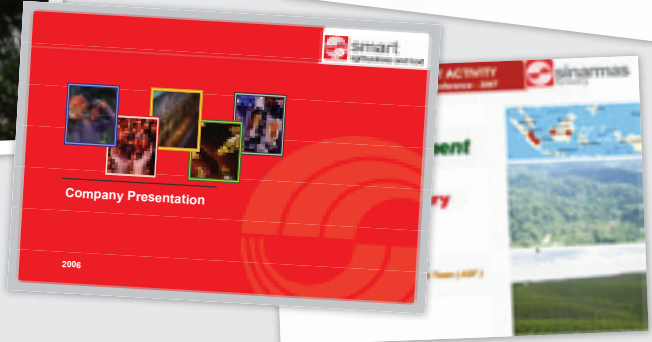
'The Widjaja family [...] controls the Indonesian conglomerate Sinar Mas, which is active in many sectors including agribusiness, property and finance. [...]

The Widjaja family was very keen on using related parties for commercial transactions. This way of doing business is known for allowing and encouraging commercial contracts driven by the interests of the ultimate owners, rather than resulting from a normal market process.

Hundreds of companies have been created within the Sinar Mas conglomerate, both to enhance efficiency and to control sales prices between related companies.

As a consequence, the ultimate owners were and still are in position to prioritize their own interests and even capture profits for themselves. This would be done to the detriment of investors in the major listed companies when the share value decreases; and to the detriment of creditors when loans are not repaid.'

PIRARD, R AND R ROKHIM (2006)

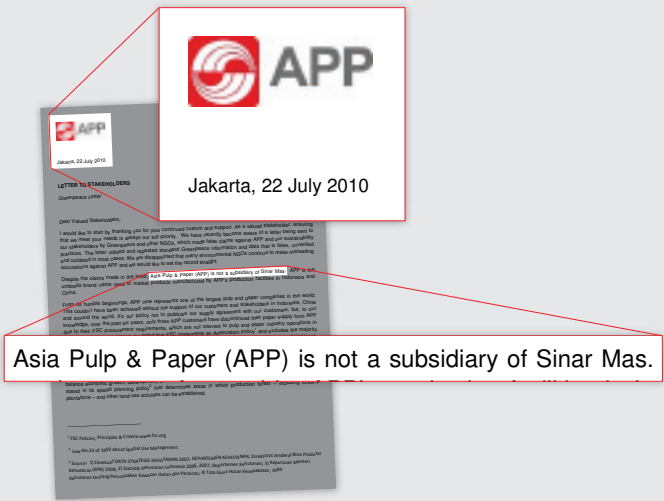


One of the sons of Sinar Mas Group founder Eka Tjipta Widjaja, Muktar Widjaja, has senior positions in APP/Sinarmas Forestry and GAR/SMART, as well other Sinar Mas divisions.

According to GAR's 2009 Annual Report, Muktar Widjaja 'has been actively involved in the management and operations of [Sinar Mas] ... pulp and paper businesses' since 1983.²⁷ A 2009 APP report states that Muktar Widjaja is the President Commissioner of PT Purinusa Ekapersada,²⁸ APP's legally

registered company. Muktar Widjaja is also the President Commissioner of Sinarmas Forestry's company PT Wirakarya Sakti (WKS),²⁹ APP's pulpwood supplier in Jambi province, Sumatra.³⁰

Muktar Widjaja was appointed President of GAR in 2000.³¹ He is a member of GAR's Executive/Board Committee and Vice President Commissioner of PT SMART.³² He serves on the Board of Directors of several subsidiaries of GAR.³³



THE SINAR MAS 'MASTER PLAN'

Sinar Mas is actively developing and expanding its landbank for pulp plantations, oil palm and coal. This landbank includes rainforest, peatland and wildlife habitat. Historically, Sinar Mas operations have destroyed considerable areas holding these conservation values. Its future expansion into rainforest areas and peatlands will further contribute to habitat loss and climate change.

Sinar Mas prospecting and project planning maps obtained by Greenpeace detail millions of hectares in Sumatra, Kalimantan and Papua targeted by the group for future pulp and oil palm development.³⁴ Within the areas targeted by Sinar Mas in Papua, preliminary analysis by Greenpeace shows considerable overlap with primary forest and peatland.³⁵ For example, half of the areas targeted for oil palm concessions overlap primary forest as mapped by the Indonesian Ministry of Forestry.

'PT SMART's expansion programme is part of the company long term master plan.'

CALIMAN AND DHARSONO, (2008)





PT. SMART

Location: Kuala Kuayan.
Date: July 24 2009



Sinar Mas is building a palm oil empire through 'the most aggressive new planting programme among the plantation companies'³⁶

Franky Widjaja, head of GAR, states in a July 2010 interview with the Financial Times that GAR has 430,000 hectares of planted oil palm plantation, and it has been licensed to cultivate an additional 100,000 hectares by national and local government agencies.³⁷ In an interview with the UK Sunday Times, he confirmed the division's intentions to expand its empire by an additional 1.1 million hectares.³⁸

In October 2008, PT Sinar Mas Agro Resources and Technology (SMART) gave a presentation to a Unilever-hosted meeting in London. This states that SMART's 'expansion programme is part of the company long term master plan'.³⁹

The presentation states that SMART has 200,000 hectares available for development within existing concessions.⁴⁰ The company has a further 1.1 million hectares of 'land acquisition in progress'.⁴¹ Sinar Mas divisions do not make maps publicly available indicating the location of concessions. However, 2008 GAR presentations to investors state that the

200,000 hectares available for development are in Kalimantan; of the areas in acquisition, 100,000 hectares are in Kalimantan and 1 million hectares are in Papua.⁴²

A May 2009 GAR presentation announces that its new strategic priorities include expanding its plantation area by establishing a 'long-term target ... of 50,000 ha per annum'.⁴³ Expansion plans include acquisition of 'well-positioned and high-quality oil palm estates and landbanks' in Indonesia.⁴⁴ In addition, it is 'exploring development prospects in other countries'⁴⁵ including a potential investment



of US\$1.6 billion for 240,000 hectares of oil palm plantation in Southeastern Liberia.⁴⁶

Prospecting and project planning maps obtained by Greenpeace reveal areas targeted by Sinar Mas for oil palm development in Papua. Preliminary analysis by Greenpeace shows considerable overlap with primary forest and peatland.⁴⁷ For example, half of the areas targeted for oil palm concessions overlap primary forest as mapped by the Indonesian Ministry of Forestry.

6 Sinar Mas is pulping the planet: landgrabbing for future deforestation

In 2009, Aida Greenbury, APP's Director of Sustainability and Stakeholder Engagement, stated that 'APP Indonesian pulpwood suppliers manage around 2.4 million hectares of gross area'.⁴⁸

In July 2010, Greenpeace released a report 'How Sinar Mas is pulping the planet',⁴⁹ estimating that by the first quarter of 2010, the area of Sinar Mas-controlled pulp concessions had increased to 2.9 million hectares of partially forested concessions,⁵⁰ some in areas of tiger habitat and carbon-rich peatlands.⁵¹ Greenpeace investigations detailed in the July 2010 report document how natural forest clearance from recently acquired concessions

is being used to meet APP's current fibre supply needs.

The report reveals internal Sinar Mas expansion plans and implementation as presented in a confidential powerpoint presentation, 'Area Development Project'⁵² – a project sponsored by Muktar Widjaja and his brother, Teguh Ganda Widjaja, who heads APP.⁵³ In 2008, Pulp & Paper International magazine rated Teguh Widjaja as the most powerful man in the pulp and paper sector worldwide.⁵⁴

The presentation was developed for an internal 2007 organisational management meeting,⁵⁵ and forecasts a massive increase in pulping capacity.

Following publication of the Greenpeace

report, in July 2010, Aida Greenbury issued a statement 'APP responds to Greenpeace's false accusations'.⁵⁶ In this, she asserts: 'Greenpeace's claim of a 'secret' plan by APP to increase – by up to 7 times – its current pulping capacity, is totally false.'⁵⁷

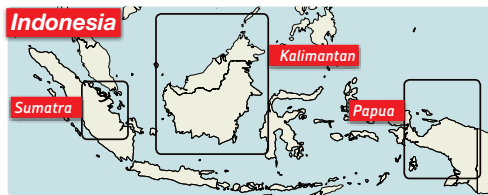
Greenpeace's report refers to a 'confidential' 2007 powerpoint presentation.⁵⁸ This is not the only confidential Sinar Mas document detailing ambitions to expand pulp production dramatically.⁵⁹ No public information on Sinar Mas expansion ambitions is available.

While no timeline for pulp mill expansion is given in the 2007 document, the forecast expansion forms the basis for a government-lobbying tool to gain access to considerable new, partially forested concession areas 'supporting mill license capacity'.

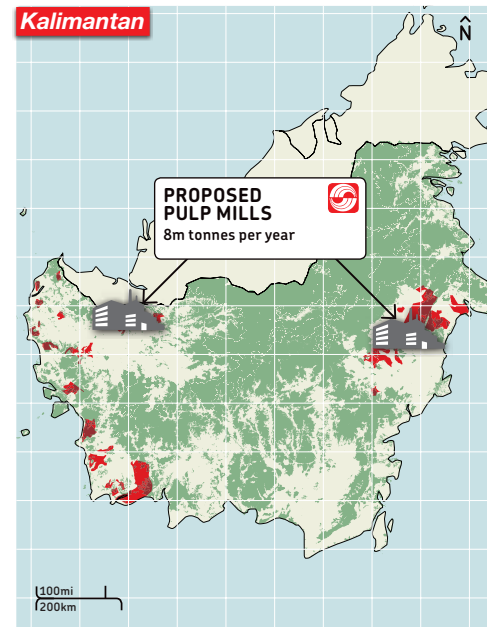
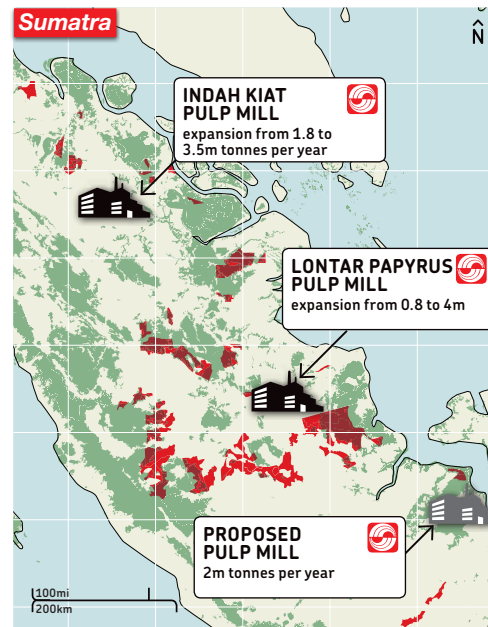
The 2007 presentation details where the company plans to acquire new concession areas between 2007 and 2009, and calculates the forested area available for clearance in the near term. It then maps nearly 3 million hectares actively targeted by Sinar Mas for acquisition, split almost equally between areas in Sumatra, Kalimantan and Papua.

Some of these areas have subsequently been licensed to Sinar Mas for pulp concession development, and forest clearance begun.⁶⁰

Within the areas targeted by Sinar Mas for pulp concession development, analysis by Greenpeace shows considerable overlap with forest and peatland.⁶¹



- Sinar Mas pulp mill
- Natural forest (2006)
- Sinar Mas pulpwood expansion targets



Sinar Mas is expanding into dirty energy: 'unstoppable acquisition' of coal mining concessions and operations

Coal is one of the dirtiest forms of energy in the world. Indonesia has seen a rapid expansion of coal mining during the last decade.⁶²

Sinar Mas has joined the dash for coal, and is rapidly expanding its coal mining operations. Sinar Mas' mining division is headed by Fuganto Widjaja,⁶³ a grandson of Eka Tjipta Widjaja.⁶⁴

In 2009, Sinar Mas' initial expansion into coal mining has been through PT Dian Swastatika Sentosa (DSS).⁶⁵ In December 2009, DSS was listed on the Jakarta Stock Exchange in order to raise funds of around \$16 million for further expansion.⁶⁶ DSS now operates through four coal mining and exploration companies and holds a total of five mining licences in Riau, Jambi, South Sumatra and South Kalimantan,⁶⁷ with estimated coal reserves amounting to 160 million tonnes.⁶⁸

Some of the coal feeds the high energy requirements of Sinar Mas' pulp and paper mills PT Indah Kiat (in Riau, Sumatra) and PT Pabrik Kertas Tjiwi Kimia (on Java),⁶⁹ and Sinar Mas Mining's website lists APP as a principle customer.⁷⁰

Sinar Mas aims to further expand in the coal sector by 'acquiring other mining companies'.⁷¹ Executive Director of Indonesian Mining Association, (IMA), Priyo Soemarno, stated in an interview with *Investor Daily* in May 2009: 'I am sure Sinar Mas could be one of the big 10 national coal producers in the next few years. This is reflected in its unstoppable acquisition. [...] The main reason is to guarantee the supply of internal needs.'⁷²

Hendriko Sinaga, head of Business Development at one Sinar Mas mining company, claimed in a May 2009 *Investor Daily* interview: 'Sinar Mas now needs more than 10 million tons of coal per year to meet electricity generation requirements in its paper and pulp factories. These business groups will continue to increase production capacity in the future.'⁷³

As with Sinar Mas pulp and forestry divisions, the Energy and Mining division website provides no comprehensive information on the location of areas targeted, acquired or under development.⁷⁴



WHAT IS THE IMPACT OF CURRENT DEVELOPMENT WITHIN EXISTING SINAR MAS CONCESSION AREAS?



‘Since late November 2009, the Company has decided and has given instructions to operational management on the ground to stop and avoid conversion of any peat lands regardless of the depth, primary forests and HCV areas.’⁷⁵

DAUD DHARSONO, PRESIDENT
 DIRECTOR AT SMART, LETTER
 TO WWF, 30 MARCH 2010

Sinar Mas documents and PR materials assert that within their existing concession areas Sinar Mas protects areas important for biodiversity and climate and respects the law, including legally protected areas. APP asserts that its suppliers ‘only develop least-valuable degraded forests and denuded [barren] wasteland’;⁷⁶ According to a letter sent by SMART to WWF in March 2010, it has been GAR policy since November 2009 not to development high carbon lands, including primary forest and peatlands regardless of depth, or High Conservation Values (HCV).⁷⁷

Against a background of climate change, biodiversity loss and impacts on forest-dependent communities, Greenpeace investigations contrast the reality of Sinar Mas operations with its own corporate policies, those of its corporate customers, and the national and global imperative to cut greenhouse gas emissions and protect biodiversity.

Greenpeace reports published 2008-2010 expose just how far the reality of Sinar Mas operations in Sumatra, Kalimantan and Papua have been from these policy assertions. Despite Sinar Mas policy rhetoric, Sinar Mas operations continue their active destruction of peatlands and critical wildlife habitat, as recent Greenpeace investigations expose.

Our ecological values assessments and monitoring methods are also used by governments, conservation groups and even concessionaires including Sinar Mas. Within the context of Indonesia, independent assessment is made challenging by a general lack of transparency within government and corporations, including difficulty in acquiring reliable concession planning or management data and documentation; other deficiencies in data quality lead to variables in the quality and precision of any mapping based analysis. As a consequence, field investigations are a critical part of our work.

Methodology: risk mapping and field investigations

Risk mapping (spatial analysis)

1. Map company operation: this means having concession boundaries: Sinar Mas does not make these publicly available, thereby hampering public scrutiny of its operations. Best available information from GAR, for instance, is a list of companies owning or managing palm oil concessions, without any details on location or size being disclosed. Locations of oil palm concessions and processing facilities are indicated with dots within geographical districts. Greenpeace concession maps are compiled from a variety of sources including the Ministry of Forestry, the National Land Agency (BPN), internal company documents, conservation organisations and assessors for High Conservation Value assessments such as those required by the RSPO.
2. Map ecological values: using best available spatial mapping data (Geographic Information System, GIS) from the Ministry of Forestry, Wetlands International, United Nations Environment Program (UNEP), expert conservation groups and other authorities, GIS experts use these data layers to create an ecosystem vision. This shows, for instance, at a landscape level, quality of forest cover, expanse and depth of peatland, identified key biodiversity conservation areas, orang-utan and tiger habitat.
3. Risk analysis: identify where ecological values meriting protection fall within concession areas.

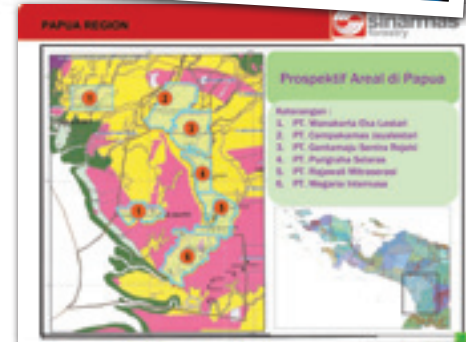
Impact mapping (temporal analysis)

1. Compare satellite imagery covering relevant time frame: One method of determining extent of forest clearance within a concession area is to analyse and compare satellite images from multiple dates. Unlike the Brazilian Amazon that has one month of relatively cloud free skies, Indonesia's land area is often obscured by thick cloud cover, often rendering satellite images of limited use in assessing changes in land cover.
2. Overlay satellite analysis with ecological values map and concession boundaries to determine change in quality or extent of values within a concession area.

Field investigations and aerial monitoring (ground truthing)

1. Determine priority areas for investigation based on ecological risk analysis, impact analyses and other intelligence suggestive of potential active clearance.
2. Overflight surveillance of groups of concessions to verify and document overview of active clearance and infrastructural development within areas identified by risk mapping as holding important ecological values.
3. Gain access to concession areas to obtain documentary evidence of ecological and social values impacted by company operations. Where possible logistically, this may include evidence of peat depth, orang-utan habitat (eg nests), quality of forest,

legal compliance in operations. Further intelligence may be gathered through testimonies from workers and communities.



Maps used within case studies presented in this report combine several sets of data:

1. Sinar Mas pulpwood concession boundaries: based on concessions maps recently made available by the Indonesian Ministry of Forestry and confidential Sinar Mas documents held by Greenpeace; and Greenpeace analysis of concession documentation. Source: MoFor (2010)
2. Sinar Mas oil palm concession boundaries: based on concession maps provided by the Forestry Unit (UPTD BIPHUT) Ketapan District and confidential Sinar Mas documents held by Greenpeace; and Greenpeace analysis of concession documentation.
3. Natural forest cover: based on 2006 maps recently made available by the Indonesian Ministry of Forestry. Source: MoFor (2009)
4. Peatland distribution: based on maps published by Wetlands International and confidential Sinar Mas documents held by Greenpeace. Source: Wahyunto et al (2003, 2004, 2006)
5. Sumatran tiger habitat distribution: based on maps compiled by WWF. Source: Roosita and Sulistyawan (2010) and WWF/ SaveSumatra.org
6. Priority Tiger Conservation Landscapes: based on maps published by the Save the Tiger Fund. Source: Dinerstein et al (2006)
7. Orang-utan habitat: based on maps compiled by UNEP. Source: Meijaard et al (2004)

10 **PULPING THE PLANET, 2010**



In 2009, APP emphasised: 'Paper produced by Asia Pulp & Paper (APP) does not and will not contain any pulpwood from high conservation value natural forest.'⁷⁸

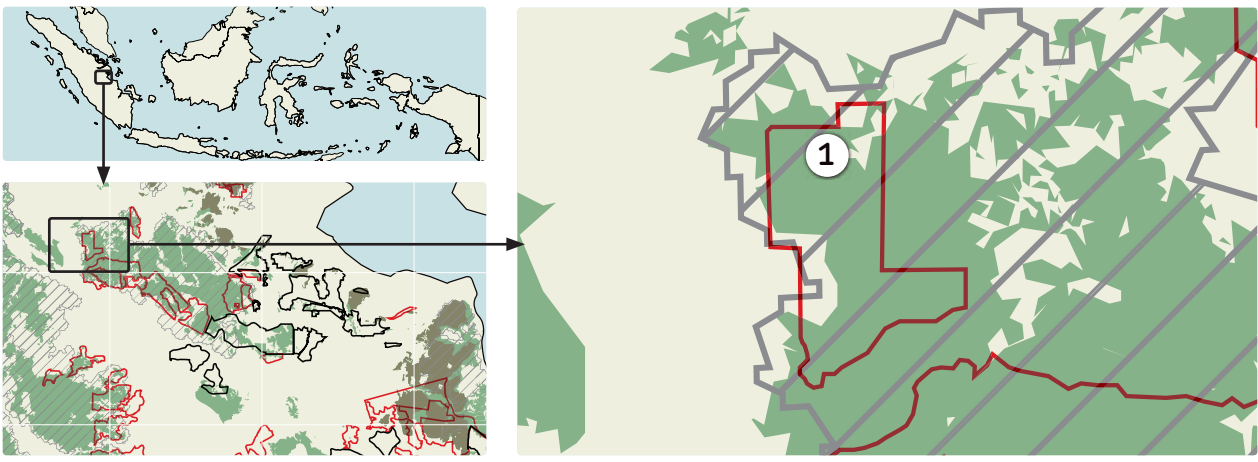
Bukit Tigapuluh, Jambi, April 2010

Greenpeace documents active clearance by APP's supplier (Sinarmas Forestry) of one of the last refuges for the critically endangered Sumatran tiger.

'Together with the fiber suppliers, the [pulp and paper division] units protect, conserve and restore the natural resources, often far beyond what is mandated by government and other institutional policies.'

SINAR MAS GROUP WEBSITE (2010) GROUP OVERVIEW ON SUSTAINABILITY WWW.SINARMAS.COM/EN/SUSTAINABILITY/#

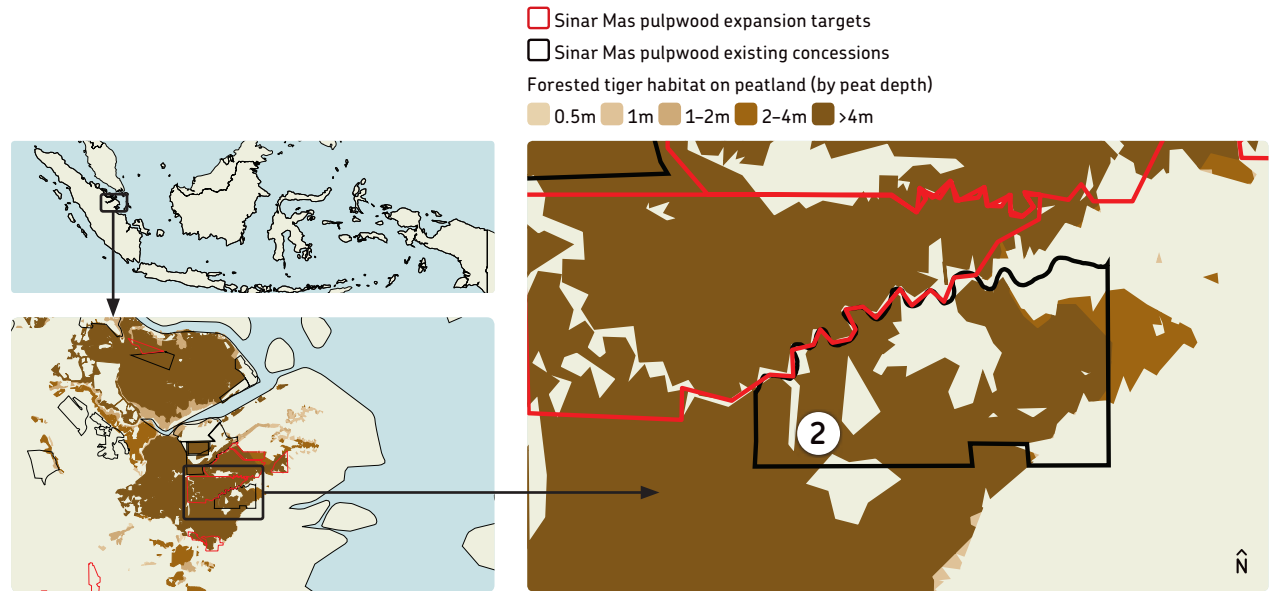
- Forested tiger habitat
- Sinar Mas pulpwood expansion targets
- Sinar Mas pulpwood existing concessions
- Priority tiger conservation landscape



PT Artelindo Wiratama
1 Location: Lat. S 0° 45.59' Long. E 101° 51.17'
 Date: 26 April 2010, 11:19

Kerumutan, Riau, April 2010

Greenpeace documents active clearance by Sinarmas Forestry and drainage of >3m deep peat in an important area for the critically endangered Sumatran tiger. Development of peatland areas with depth >3 metres is illegal as these areas are protected under Indonesian law.⁷⁹



'APP-Indonesia's fiber suppliers only develop least-valuable degraded forests and denuded wasteland.'

APP MYTHS AND REALITIES WEBSITE



PT Bina Duta Laksana

2

Location: Lat. S 0° 13.68' Long. E 102° 52.50'
 Date: April 28 2010: 17:41



'Environmental sustainability has become a fundamental guiding principle in achieving sustainable raw materials for the pulp & paper and also the palm oil operations. Participation in the Roundtable on Sustainable Palm Oil (RSPO) has added a new dimension of social, economic and environmental sustainability.'

SINAR MAS GROUP WEBSITE (2010) GROUP OVERVIEW
ON SUSTAINABILITY WWW.SINARMAS.COM/EN/SUSTAINABILITY/#

Sinar Mas shifting policies and BAU operations: timeline of inaction

2008:

GAR 2008 presentation to investors indicates that land currently held by Sinar Mas available for oil palm development is in Kalimantan. Greenpeace field investigations in Kalimantan between 2008 and 2010 expose active clearance by GAR-related companies of high-carbon peatland and UNEP-identified habitat for endangered orang-utan.

December 2009:

Greenpeace publishes 'Illegal forest clearance and RSPO greenwash: case studies of Sinar Mas'.⁸⁰ The report provides several case studies of illegal development within Sinar Mas concessions; this includes land clearance without an Environmental Impact Assessment (EIA) or without timber cutting permits,⁸¹ and development of peat >3 metres deep.

21 December 2009: following publication of the Greenpeace report and as a result of pressure from corporate consumers, SMART announces that it will review its environmental policies: 'We are in the process of formulating a communication program on our strategy and policy in regards to the environmental operating procedure, especially regarding opening of new plantations. We will make the appropriate announcement, as and when there is any progress on this matter.'⁸²

February 2010:

4 February 2010: SMART publicly 're-affirms' its 'commitment to: No Conversion on land with High Carbon stock, i.e. no development on Peat soils and Primary Forest' and 'No Conversion on High Conservation Value Area'.⁸³

March 2010:

30 March 2010: in a letter to WWF, Daud Dharsono, President Director at SMART states: 'Since late November 2009, the Company has decided and has given instructions to operational management on the ground to stop and avoid conversion of any peat lands regardless of the depth, primary forests and HCV areas.'⁸⁴ He writes: 'As to peat lands, as well as HCV areas, which have been opened during the period of 2009, the Company has decided to restore the cleared areas according to the National RSPO guidelines.'⁸⁵

April 2010:

GAR releases its 2009 Annual Review; this states: 'As a policy, we do not develop on land with high carbon stock such as peat soils and primary forest.'⁸⁶

Greenpeace publishes a follow-up to the December report on PT ALM, 'Sinar Mas –

Rainforest and Peatland Destruction'. This contains analysis of satellite imagery between 19 November 2009 and 23 February 2010, showing ongoing clearance.

27 April: SMART issues a statement to the Singapore stock exchange stating that it 'has suspended the plantation manager responsible for the [PT ALM] area highlighted in the Greenpeace report.'⁸⁷

27 April: SMART announces that it is engaging the services of two RSPO certifiers to 'verify independently reports made by Greenpeace'.⁸⁸ The terms of the 'verification' have not been made public, but Greenpeace understands that it is restricted in scale and scope to the handful of oil palm concessions run by Sinar Mas that have been named in Greenpeace reports published 2008–2010. These reports document case studies illustrating how Sinar Mas is a key driver of Indonesia's deforestation-related emissions, through natural forest clearance and peatland and habitat destruction. Rather than addressing these macro-level concerns, the 'verification' is assessing operations in limited terms of legal and RSPO criteria. One of the concessions included in this 'verification' is PT ALM.

June 2010:

SMART issues a further statement to the Singapore stock exchange stating that it has 'recently discovered that one of its managers in the Semitau area, West Kalimantan has not complied with Standard Operating Procedures (SOP) relating to planting oil palm trees on peat land'.⁸⁹ The area in question is PT Kartika Prima Cipta, a concession area covered in the December 2009 Greenpeace report.

July 2010:

Greenpeace aerial monitoring and field investigation in two Sinar Mas controlled concessions document recent clearance of deep peat in PT ALM and clearance of UNEP-identified orang-utan habitat in PT BNM, another recent concession in West Kalimantan.

SMART announces on 23 July that the public presentation of the findings of the audit of Greenpeace's investigations of Sinar Mas operations will be postponed from 29 July until 10 August 2010.⁹⁰

THE CLIMATE CRISIS AND SINAR MAS' HIGH CARBON DESTRUCTION

PT Agro Lestari Mandiri, 5 July 2010

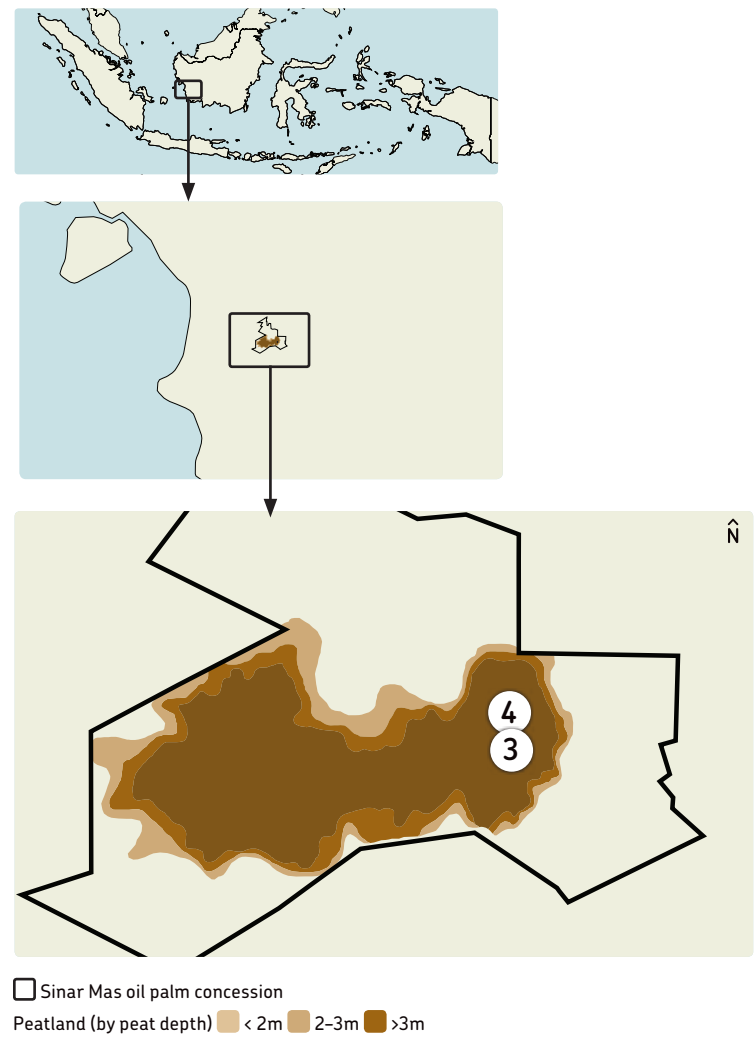
PT Agro Lestari Mandiri (ALM) is a Sinar Mas oil palm concession in the Ketapang District of West Kalimantan.⁹¹ It was incorporated in 2006.⁹² The concession covers about 16,500 hectares.⁹³

In 2006, PT SMART agrees to work jointly with WWF on 'assessing, protecting and managing HCVFs [High Conservation Value Forests] in their oil palm concession'.⁹⁴ One of the established pilot projects is PT ALM. According to the HCV map reproduced in a January 2010 confidential Sinar Mas report obtained by Greenpeace,⁹⁵ the PT ALM concession area contains an extensive peat dome covering nearly one-third of the concession area with the vast majority of this >3 metres deep, clearance of which would be illegal under Indonesian law.⁹⁶ Any clearance of peatland post-November 2009 violates GAR explicit policy and SMART commitments.⁹⁷

In April 2010, Greenpeace publishes satellite image analysis revealing ongoing peatland and forest clearance between 9 November 2009 and 23 February 2010.⁹⁸ The April publication includes photographic evidence from Greenpeace field investigations on 14 March 2010. Investigations document ongoing peatland and HCVF clearance, including orang-utan habitat as identified by UNEP.⁹⁹

In response, in April 2010, SMART issues a statement to the Singapore stock exchange stating that it 'has suspended the plantation manager responsible for the [PT ALM] area highlighted in the Greenpeace report'.¹⁰⁰

On 5 July 2010, aerial monitoring by Greenpeace documents ongoing active clearance of forested peatland in PT ALM.



□ Sinar Mas oil palm concession
Peatland (by peat depth) ■ < 2m ■ 2-3m ■ >3m

'[GAR] do not develop on land with high carbon stock such as peat soils and primary forest.'

GAR WEBSITE, 2010





PT Agro Lestari Mandiri

3 Location: Lat. E 110° 30' 27.33" Long. S 1° 35' 21.29"
Date: July 5 2010, 14:25

'In addition, planting oil palm trees in degraded land has a positive carbon impact on the environment.'

SMART 'THE WIDER PERSPECTIVE ON PALM OIL IN INDONESIA', 23 JUNE 2010



PT Agro Lestari Mandiri

4 Location: Lat. E 110° 30' 25.79" Long. S 1° 34' 46.20"
Date: July 5 2010, 14:25

THE BIODIVERSITY CRISIS AND HABITAT DESTRUCTION

PT Agro Lestari Mandiri, 2009-2010



5
PT Agro Lestari Mandiri
 Location: Lat. S 1° 36' 0.8" Long. E 110° 25' 9.2"
 Date: March 9 2010



6
PT Agro Lestari Mandiri
 Location: Lat. S 1° 36' 27.36" Long. E 110° 24' 36.96"
 Date: April 22 2009



Researchers document a lone male orang-utan in habitat that has been heavily fragmented by oil palm development, concession holder unknown.
 Location: Central Kalimantan
 Date: August 7 2007

The rapid expansion of oil palm plantations in Borneo in response to international demand (the oil is used for cooking, cosmetics, mechanics, and more recently as source of bio-diesel) has accelerated habitat losses. Forest fragmentation further reduces the size of orangutan populations.'

IUCN RED LIST (2010)



PT Bangun Nusa Mandiri, 5 July 2010

PT Bangun Nusa Mandiri (PT BNM) is a Sinar Mas oil palm company with a concession in Ketapang, West Kalimantan. PT BNM was incorporated in 2007.¹⁰¹ The GAR 2009 Annual Report lists it as a subsidiary of a subsidiary.¹⁰²

Risk mapping of ecosystems values by Greenpeace reveals significant 2006 forested orang-utan habitat at the heart of the concession area. The analysis overlays UNEP 2004 identified orang-utan habitat (most recent available data) with 2010 Ministry of Forestry landcover data for 2006 (most recent official data available).

Greenpeace aerial monitoring on 5 July 2010 documents extensive recent clearance within a core area of contiguous forest identified as orang-utan habitat. This is supported by photographic evidence gathered during field investigations, which document recent clearance within rainforest areas identified by UNEP as orang-utan habitat.

□ Sinar Mas oil palm concession ■ Forest (2006) ■ Orang-utan habitat ■ Forested orang-utan habitat



PT Bangun Nusa Mandiri
 Location: Lat. S 2° 7' 42.56"
 Long. E 110° 52' 14.70"
 Date: July 5 2010: 13:17



PT Bangun Nusa Mandiri
 Location: Lat. S 2° 8' 10.80"
 Long. E 110° 52' 50.41"
 Date: July 5 2010: 13:11

'SMART only develops on degraded land that does not have HCV.'

SMART (2010D) 'THE WIDER PERSPECTIVE ON PALM OIL IN INDONESIA', 23 JUNE 2010



THE ROLE OF THE MARKET AND FINANCE SECTOR

In recent months, several leading multinationals have responded to Greenpeace's evidence of Sinar Mas' illegal and destructive environmental practices by ending their contracts with GAR/SMART and APP. Unilever, Kraft and Nestle have dropped contracts with GAR/SMART. Furthermore, Nestle, Kraft and Unilever are implementing new policies that will also rule out supplies from APP, unless the company and its suppliers make substantial changes; and Kimberly-Clark (USA), which does not purchase pulp or other raw materials from APP, is implementing a global fibre procurement policy that strengthens environmental protection and will continue to exclude APP from its supply chain.¹⁰³ Most recently, Carrefour confirmed that it has stopped buying from APP for its own brands¹⁰⁴ and Tesco has announced that it will do the same by the end of the year.¹⁰⁵

However, companies listed as customers of Sinar Mas' palm oil division in June 2009 which have not yet made similar commitments include: Cargill (USA), Burger King (USA) and Pizza Hut (USA).¹⁰⁶

Sinar Mas also receives considerable support from the financial sector in terms of loans, shareholdings, banking services and other financial services. Key banks, financiers and shareholders have recently included DEG (Germany),¹⁰⁷ WestLB (Germany),¹⁰⁸ Citibank (USA),¹⁰⁹ RBS (UK),¹¹⁰ Standard Chartered Bank (UK),¹¹¹ BlackRock (UK),¹¹² F&C Asset Management (UK),¹¹³ Goldman Sachs (USA)¹¹⁴ and UBS (Switzerland).¹¹⁵

Given evidence of the ongoing impact of Sinar Mas operations, corporate consumers and financiers should stop trading and otherwise divest all financial links with companies within Sinar Mas until it has taken the necessary steps to ensure it is no longer involved with forest and peatland destruction.



'WWF urges existing and potential investors in and buyers of SMG's Golden Agri and PT SMART to hold off any business engagements with SMG until the group has proven that its actions match its commitments through transparent, public, independent, third party verification acceptable to relevant stakeholders.'

WWF (2010) PRESS RELEASE

IS SINAR MAS SERIOUS ABOUT BECOMING A CLEAN, TRANSPARENT BUSINESS?

Sinar Mas claims to be a transparent and clean business. However, Greenpeace investigations show expansion and development plans are secretive; company structure is opaque; public scrutiny of plans and operations is made impossible through limited availability of concession development plans, including concession boundaries and regulatory documents such as EIA assessments.

Despite these constraints and using best available maps and official or company data, Greenpeace has repeatedly documented and exposed active destruction of forests, peatland and habitat within Sinar Mas operations. Local and international environmental and social justice NGOs have also catalogued Sinar Mas' negative impact.¹¹⁷

These investigations raise a number of questions about Sinar Mas operations as a whole that Sinar Mas must answer in the spirit of transparency, honesty and genuine stakeholder engagement, and which the findings of the SMART-commissioned 'verification' of Greenpeace's investigations will fail to address:

- 1. Will Sinar Mas make publicly available concession maps of areas in acquisition, owned or managed by Sinar Mas, including joint venture companies, in the pulp, palm, and coal sectors within Indonesia and globally?**
- 2. Will Sinar Mas commit to a group level independent sustainability audit of all operations within Indonesia and globally?**
- 3. Will Sinar Mas make publicly available maps and data revealing the extent and location of peatland and HCVF destroyed since 2005 within Indonesia and globally; state how operations without HCV assessment at time of clearance (in breach of RSPO P&C) have been identified; disclose which areas have been restored; and provide third-party verification of this information?**
- 4. Will Sinar Mas commit to an immediate end to all deforestation and peatland development within Indonesia and globally?**

'Hand in hand with trust, We Achieve Transparent and Clean Business.' APP WEBSITE¹¹⁶

Stop the destruction

In order to protect the climate, biodiversity and the interests of Indonesia's forest communities, deforestation and peatland conversion must end.

The Government of Indonesia needs to extend the recently announced moratorium on 'new concessions on conversion of natural forests and peatlands into plantations'¹¹⁸ to include a halt to all clearing of forested areas within existing concessions. This is a first step toward longer-term measures to end natural forest loss, which must incorporate safeguards to protect biodiversity and indigenous peoples' rights. All peatland including in existing concessions must be immediately protected.

Industry, the market and financial sectors must support this by ensuring they are no longer involved in forest and peatland destruction.

The international community must support this by coming up with adequate funds and technical means to tackle the drivers of deforestation and ensure the implementation of effective measures to end natural forest and habitat loss and halt peatland development.



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GREENPEACE

Greenpeace is an independent global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace.

Greenpeace is committed to stopping climate change.

We campaign to protect the world's remaining ancient forests and the plants, animals and peoples that depend on them.

We investigate, expose and confront the trade in products causing forest destruction and climate change.

We challenge governments and industry to end their role in forest destruction and climate change.

We support the rights of forest peoples.

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