



INDONESIA'S SHIFTING COAL MONEY

How vast sums have been
moved offshore and out of sight

Part 1: Sandiaga Uno and the
offshore dealings of Berau Coal

SANDIAGA UNO AND THE OFFSHORE DEALINGS OF BERAU COAL

This is the first in a series of briefings, revealing the findings of a major investigation into the Indonesian coal industry. In this brief we reveal how a large Indonesian coal company has been used to shift vast sums of money out of the country through an offshore company and out of sight. It shows how those institutions financing and investing in Indonesian coal companies might lose their money, as well as their reputation.

Coal is a controversial energy source. Worldwide, it is increasingly seen as high-cost and high-risk, as one of the biggest contributors to climate change, a source of deadly air pollution and the cause of many other types of environmental destruction.

The reputational costs of supporting coal anywhere in the world are causing those funding the sector to flee at increasing rates, with banks, insurers or lenders now announcing new restrictions on average every two weeks.

Support from governments is on the wane too, with an increasing number announcing plans to phase coal out.

Indonesia is one of the world's top coal producers and exporters. With global demand for coal dropping, a raft of planned new coal-fired power stations in Indonesia could help to maintain a market for its coal.

However, within Indonesia, coal is also seen as increasingly controversial. Recent corruption scandals, a swathe of improperly issued licenses, contaminated land and water, and the need for an increasing level of

government subsidies, among other problems, are creating a growing body of opposition to the industry.

The findings in the first of this multi-part investigation offer yet another potent reason why the Indonesian government, international banks and investors should shun Indonesia's Big Coal.



A barge on the river of Mahakam shipping a cargo of coal from the mining area in Samarinda, East Kalimantan. © BAY ISMOYO/AFP/Getty Images

SANDIAGA UNO AND THE OFFSHORE DEALINGS OF BERAU COAL

Sandiaga Uno, one of Indonesia's best-known politicians, has high ambitions. After making his fortune in business he went into politics, became deputy governor of Indonesia's capital Jakarta in 2017 and was running for the vice-presidency of Indonesia at the time of publication. His rising political status makes his business dealings a matter of public concern.



Uno speaks in his role as vice-governor of Jakarta at the Bloomberg Year Ahead Asia Conference in 2017. ©Graham Crouch/Bloomberg via Getty Images

Global Witness has learned that during the time that Uno was an owner of Berau Coal, one of Indonesia's biggest coal companies, it paid at least US\$43 million between 2010 and 2012 to an obscure company in the tax haven¹ of the Seychelles, Velodrome Worldwide Limited.

Uno also, at one stage, had a hidden connection to Velodrome. It is possible he retained this connection, at the time of the payments by Berau Coal. But when Global Witness asked him to explain his connection to Velodrome and these payments, which he must have known about, he did not answer.

We conclude that Uno had a hand in these huge payments and may have benefited from them, and we set out below how we reach this conclusion. The payments had serious consequences for Berau Coal and its other investors. We gave Uno the opportunity to comment on these matters, but he chose not to respond.

The payments to Velodrome were not the only questionable transactions by Berau Coal. Berau also made a number of other payments, linked to Uno's business partner Rosan Roeslani. These huge outflows weakened the finances of Berau Coal, which later defaulted on hundreds of millions of dollars in debts. Like Uno, Roeslani declined to respond to questions from Global Witness.

Uno has not provided a credible account of his part in the payments to Velodrome, which Global Witness believes to require further investigation. The story of Berau Coal is a warning to banks and investors, who are considering financing a new wave of coal-fired power stations, not to throw yet more money at Indonesia's Big Coal.

This briefing sets out why we conclude that:

1. A company Sandiaga Uno co-owned took over Berau Coal, which promptly agreed to make large payments to an obscure offshore company, Velodrome Worldwide Ltd
2. These payments by Berau Coal to Velodrome were questionable
3. Uno had a hand in the payments
4. Uno may have had some interest in Velodrome and benefited in some way from the payments

5. These payments made by Berau Coal had adverse consequences for the company and its other investors
6. These were not the only questionable payments made by Berau Coal. A number of others were made, linked to Sandiaga Uno's business partner Rosan Roeslani, which had serious consequences for Berau Coal and its other investors

1. A COMPANY SANDIAGA UNO CO-OWNED TOOK OVER BERAU COAL, WHICH PROMPTLY AGREED TO MAKE LARGE PAYMENTS TO AN OBSCURE OFFSHORE COMPANY, VELODROME WORLDWIDE LTD

Uno jointly owned and co-founded Recapital Advisers, a Jakarta-based investment company, with his business partner Rosan Roeslani.²

Recapital formally took over Berau Coal on 30 December 2009.³ Only twelve days later, Berau Coal's Indonesian mining subsidiary⁴ signed an agreement with an otherwise unknown company called Velodrome Worldwide Ltd, which was later reported to be incorporated in the Seychelles, a tax haven in the Indian Ocean.

Velodrome was to advise on "key strategic, business and operational aspects," for which it would receive a monthly fee of US\$2

million.⁵

The payments by Berau Coal to Velodrome were huge. Financial statements show that Berau paid Velodrome US\$48 million between 2011 and 2012, or about US\$43 million after tax. It is possible that Berau Coal paid Velodrome up to \$65 million in total after tax, but the financial statements are inconclusive.⁶

The identities of Velodrome's owners were not public at the time of the payments because the Seychelles – the tax haven in which the company was incorporated – does not require information public disclosure of this information.

Berau Coal did disclose the fact that it had signed the agreement with Velodrome,⁷ but did not publish any information about the latter's owners. This means it was not possible at that time – and in fact is still not possible – to find out exactly who benefited from this money.



Sandiaga Uno leaves a gathering before his inauguration as vice-governor of Jakarta in 2017.
© Photo by Edi Ismail/NurPhoto via Getty Images

2. THESE PAYMENTS BY BERAU COAL TO VELODROME WERE QUESTIONABLE

These million dollar payments were questionable for a number of reasons.

First, it is unclear what advice if, if any, Velodrome actually provided in return for its fees. Berau Coal's accounts do not explain what specific services Velodrome would provide under this banner of "key strategic, business and operational aspects" in return for the money. Neither do the accounts show why these services were so expensive: the monthly cost of the fees was almost as much as Berau Coal's wage bill for its hundreds of staff, which then averaged approximately US\$2.1 million a month.⁸

Second, whilst it is common for corporations to pay consulting firms for strategic advice, large payments to an anonymously-owned company in a tax haven are inherently suspicious, given the risk that such companies could be used to conceal illegal or unethical transactions.⁹

Third, even though Berau Coal started making huge losses in 2012, it continued to pay Velodrome until the end of that year.¹⁰ These losses of US\$180 million were partly because of falling world coal¹¹ prices but also due to US\$150 million of payments Berau Coal had to write-off or reclassify as "exceptional costs" because they could not be properly explained.¹²

Another piece of clear evidence that the payments were questionable was the termination by other shareholders of the

agreement with Velodrome in 2012, a decision made "based on a review of the services provided." Or, as seems likely, because they concluded that the services provided were not worth the money paid in fees to Velodrome.¹³

The review and consequent termination of the agreement was part of a wider controversy Berau Coal became immersed in.

In 2011, Recapital sold a majority of its stake in Berau Coal to Bumi plc, a new giant coal mining company listed on the London Stock Exchange.¹⁴ Bumi plc was a joint venture between the British investor Nat Rothschild and Indonesia's Bakrie family, who were allies of Rosan Roeslani (see text box on page 10).

The project broke down amid acrimonious disputes between Rothschild and his Indonesian partners, and Bumi plc hired a law firm to investigate allegations of financial and other irregularities at the Indonesian end.

One of these allegations concerned an arrangement by Berau Coal "relating to consulting fees paid to a third party" which appears to be Velodrome.¹⁵

These concerns about the Velodrome agreement were evidently strong enough for Bumi plc to insist that the contract be terminated, almost twelve years before its originally agreed completion date.¹⁶

And, in 2013, Berau Coal, now under the control of Bumi plc, itself admitted that the "value to the business" of its contract with Velodrome was "not clear." It also said it could not identify the ultimate beneficiaries of these and other transactions, and therefore could not rule out that these

beneficiaries might be “related parties” – that is, individuals connected to Berau Coal itself.¹⁷

For much of this time, as shown below, Uno was connected to Berau Coal. Global Witness asked him whether he was an ultimate beneficiary of the payments to Velodrome, but he did not answer.

3. UNO HAD A HAND IN THE PAYMENTS

Uno must have known about Berau Coal’s decision to enter into the agreement with Velodrome in January 2010 and was also in a position to influence it, because he was a co-founder and shareholder of Recapital, which controlled Berau Coal at the time.

From March 2010 until June 2013, he also sat on Berau Coal’s board of commissioners, while his ally and co-investor Rosan Roeslani was the company’s chief executive between August 2010 and March 2013.¹⁸

Board commissioners are expected to supervise directors and to act in good faith in the company’s interests.

We therefore conclude that Sandiaga Uno had a hand in, or at least approved, the payments from Berau Coal to Velodrome.



Roeslani speaks at a panel at the ASEAN-Russia Business Forum in his role as Chairman of the Indonesian Chamber of Commerce and Industry in 2016 © Stanislav Krasilnikov/TASS via Getty Images

4. UNO MAY HAVE HAD SOME INTEREST IN VELODROME AND BENEFITED IN SOME WAY FROM THE PAYMENTS

A crucial question about the payments to Velodrome is: who ultimately received the tens of millions of dollars Berau Coal paid to the company? At the time of the payments, little or no information was in the public domain about Velodrome or its owners.

Bumi plc was also unable to find out more from the wider investigation and audit it carried out.¹⁹

The UK Financial Conduct Authority (FCA) reported that Bumi plc complained it had struggled to get information from Berau Coal because of “... behaviour that ranged from incompetence, to a lack of resources, a lack of quality processes and appropriately skilled finance professionals, to simply uncooperative behaviour on the part of [Berau Coal].”²⁰

At the time, Rosan Roeslani was Berau Coal’s chief executive and Sandiaga Uno was a board commissioner. In other words, Bumi plc said it was not able to find out who

ultimately owned Velodrome because Berau Coal was unable or unwilling to provide this information.

In 2016, the first piece of information about the ownership of Velodrome became public through a major leak of documents called the Panama Papers released by the International Consortium of Investigative Journalists (ICIJ). This reported for the first time that Uno was connected to a number of offshore companies.²¹

These leaks reported that Uno had been Velodrome's sole shareholder and director from its incorporation in October 2007 until May 2009. They also stated that Velodrome was incorporated in the Seychelles, a tax haven in the Indian Ocean.²² This strong connection between Uno and Velodrome had not previously been disclosed to the public. We raised this connection with him, but he did not respond.

However, Global Witness has uncovered another piece of the puzzle about Velodrome's ownership, which suggests that Uno may have continued to have a connection with the company after May 2009.

The published information from the leaked documents does not say who owned Velodrome between January 2010 and December 2012, the period in which the company was paid tens of millions of dollars by Berau Coal.²³

But its last known shareholder according to the documents, as of July 2009, was a Singaporean lawyer called Ng Soon Kai.²⁴ There is no public record of whether the latter is still a shareholder or not, and he did not reply to our questions.

This man had a strong and significant

connection with Uno. During the period of the payments to Velodrome, Ng Soon Kai was a director or secretary of at least two Singapore-listed companies co-owned by Uno, Seroja Investments and Interra Resources. He also sat on the former's board alongside Uno.²⁵

As of 2011, Ng was also the managing director and partner of a Singapore law firm called Ng Chong & Hue which, according to the Panama Papers, has been an "intermediary" for an offshore company called Attica Finance, which corporate records show was a company controlled by Uno (see diagram on page 9).²⁶

So, although Uno himself may not have been a shareholder in Velodrome at the time of the payments from Berau Coal, its shareholder a few months earlier and possibly thereafter was a person closely connected to Uno who had also worked for companies in which Uno had been an owner.

Global Witness asked Ng to confirm or deny that he had held the Velodrome shares on behalf of Uno, but he did not respond.

After the leaks were published, Indonesian journalists asked Uno about various offshore companies he was linked to in the reports, including Velodrome. Uno reportedly replied in general terms, without mentioning Velodrome, claiming these companies had been set up by Saratoga Investama, an investment firm which he co-owned and of which he has been chief executive.²⁷

It is not clear whether Uno was asked about Velodrome in particular and these media reports do not clarify the exact nature of Uno's relationship, if any, with the company.

However, Saratoga's own financial statements make no mention of Velodrome, and the Panama Papers do not identify Saratoga as one of its shareholders.²⁸ Global Witness asked both Saratoga and Uno to explain this apparent discrepancy between Uno's reported comments and Saratoga's own public disclosures, but did not receive a reply.

Later, in October 2018, when Uno was asked in a newspaper interview about his name appearing in the Panama Papers he was quoted as saying "offshore structures are common to making investments...and it's all perfectly legal. I have nothing to hide."²⁹

However, he does not appear to have explained his dealings with Velodrome. Global Witness put it to Uno that he had an interest in Velodrome and benefited from the payments, but he did not confirm or deny this.

IN SUMMARY

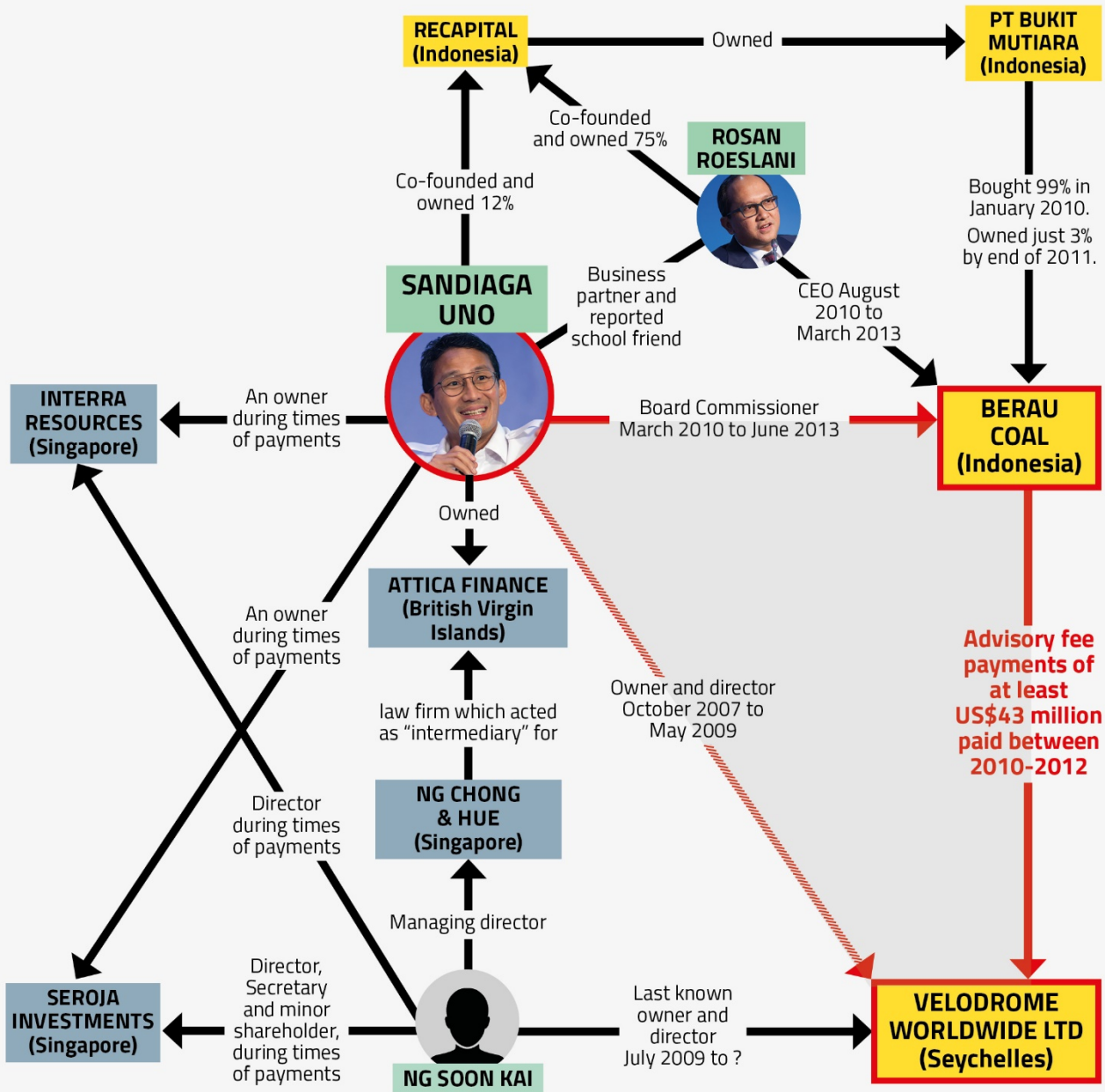
Uno has been an owner of Velodrome, which later received tens of millions of dollars in questionable payments from Berau Coal.

These payments were based on an agreement which was made at a time when Uno was in an influential position at Berau Coal and continued when he became a board commissioner with oversight of Berau Coal's directors.

The most recent reported shareholder of Velodrome, several months prior to this agreement being made, is a long-time business associate of Uno.

The connection between Uno and Velodrome has not been formally disclosed and only came to light because of the Panama Papers. Uno has still not explained his connection when asked to do so, nor has Ng Soon Kai provided answers. We therefore conclude that Uno may have had some interest in Velodrome and benefited in some way from the payments.

HOW MONEY WAS MOVED OUT OF BERAU COAL



Sources: International Consortium of Investigative Journalists' Panama Papers and Offshore Leaks database, and other corporate documents

ROESLANI AND THE BAKRIES

Roeslani and Recapital had strong ties with the Bakries, a family of oligarchs who controlled the major Indonesian coal company Bumi Resources. Roeslani had sat on the boards of Bumi Resources' two biggest coal mining subsidiaries.³⁰ Recapital had also been an investment manager for the Bakrie Group, the vehicle for the Bakrie family's business empire. Before its acquisition of Berau, Recapital had also managed up to US\$400 million of Bumi Resources' funds and had managed funds from other Bakrie companies.³¹

Bumi Resources and the Bakries had even helped Recapital to take over Berau Coal by lending it up to US\$300 million, which Bumi Resources had itself borrowed five days earlier in a loan facility arranged via its long-time banker, Credit Suisse.³²

As part of the deal, Bumi Resources would get the rights to market coal for Berau Coal.³³ According to media reports at the time, Recapital paid as much as US\$1.5 billion to acquire Berau Coal, most of which was borrowed money.³⁴

In effect, the interests of Recapital and the Bakries were entwined in relation to the deal with Rothschild to create Bumi plc at the end of 2010 and into 2011, which combined parts of both Berau and Bumi Resources (as detailed on page 5). The United Kingdom's Takeover Panel later chastised Credit Suisse, as the Bakries' financial adviser, and the Bakries' lawyers for failing to correctly

inform it of the close connections between the Bakries and Roeslani in relation to their joint interests in Recapital's takeover of Berau (via Recapital's subsidiary Bukit Mutiari).³⁵

Recapital failed to pay back the loan to Bumi Resources, which in 2015 had increased in value to US\$450 million. Bumi Resources wrote this off, reportedly on the grounds that "various creditors of [the Berau Coal subsidiary] Bukit Mutiara have filed for bankruptcy lawsuit [sic]."³⁶

After the debt write-off Roeslani gets new roles with the Bakrie family

It is striking that Bumi Resources wrote off such a huge debt at a time when it needed the money, having debts of around \$4 billion itself.

Later that same year, Roeslani was given a place as a board commissioner at Viva Group, a media conglomerate controlled by the Bakrie Group, who control Bumi Resources.³⁷ Two years later, he became Viva Group's president-commissioner (board chairman).³⁸

5. THESE PAYMENTS MADE BY BERAU COAL HAD ADVERSE CONSEQUENCES FOR THE COMPANY AND ITS OTHER INVESTORS.

It is normal for investors who own shares in a company – as Recapital did in Berau Coal – to earn a return on their investment in the form of dividends.

But the payments to Velodrome represent something much more dubious – huge sums of money paid for unclear purposes to an offshore company with undisclosed owners.

These payments reduced the amount of money that was available to Berau Coal to pay dividends to its shareholders, or make interest payments to its bondholders and banks.

When the agreement with Velodrome was signed in early 2010, Recapital’s owners (including Uno) were the only major investors in Berau Coal.³⁹ This means that the cost of the payments to Velodrome was, at first, mainly borne by Recapital itself.

But by August 2010, ten per cent of Berau Coal’s parent company PT Berau Coal Energy had been listed on the Jakarta stock exchange, which increased to 12 per cent the following year. In June 2011, another 84 per cent of the parent company was acquired by Bumi plc, Nat Rothschild’s joint venture in which a number of investors also had stakes via the London Stock Exchange.⁴⁰

And by the end of 2012, investors had bought US\$950 million worth of Berau Coal’s bonds. In other words, many investors had an

interest in Berau Coal and its funds, which were being drained by the questionable payments to Velodrome.⁴¹

6. THESE WERE NOT THE ONLY QUESTIONABLE PAYMENTS MADE BY BERAU COAL.

A number of others were made, linked to Sandiaga Uno’s business partner Rosan Roeslani, which had serious consequences for Berau Coal and its other investors.

The payments to Velodrome from Berau Coal were not the only questionable ones.

There were even larger, questionable outflows from Berau Coal during the same period. A number of these were linked to Uno’s co-investor, Rosan Roeslani.

Bumi plc’s investigation into allegations of financial irregularities in its Indonesian coal operations reported that Berau Coal had spent a fortune on transactions which did not appear to have a “clear business purpose,” whose ultimate beneficiaries were unclear, or which Bumi plc challenged on other grounds.

Bumi plc’s annual report sets out the transactions identified by the investigation and further audits as including payments directly linked to Roeslani:

- US\$124 million pledged to banks on behalf of third parties “where the ultimate beneficiary is not clear.” Bumi plc also noted that the “bank involved” did not think these pledges, made by former directors of Berau, were “in the best interests” of that company and that it had “secured release of the pledges from the bank involved.” Bumi plc had also “received advice that at least some

of the counterparties may be related to Recapital".⁴²

- An alleged rise of nearly US\$3 million in Roeslani's pay and benefits as chief executive which had not been properly disclosed.⁴³
- A US\$7 million loan made by Berau to Recapital's subsidiary Bukit Mutiara so the latter could pay a tax bill. However, this was made with an interest rate which was "below the prevailing market conditions" (presumably cheaply). The "loan agreement was signed on behalf of Berau" by Roeslani while he was its chief executive.⁴⁴

Other questionable payments:

- US\$10 million supposedly spent on mining services for which "the ultimate or counterparty or beneficiary is not clear."
- US\$42 million supposedly paid to compensate landowners whose land had been mined for coal, but for which Bumi plc could not satisfy itself there was "a proper business purpose for the amounts paid."
- US\$8 million on the construction of stockpiles, where it was alleged that some of the costs appeared to be potentially too high.
- US\$91 million attributed to the cost of paying contractors for the construction of haulage roads and other projects, but for which Bumi plc could not satisfy itself there was "a proper business purpose for the amounts paid."
- US\$5 million of "excessive" payments as part of the purchase of infrastructure companies.⁴⁵

One of the transactions that featured in the investigation was a decision Berau Coal

reported it made back in January 2010 – less than a month after its takeover by Recapital – to invest US\$75 million with an obscure offshore firm called Chateau Asset Management.

This left a big hole in Berau Coal's finances. Bumi plc went as far as to describe this reported investment as "funds misappropriated from PT Berau in 2010 and allegedly invested in a Cayman Islands fund."⁴⁶ Roeslani has not made any response to this claim.

After the resulting scandal broke, Roeslani stood down from his position of chief executive at Berau Coal and agreed to "transfer, or procure the transfer" of cash or assets worth US\$173 million to Berau Coal in return for Berau Coal agreeing to "waive the potential claims they may have against Mr Roeslani in respect of payments totaling [sic.] \$201 million that were made by PT Berau during 2011 and 2012 that had no clear business purpose."⁴⁷

The money was not paid back on time, however, and Bumi plc, now renamed Asia Resources Minerals, won an arbitration ruling against Roeslani in Singapore in 2014 which required him to comply with the terms of the agreement.⁴⁸

Roeslani continued to argue that the transactions questioned by Bumi plc were for "legitimate business purposes" and tried to get the agreement set aside by the Singapore court.

The court turned down his application and later issued a worldwide injunction against his assets on the basis that it was suspected that he was trying to hide some of them, including shares in two football clubs, a house in the United States and a

Luxembourg company which owned two French chateaux, rather than using these assets to repay Berau Coal.⁴⁹

Among other transactions, the Singapore court found that Roeslani had transferred his stake in Italy's Inter Milan football club to a "close business associate" identified as "Mr ET" who had also been a co-owner with Roeslani of the DC United football club in the United States.

Mr ET is evidently the Indonesian businessman Erick Thohir, who had been Roeslani's co-investor in these two football clubs.⁵⁰ The court judgement does not suggest that Thohir had any knowledge that Roeslani was trying to hide his assets. Global Witness wrote to Thohir for comment on these matters, but did not receive a reply.

The Singapore judge "was not impressed by the defendant's [Roeslani's] conduct over the course of his dealings with [Bumi plc and Berau Coal]," as he had failed to keep his word, tried to get the agreement dismissed on "flimsy" grounds and then tried to dispose of some of his assets rather than transfer them to Berau Coal.⁵¹

Global Witness asked Roeslani to comment on these matters, but he did not reply. Global Witness has not been able to establish how much, if any, of the money was paid back.

With global coal prices falling and a big hole in its finances, Berau Coal could no longer afford to pay its debts. It defaulted on some of its bonds⁵² and was then acquired by an Indonesian consortium, Asia Coal Energy.⁵³

Berau Coal's bondholders, who had lent nearly one billion dollars to the company, were still negotiating over the repayment of these debts three

years later.⁵⁴ Rothschild walked away from the fiasco with a damaged business reputation and financial losses estimated at about US\$80 million.⁵⁵

WHAT HAPPENED NEXT?

As well as continuing to do business with the Bakriys, a family of oligarchs (see text box on page 10) Roeslani became the head of Indonesia's chamber of commerce and is now a member of the re-election team of the current president, Joko Widodo (Jokowi), tasked with raising money for his campaign.⁵⁶

As for Sandiaga Uno, he stood down from his executive roles in 2015 to go into politics and was elected as the deputy governor of Jakarta in 2017. In August 2018 he became the running mate of Prabowo Subianto, a general-turned-oligarch who is Jokowi's rival in the April 2019 elections.⁵⁷

So huge sums of money flowed out of Berau Coal between 2010 and 2012, weakening the company's finances and contributing to it defaulting on its debts. Roeslani's role in these outflows is a matter of public record. This briefing outlines why we conclude that Sandiaga Uno had a hand in the payments of at least US\$43 million from Berau Coal to Velodrome and he may have secretly and personally benefited from them in some way.

If Uno becomes vice-president of Indonesia, he will be one of the most influential people in Indonesian politics and could potentially become the leader of one of the world's most populous countries.

RECOMMENDATIONS

The more well-known problems with coal have led to a global trend to withdraw support for it. The move away from funding coal is accelerating. In February 2019, the Institute for Energy Economics and Financial Analysis published research showing that global capital is “fleeing the coal sector at an alarming rate,” with over one hundred global financial institutions exiting coal, and banks, insurers or lenders announcing new restrictions on average every two weeks.

Governments too are rejecting coal, with an increasing number announcing plans to scale it down or phase it out completely.

Foreign lenders and investors have enabled the Indonesian coal industry to keep going, despite its well-known association with climate change, air pollution, land and water damage and other problems.

The findings in this briefing offer yet another potent reason why the Indonesian government and international banks and investors should shun Indonesia’s Big Coal.



An open-pit coal mine in Jambi, south Sumatra, used by AFP to illustrate how Indonesia will exceed its coal production target for another year ©GOH CHAI HIN/AFP/Getty Images

In particular, Global Witness recommends:

The parties that form the next Indonesian Government in April 2019 should:

1. Refer all matters raised in this briefing to the relevant authorities in Indonesia for investigation
2. Drastically reduce the number of coal-fired power stations planned in the rolling ten-year electricity generation plan (RUPTL). This should be reviewed and announced as soon as possible and implemented in the 2020 update to the rolling ten-year plan
3. Create a comprehensive plan for an energy transition away from coal in Indonesia, towards renewable energy, in line with the Paris Agreement goals that the world’s nations have agreed to.

Private and publicly-owned banks around the world should adopt coal policies that:

1. Exclude project finance for new coal mines and coal-fired power plants in Indonesia.
2. Exclude general corporate financing and advisory services to Indonesian companies that are highly dependent on coal power.⁵⁸
3. End all their exposure to Indonesian companies involved in coal, creating a time bound plan to achieve this.

ENDNOTES

¹ There is no generally accepted definition of what a “tax haven” is. In general, the term refers to more than just the issue of tax. In this briefing, we conform to the use outlined by the Tax Justice Network:

“loosely speaking, a tax haven provides facilities that enable people or entities **escape** (and frequently undermine) the laws, rules and regulations of other jurisdictions **elsewhere**, using secrecy as a prime tool. Those rules include tax – but also criminal laws, disclosure rules (transparency,) financial regulation, inheritance rules, and more.” See:

<https://www.taxjustice.net/faq/tax-havens/>. The Seychelles in particular ranks very highly in terms of the secrecy it affords the companies incorporated there regarding the disclosure of their real owners. The Tax Justice Network’s Financial Secrecy Index ranks this as an “exceptional” level of secrecy: <https://www.financialsecrecyindex.com/PDF/Seychelles.pdf>.

² See Berau Capital Resources Pte Ltd bond offering prospectus, ‘US\$100,000,000 12.5% Guaranteed Senior Secured Notes due 2015,’ 26 July 2010, pp.142-3. Recapital had a third founder but Global Witness has chosen not to name him because we have found no evidence to suggest that he was actively involved in the matters described here.

³ PT Berau Coal Energy Tbk financial statements 2010, note 24. Recapital Advisors used its subsidiary Bukit Mutiara to acquire Recapital.

⁴ The parent company is called PT Berau Coal Energy Tbk, and is an Indonesian holding company. Its Indonesian subsidiary, through which it operated in the Indonesian coal mining sector, is PT Berau Coal. Global Witness has followed the common media practice of referring jointly to the two companies as “Berau Coal” except in cases where only one is intended.

⁵ PT Berau Coal Energy, financial statements for 2011, note 38g.

⁶ Later corporate records state that the fee payable to Velodrome was US\$1.8 million per month with the remainder being paid in Indonesian withholding tax. See Berau Coal consolidated financial statements 2012 and 2013, note 47g. Internet searches reveal no reference to any business activity by Velodrome Worldwide, other than in relation to Berau Coal and the Panama Papers. See footnote 22 for the location of Velodrome’s incorporation. Bumi plc annual report 2012, note 31.2. Footnote d) defines “consulting services” as cost paid to Velodrome. See also footnote 15. Berau’s financial statements do not provide further information.

⁷ *Ibid.* and footnote 5.

⁸ Berau Coal Energy financial statements 2010, cashflow statement, payments to employee salaries, wages and allowances were listed as 228.39 billion Indonesian rupiah for 2010. This figure converted into US dollars at the end 2010 exchange rate as given by www.xe.com is US\$25.12 million for the year or US\$2.1 million per month. Note 1c gives figures for the number of employees Berau Coal had at the end of 2010. ⁹ For an explanation of what an anonymously-owned company is and how they can potentially be used for illegal purposes see Global Witness, ‘What’s Wrong with Anonymous Companies’: <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/whats-wrong-anonymous-companies/>. The Financial Action Task Force (FATF), an inter-governmental body that has established standards on financial transparency, notes that historically the lack of information about the real owners of companies has made it possible that they “have been misused for illicit purposes, including money laundering (ML), bribery and corruption, insider dealings, tax fraud, terrorist financing (TF), and other illegal activities. This is because, for criminals trying to circumvent anti-money laundering (AML) and counter-terrorist financing (CFT) measures, corporate vehicles are an attractive way to disguise and convert the proceeds of crime before introducing them into the financial system.” FATF Guidance on Beneficial Ownership Transparency, p3: <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>.

¹⁰ For the loss, see Berau Coal financial statements 2012, p114. For the date the agreement for the payments stopped, see Berau Coal Energy financial statements 2013, note 47g.

¹¹ Trading Economics: <https://tradingeconomics.com/commodity/coal>.

¹² Berau Coal Energy annual report 2012 consolidated statement of income and notes 3, 42 and 44.

¹³ *Ibid.* Footnote 10 and Bumi plc annual report 2012, note 31.2d.

¹⁴ Berau Coal annual report 2013, note 32, and Financial Times, ‘King Nat’s Mines,’ 14 January 2011: <https://www.ft.com/content/3a8cd690-1ebd-11e0-a1d1-00144feab49a>.

¹⁵ Bumi plc, ‘Statement re: Investigation,’ 22 January 2013, pp. 2-4: <https://www.investigate.co.uk/ArticlePrint.aspx?id=201301220720360677W>. The statement states that the contract was terminated at the end of 2012. See also footnote 16. Berau Coal’s 2012 financial statements show that it terminated no other consulting agreement at this time.

¹⁶ Bumi plc financial statements 2012, note 31.2.d and Berau Coal annual report 2012, note 47g.

¹⁷ Berau Coal Energy, financial statements 2012, notes 3.ii and 44.

¹⁸ Berau Capital Resources Pte Ltd offering circular, 'US\$100 million 12.5 per cent guaranteed senior secure notes due 2015, pp.130-1. For both of their resignations, see Berau Coal annual report 2013, note 1a.

¹⁹ *Ibid.* footnote 15.

²⁰ Financial Conduct Authority, 'Final Notice to Asia Resource Minerals plc (formerly Bumi plc),' 12 June 2015, 4.31.

²¹ The information about Velodrome was contained in an earlier set of leaked documents to the ICIJ in 2013, which it called the Offshore Leaks. However, the information about Velodrome was not reported until the Panama Papers in 2016. The Panama Papers was just one very large, leak of documents from the Panamanian law firm Mossack Fonseca in April 2016. However, many people use the term "Panama Papers" to collectively describe a wider set of leaked documents and accompanying series of reports by ICIJ, including the specific set known as Offshore Leaks. This briefing uses that convention of referring to all of the ICIJ's leaks using the name "Panama Papers."

²² International Consortium of Investigative Journalists, Offshore Leaks database. Velodrome Worldwide Ltd: <https://offshoreleaks.icij.org/nodes/164169>. The leaks report Velodrome was incorporated (registered) in the Seychelles. Bumi plc's financial statement (see footnote 16) states Velodrome Worldwide Ltd was "based" in Singapore. It is common for a company to be incorporated (registered) in one jurisdiction but based in another (where based means to have a management function in). See also "Notice of dissolution of Velodrome Worldwide Ltd," 30 June 2015 published in *Today in Seychelles*, 1 July 2015, p14, which states that Velodrome Worldwide Ltd was incorporated in the Seychelles.

²³ *Ibid.*

²⁴ *Ibid.* "Velodrome Worldwide" and "Ng Soon Kai."

²⁵ Seroja Investments Ltd annual report 2012, pp. 5, 22; Interra Resources Ltd, annual report 2011, pp. 1, 19 and 32.

²⁶ Offshore Leaks database, Attica Finance Limited: <https://offshoreleaks.icij.org/nodes/133312>; Seroja Investments Ltd annual report 2012, p. 63, substantial shareholders.

²⁷ Kompas, 'Sandiaga Uno benarkan perusahaannya ada di Panama Papers,' 4 June 2016. Uno owned 32.45 per cent of Saratoga at the end of 2010 and 27.78 per cent at the end of 2016. See Saratoga Investama Sedaya financial statements 2009, note 29 and financial statements 2016, p.68. For Uno's stepping down as

chief executive in April 2015, see annual report 2016, note 1b.

²⁸ Saratoga Investama financial statements 2009-2014; Offshore Leaks database, Velodrome Worldwide Ltd: <https://offshoreleaks.icij.org/nodes/164169>.

²⁹ Straits Times, 'Indonesia's V-P candidate Sandiaga Uno says economy at top of his team's agenda,' 29 October 2018: <https://www.straitstimes.com/asia/se-asia/indonesias-v-p-candidate-sandiaga-uno-says-economy-at-top-of-his-teams-agenda>.

³⁰ The two subsidiaries are Kaltim Prima Coal and Arutmin Indonesia. See Bloomberg, Executive Profile Rosan Perkasa Roeslani (undated):

<https://www.bloomberg.com/profiles/people/3150629-rosan-perkasa-roeslani>. Roeslani was a member of the two companies' boards of commissioners. The commissioners of an Indonesian company are responsible for overseeing its directors.

³¹ Bumi Resources financial statements 2010, note 6. Some of these funds were later redeemed by Bumi Resources from Recapital. For other examples of Recapital managing funds for Bakrie Group companies, see Bakrie and Brothers annual report 2009, note 5 and Bakrieland Development annual report 2012, note 6.

³² PT Bumi Resources Tbk annual report 2010, p.53 and note 20a, p.70. The loan was to Recapital's subsidiary Bukit Mutiara for up to US\$300 million and was agreed on 2 November 2009. Bumi Resources had agreed a loan facility of US\$300 million arranged by Credit Suisse on 29 October, three days earlier, "to finance the acquisition of a new company." See Bumi Resources annual report 2010, note 22a.

³³ Bumi Resources financial statements 2010, note 45n.

³⁴ Wall Street Journal, 'Recapital to buy 90 per cent of Berau Coal,' 9 December 2009: <https://www.wsj.com/articles/SB10001424052748704240504574585422768391520>; Financial Times, 'Stake in Indonesia's Berau Coal sold,' 30 November 2009: <https://www.ft.com/content/078be912-ddea-11de-b8e2-00144feabdc0>.

³⁵ The Takeover Panel, Asia Resource Minerals (formerly Bumi plc), 'Statement of Public Criticism of Credit Suisse, Freshfields and Holman Fenwick Willan,' 5 November 2015.

³⁶ Bumi Resources financial statements 2015, note 15.

³⁷ PT Visi Media Asia website: <https://www.vivagroup.co.id/investor-relations/shareholders-composition/> and <https://www.vivagroup.co.id/?s=roeslani>.

³⁸ PT Visi Media Asia website: <https://www.vivagroup.co.id/about-us/board-of-commissioners/>.

³⁹ Sojitz, a Japanese corporation, owned 10 per cent of Berau Coal's Indonesian mining subsidiary at this time.

Sojitz declined to comment in response to questions from Global Witness.

⁴⁰ PT Berau Coal Energy Tbk offering circular, 'US\$500,000,000 7.25% Guaranteed Senior Secured Notes due 2017,' corporate history, p.93.

⁴¹ Berau Coal Energy annual report 2012, note 28.

⁴² Bumi plc annual report 2012, note 31.2.

⁴³ *Ibid.* Renumeration report, p.51, note 15.

⁴⁴ *Ibid.* note 31.1.

⁴⁵ All above five bullet points, *ibid.*, note 31.2.

⁴⁶ Berau Coal financial statement 2011, note 11, available-for-sale financial assets, schedule 5/70; Asia Resource Mineral annual report 2014, p.40. The name of Bumi plc was changed to Asia Resource Minerals in 2013.

⁴⁷ Asia Resource Minerals annual report 2013, The Roeslani Agreement, p.80.

⁴⁸ Singapore High Court, 'AYH v AYI and Another. [2015] SGHC 300' and 'AYK and Another v AYM. [2015] SGHC 329.' These two court judgements do not identify Roeslani, Bumi plc/Asia Resource Minerals or Berau Coal by name, but it is clear from the detailed facts cited in the judgements that these were the parties involved.

⁴⁹ AYK and Another v AYM. [2015] SGHC 329 numbers 22-30.

⁵⁰ Washington Post, 'DC United: former Indonesian coal executive no longer an owner,' 23 May 2014: https://www.washingtonpost.com/news/digger/wp/2014/05/23/d-c-united-former-indonesian-coal-executive-no-longer-an-owner/?noredirect=on&utm_term=.d83be34b27b8.

⁵¹ Singapore High Court, 'AYK and Another v AYM,' conclusion.

⁵² High Court of Singapore, 'Judgement in the Matter of Section 210 (1) of the Companies Act (Cap. 50) and in the Matter of Empire Capital Resources Pte Ltd. 2018 SGHC 36.' Empire Capital Resources was a special

purpose vehicle used by Berau Coal to issue bonds in Singapore:

<https://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/2018-02-19--empire-capital-judgment-final-pdf.pdf>.

⁵³ Financial Times, 'Nat Rothschild sells Asia Resource Minerals stake,' 8 June 2015:

<https://www.ft.com/content/f710e518-0da6-11e5-9a65-00144feabdc0>.

⁵⁴ *Ibid.*

⁵⁵ Financial Times, 'Nat Rothschild gives up long battle for Asia Resource Minerals,' 8 June 2015:

<https://www.ft.com/content/1def1222-Odde-11e5-9a65-00144feabdc0>.

⁵⁶ Tempo, 'Jokowi's winning team to raise campaign funds from tycoons,' 17 October 2018:

<https://en.tempo.co/read/922609/jokowis-winning-team-to-raise-campaign-funds-from-tycoons>.

⁵⁷ Jakarta Post, 'Anies, Sandiaga officially declared winners of election,' 5 May 2017:

<http://www.thejakartapost.com/news/2017/05/05/anies-sandiaga-officially-declared-winners-of-election.html>; Tempo, 'Sandiaga Resigns from Gerindra to Become Prabowo's VP Candidate,' 10 August 2018: <http://en.tempo.co/read/news/2018/08/10/055920694/Sandiaga-Resigns-from-Gerindra-to-Become-Prabowos-VP-Candidate>.

⁵⁸ Highly coal-dependent companies are defined as those where over 30% of their revenues or energy mix comes from coal; and/or annual production, trading, or consumption of coal exceeds 20 million tonnes annually; AND/OR installed power capacity is greater than 10,000 MW; AND/OR the company is planning investments into new coal-related infrastructure. Such criteria are designed to ensure that highly diversified companies, who may fall below the 30% threshold but who have large absolute exposures to coal, are still accounted for.