

**United Plantations Response to  
Unjust & Wrongful Allegations by Greenpeace  
11<sup>th</sup> of November 2008**

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United Plantations which was founded in 1906, has ever since its humble beginnings in Malaysia, focused on maintaining a rationale balance between economy and ecology within the framework of the Company's operations. High standards of corporate social responsibility and compassion to our employees have always been one of the core values of the Company.

Preservation of jungle and riparian reserves including wildlife sanctuaries has been an integral part of our commitment since the 1930s, values of which were passed on and remains intact today.

The above commitment has helped United Plantations in being recognised as a global leader in promoting and practicing sustainable agriculture.

Despite being targeted by Greenpeace with serious and unwarranted allegations, we remain focused on our vision which is to strive towards being recognised as second to none within the plantation industry, producing high quality products, always focusing on the sustainability of our practices, our employees' welfare and profit to our shareholders.

After 100 years of operations in Malaysia, United Plantations in April 2006 made a landmark decision to venture into Indonesia in order to expand its operations in new frontiers. This was made possible via the acquisition of two Indonesian plantation companies, which today are known as PT Surya Sawit Sejati ("PT SSS1") and PT Sawit Seberang Seberang ("PT SSS2").

As part of our commitment towards sustainable agricultural practices, United Plantations became a member of the Roundtable for Sustainable Palm Oil ("RSPO") soon after its establishment in 2004. RSPO is a multi-stakeholder organisation whose primary objective is to promote the production and use of sustainable palm oil through cooperation within the supply chain and open dialogue with the stakeholders.

With over 100 years of commitment towards sustainable agriculture, it was gratifying to be awarded the world's first certification in August 2008, for the production of sustainable palm oil thereby living up to the principles of RSPO.

A major milestone has today, 11<sup>th</sup> November 2008 been achieved with the arrival of the world's first certified sustainable palm oil shipment into Europe. The certified sustainable palm oil is from United Plantations.

Coinciding with this shipment, Greenpeace has attempted to discredit United Plantations by publishing a report with various claims, which are based on misconceptions and misunderstandings.

In response to their allegations, we hereby would like to issue this statement of rebuttal.

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**Greenpeace check 1-Time bound plan for full certification:** RSPO requires that companies applying for certification in one part of their group must have in place an ambitious and realistic timeline for the full certification of their other plantations. Whilst other company groups have committed to achieving full certification in one to three years (eg. New Britain Palm Oil, Sime Darby), UP are working towards 2013 and 2016. This sets a poor precedent and is not sufficiently challenging.

**United Plantations answer to check 1:** The time bound plan will be reviewed during the annual surveillance audit by the certification body. Unlike many other companies our involvement in Indonesia has been quite recent since May 2006 and involves primarily new plantings. United Plantations first palm oil mill will for example only be commissioned in 2010. It is therefore unfair and incorrect to compare United Plantation's Indonesian operations, which is in its infancy with other established long standing plantations already producing crude palm oil.

The company has therefore chosen a conservative approach but will naturally accelerate this accordingly. The three year period was an error in the initial announcement and this has been made clear to relevant parties in the subsequent announcement of 8<sup>th</sup> April 2008 by the certification body.

As a result of an interim audit the time scales have now been shortened. Considering development is taking place in phases United Plantations certification will follow in tandem.

**Greenpeace check 2- Land Conflicts:** The RSPO requirement for partial certification requires that a mutually agreed resolution process is in place when significant land disputes exist. Between June and August 2008 four members of the a local community were imprisoned allegedly for opposing UP's land clearing activities in PT SSS1 – specifically for assaulting workers and procuring false land ownership documents. Regardless of the validity of these charges, their imprisonment demonstrates that land conflicts exists in the concession and have not been solved

**United Plantations answer to check 2:** United Plantations' properties contain a number of local communities and perceived traditional land ownership and/or user rights. As part of the process of obtaining an operational permit, a land use permit- Hak Guna Usaha (HGU) must be issued with the full consent of the communities involved. This is arguably the most tedious and challenging part of land acquisition in Indonesia, because there is rarely consensus amongst villagers pertaining to trading of “traditional” land.

Therefore, land acquisition often necessitates negotiations directly with each family who owns a piece of land. It cannot be emphasized enough that villagers' approval are of utmost importance to the palm oil business. It takes merely one discontented villager to cause massive havoc in and around the estates.

Considering the inherently complicated process of village land acquisition United Plantations has progressed extremely well and the vast majority of cases have been resolved amicably with free prior informed consent. Please see the attached document (Appendices I & II) written by the Ibu Camat (Head of the Sub-Registry) concerning developments around PT SSS1.

The RSPO requirements for partial certification require that a mutually agreed resolution process is in place when significant land disputes exist. In this connection United Plantations wishes to refute Greenpeace's allegation. Since May 2006 there have been several thousand land transactions with the local community (masyarakat) where compensation have been settled amicably on PT SSS1 and PT SSS2 indicating that a fair and just resolution process has been followed.

However, the specific cases raised by Greenpeace pertaining to land conflicts were of criminal offences involving assault (please see picture below of our assaulted employee Mr Rawi) and falsification of land ownership documents. These were referred to the Indonesian police and the due process of law is taking its course.



Our employee Mr Rawi after the assault

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### **Greenpeace check 3 - Replacement of primary and HCV forests:**

RSPO rules for partial certification requires that companies must now provide evidence that from Nov 2005 onwards, no plantation development took place in primary forest or areas containing High Conservation Values (HCV). If any areas were cleared these areas should be excluded until a compensation program has been established. As of November 2007 all developments have to have an HCV assessment. In its main assessment (dated Jan 08), UP state that HCV assessments were done for one estate and that two others were in progress. However, if areas were cleared between November 2005 and November 2007 and the High Conservation Value status of these areas was unknown or disputed these areas are to be excluded from the RSPO programme until a compensation programme has been put in place. Meanwhile, all land clearing in that period must be proven to be legal. As of November 2007, all new developments have to have High Conservation Value assessments.

**United Plantations answer to check 3:** The reference by Greenpeace to **Principle 7 Criterion 7.3** of the RSPO alleging that no High Conservation Value (HCV) assessment was carried out for United Plantations on PT SSS1 is incorrect. A HCV assessment was completed for the Runtu property of PT SSS1 on 21<sup>st</sup> January 2008 subsequent to the main assessment announcement posted on the RSPO web-site in January 2008, contrary to Greenpeace's allegation of United Plantations not having done so.

Had Greenpeace consulted United Plantations prior to making the report, we would have gladly made available the Comprehensive HCV report prepared by the relevant Indonesian experts.

In this connection, United Plantations have been commended for its proactive attitude in terms of commissioning one of the first HCV studies in Kalimantan Tengah. Based on this, picture B and picture C on page 7 of the Greenpeace report tells a different and incorrect story.

It should be noted that acquisition of the first property Lada (PT SSS1) was done in May 2006 by United Plantations. This property was previously partially planted with pepper (hence the name Lada which in Indonesian language means pepper). At the time of acquisition the land cover of Lada was as follows:

Planted	: 1,800Ha
Grassland, shrubs & bare soil	: 2,304Ha
Degraded & logged over forest	: 2,350Ha
Others	: <u>115Ha</u>
Total	<u>6,569 Ha</u>

Consequently, guided by the AMDAL (Environmental Impact Assessment) of Lada (PT SSS1) United Plantations continued development largely on the degraded *alang-alang* shrub land as well as degraded and logged-over forest areas whilst setting aside approximately 1,070 hectares (16% of the land bank, equivalent to 45% of the degraded and logged-over forest area) as riparian and riverside reserves including wild life corridors.



Riverine reserves in the area of Lada, PT SSS1

Since then United Plantations has implemented a retrospective HCV study for Lada (PT SSS1) as in the provision of **Principle 7 Criteria 7.3** of the RSPO, which is scheduled for completion during November 2008.

In this respect it needs to be emphasized that United Plantations, following the finalization of the HCV study on Arut (PTSSS2), has committed approximately 3,400 Ha as jungle reserves for conservation and wild life corridors, which is 1,400 Ha more than what has been recommended in the HCV study.



A part of the 3,400 Ha forest sanctuary set aside in Arut, PTSSS2

#### **Greenpeace Check 4:- Compliance with the law:**

• **Greenpeace comment on Permits:** One of the RSPO's key principles is that plantation companies should be familiar with local law and are expected to respect and follow that law even when local governments appear to divert from regular practices often violating national laws themselves. This principle applies also to non-certified subsidiaries within groups who have Estates that are certified (Partial Certification).

**United Plantations reply to Check 4:** United Plantations refutes the sequence of issuance of permits for plantation activities in Greenpeace's report on page 9.

According to our legal advisor the processes of the establishment of Plantation Business are substantially more complex than what is portrayed in the Greenpeace report and here below we indicate the overview of the process:

- (a) obtain technical recommendation for investment in plantation business ("**Technical Recommendation**") from the Directorate General of Plantation ("**Dirjen Perkebunan**").
- (b) obtain a foreign investment approval from the Indonesian Capital Investment Coordinating Board ("**BKPM**");
- (c) duly establish a company approved for foreign investment ("PT PMA") (including obtaining its general licenses e.g. Tax Payer Identification Number, domicile letter, mandatory company registration);
- (d) obtain a recommendation from the relevant regional government institution stating that the intended area for plantation development is in accordance with the regional zoning plan determined by the Regional Government (if required);
- (e) obtain a location permit to commence land relinquishment/ land acquisition;
- (f) conduct the land relinquishment/ land acquisition;
- (g) apply for HGU land title;
- (h) conduct an environmental impact analysis (AMDAL) studies, and obtain the AMDAL approval from the Regional Government
- (i) prepare a business plan of the company;
- (j) obtain a plantation business permit (IUP);
- (k) commence the seeding and planting of plantation plants.

Please note that the above procedures are generally conducted in the above order. However, in practice, the order of the procedures may be different, e.g. in practice, plantation companies commence the seeding of the plantation plants immediately after completing the land relinquishment/and acquisition and commence the AMDAL process early.

Nevertheless, United Plantations agrees with Greenpeace that there were weaknesses in the process of obtaining permits, especially in Sungai Rangit (Lada) PT SSS1. However, remedial steps were taken as soon as these became apparent after United Plantations took over the company in 2006.

It is correct that planting continued and 2,000 Ha was planted in 2007, however, this took place on the 2,500 ha of land at Sungai Rangit (Lada) PT SSS1, which had obtained the HGU title. Concurrently an Amdal (EIA) study was commissioned and once the Amdal was obtained development proceeded accordingly.

- **Greenpeace comment on Peatland:** Indonesian law stipulates that development or degradation of peatland deeper than 2 meters is not allowed. Our investigations in PT SSS1 showed that UP has been clearing peatlands, some of which is at least 3 meters deep. Peatlands are important carbon stocks and crucial to combating climate change.

**United Plantations comment to peat-land development:** Reference is made to Greenpeace's comment relating to **Principle 7 criterion 7.4** of the RSPO alleging that United Plantations has contravened the RSPO principles and criteria by clearing peat lands, some of which are at least 3 meters deep.

In this context the Indonesian national interpretation of RSPO Principles and Criteria , **Principle 7 Criterion 7.4** stipulates *“planting on extensive areas of peat soils and other fragile soils should be avoided referring to national regulations”*.

Herein based on the preliminary soil survey of all our properties in Kalimantan conducted by our soil scientist the estimated peat hectareage amounts to approximately 3,800 hectares, which constitutes 11% of the entire landbank of our Indonesian operations (34,000 hectares).

Of the total area under peat only 604 hectares or 15.9% have been planted up i.e. 1.7% of the total landbank in Indonesia. The balance constituting 3,196 hectares of peat (84% of the total peat area) has been committed by the company as permanent reserve for conservation and has been set aside.

Of the 604 hectares planted on peat the depth has largely been less than 3 meters in depth. These areas have been brought into cultivation to facilitate the estate development in a cohesive manner and for various logistical reasons.

Some areas of peat greater than 3 meters of depth have inevitably been developed as they occur in sporadic patches between the shallow peat areas or interspersed between mineral soils. Large tracks of contiguous deep peat areas have nevertheless been omitted from development in tune with the recommendations of the independent external environmental consultant and HCV reports as well as the company's commitment not to enter into extensive peat developments.

All these areas of high organic carbon sinks amounting to 3,196 Ha are being retained as forest conservation areas in Runtu (PT SSS1) and Arut (PT SSS2).

- **Greenpeace comments on buffer zones:** The law states that areas surrounding lakes are conservation areas and should not be opened up for plantation development within a 50-100 metre radius. During our field investigations we found that the buffer zone around the Runtu tidal lake complex of various lakes located in concession area PT SSS1 had been partially cleared.

**United Plantations response to buffer zones:** Maintenance of buffer zones and riparian reserves are very important aspects of UP's culture as reflected within the vast majority of our operations in Indonesia, which have complied fully with this. Nevertheless, the company acknowledges Greenpeace's comment on the partial clearance of the Runtu tidal lake concessions, which had already been addressed by the Executive Committee during its field visit from 19<sup>th</sup>-22<sup>nd</sup> of June 2008 and subsequently by United Plantation's independent External Environmental consultant from 21<sup>st</sup> -24<sup>th</sup> July 2008. Management has since then taken remedial rehabilitative action to restore these buffer zones with indigenous forest species.

For the sake of good order, it should be known that United Plantations has todate (based on the Board of Directors' recommendations and in conjunction with the HCV recommendations) committed the following areas to be set aside as permanent forest reserves:

1,070	Hectares Lada
3,400	Hectares Arut
1,950	Hectares Runtu
<u>6,420</u>	<u>Hectares</u> or about 18% of the entire landbank.

It further needs to be emphasized that United Plantations has not developed any primary forest areas.

- **Greenpeace comments on maximum concession area:** Finally, Indonesian regulations stipulate that a single company can't control more than 20,000 ha in each district. The joint size of PT SSS1 and PT SSS2 would mean that the company would own more than 40,000 ha in one area. To avoid illegal practice here the company is acquiring the shares for the ownership of this land via another company – which violates the spirit of the law.

#### **United Plantations comments to maximum concession area:**

- 1) Our lawyers in Indonesia, Hanafiah Ponggawa & Partners have stated the following:

According to the Regulation of the Minister of Agriculture No. 26 of 2007 concerning the Guidelines of Plantation Licenses (“**RMA 26/2007**”), it is clearly stipulated that the maximum **plantation area** that may be owned by **a single** company within Indonesia is 100,000 ha. There is no restriction that the maximum area should be in several areas and/or region and/or provinces, which mean that the ownership of a plantation company up to the maximum limit of 100,000 Ha may be located in a single area or cumulatively in multiple areas throughout Indonesia. Greenpeace's allegations were based on an old regulation (the Regulation of the Minister of Agriculture No. 357 of 2002) which was replaced by the RMA 26/2007.

Note that RMA 26/2007 clearly stipulate that 1 (one) company may own up to 100,000 Ha of land. The regulation does not mention anything regarding ownership of a **group of companies**. We therefore also disagree that by using 2 (two) companies to own the PT SSS1 and PT SSS2 areas we are violating the “spirit of the law”, as alleged by Greenpeace. To avoid misunderstanding, we wish to explain that the joint size of PT SSS1 & PT SSS2 as it stands today is approximately 34,000 ha and not more than 40,000 ha as Greenpeace stated above.

- 2) In the 4<sup>th</sup> quarter announcement for the year ended 2007 dated 23 February 2008, United Plantations had announced the following:

***Proposed Merger of Indonesian Investments, PT Surya Sawit Sejati (“PT SSS1”) and PT Sawit Seberang Seberang (“PT SSS2”)***

*Due to Indonesian authorities’ administrative differences restricting a single company holding areas in excess of 20,000 hectares, the Company has decided not to pursue the merger. Thus, PT SSS1 and PT SSS2 will remain as separate entities. The Company is in the process of acquiring the shares of PT SSS2 directly via another Malaysian subsidiary company, and obtaining the approvals of the relevant Indonesian and Malaysian authorities.*

This announcement was made pursuant to our efforts to ensure full compliance to the present laws and regulations of Indonesia. It is and has been United Plantations’ top priority that the letter of the law is fully complied with. United Plantations therefore disagrees with the baseless allegation that the company is trying to circumvent Indonesian regulations.

## **Conclusion of United Plantations rebuttal:**

United Plantations reiterates that long term constructive engagement and dialogue with all affected stakeholders is regarded as the way forward. In this respect we see no better avenue to achieve this than through engaging in the multi-stakeholder RSPO process, to which United Plantations remains fully committed.

We recognise that conservation means development as much as it does protection and in this we commit ourselves to the RSPO as a vehicle to achieve this. We will remain supportive in promoting the production, use and growth of sustainable palm oil through cooperation within the supply chain and through open, constructive and transparent dialogue with all stakeholders.

Finally, it is with deep regret that we note that Greenpeace has elected to take an antagonistic stance toward United Plantations, through its decision, drawn unilaterally and generally without sound foundation or corroborative effort. It has published a series of arguably spurious allegations, unfounded and uninformed without any attempt at prior consultation. As such, it is a challenge to take the report, as materially flawed as it is, seriously. However, we believe that our response will generate a better understanding of United Plantations' commitment to sustainable palm oil production be it in Malaysia or Indonesia.

Board of Directors  
United Plantations Berhad  
11<sup>th</sup> November 2008

## **APPENDIX I**

Translation

**GOVERNMENT OF KABUPATEN KOTAWARINGIN BARAT  
DISTRICT OF PANGKALAN LADA  
JL. A. Yani Km. 35 Pandu Senjaya, Pangkalan Lada 74182**

### **RECOMMENDATION**

Please be informed that the business of oil palm cultivation and processing is one sector that contributes significant income to the Indonesian economy.

Pangkalan Bun is one district in Indonesia in this moment of time developing land for oil palm cultivation and processing. One company that gives livelihood to the masyarakat at Pangkalan Bun is United Plantations Berhad-PT SSS.

Out of the many things carried out by United Plantations Berhad-PT SSS are as follows:-

1. UP Bhd-PT SSS has only done development in areas where they have obtained the various ijins (permits), and no development is done in areas where there is dispute with the masyarakat.
2. UP Bhd-PT SSS has carried out development only after all land disputes, if any, eg. payment of "ganti rugi", has been settled amicably.
3. UP Bhd-PT SSS is a company that is committed and until now has always carried out its activity in the mutual interest with the masyarakat namely giving training in good planting practices, making contributions, etc.
4. We greatly appreciate and hope that this good relationship between the Company, the Government and the masyarakat will continue.

This letter is given for the information of all concerned.

15 August 2008  
District of Pangkalan Lada

Dra. AIDA LAILAWATI  
NIP.010 228 479

## APPENDIX II



**PEMERINTAH KABUPATEN KOTAWARINGIN BARAT**  
**KECAMATAN PANGKALAN LADA**  
**JL. A. Yani Km. 35 Pandu Senjaya, Pangkalan Lada 74182**

### **REKOMENDASI**

Nomor: 355 /SET-PL/VIII/2008

Seperti yang telah kita ketahui bahwa perusahaan perkebunan dan pengolahan kelapa sawit adalah salah satu sektor yang memberikan devisa dan memberikan income yang besar bagi ekonomi Indonesia.

Pangkalan Bun adalah salah satu kota di Indonesia yang saat ini sedang mengembangkan sektor perkebunan dan pengolahan kelapa sawit. Salah satu perusahaan yang dianggap dapat memberikan kesejahteraan masyarakat di Pangkalan Bun adalah United Plantations Berhad – PT . SSS.

Beberapa hal yang telah dilakukan United Plantations Berhad – PT. SSS adalah sebagai berikut :

1. Saat ini mempunyai komitmen bahwa perusahaan hanya melakukan aktifitasnya di lahan yang memang merupakan lahan yang tercantum dalam ijin – ijin yang perusahaan miliki, perusahaan tidak melakukan aktifitasnya dilahan yang masih menjadi sengketa dengan masyarakat .
2. Up. Berhad – PT. SSS hanya akan melakukan aktifitasnya bila semua sengketa lahan telah diselesaikan , seperti pembayaran ganti rugi dan lain – lain .
3. Up. Berhad – PT. SSS adalah perusahaan yang mempunyai komitmen dan sampai sekarang masih melakukan kegiatan untuk maju bersama masyarakat seperti memberikan pelatihan tentang perkebunan yang baik, memberikan sumbangan – sumbangan dan lain – lain .
4. Kami sangat menghargai dan berharap hubungan yang telah terjalin baik ini dapat terus berlangsung baik antara perusahaan, masyarakat dan Pemerintahan.

Demikian kami sampaikan , untuk diketahui dan dipergunakan sebagaimana mestinya.

Pandu Senjaya, 15 Agustus 2008

CAMAT PANGKALAN LADA

Dra. AIDA FAILAWATI  
NIP. 010 228 479