



Public Statement

Jakarta, 7 July 2010

APP responds to Greenpeace's false accusations

Asia Pulp & Paper (APP) is aware of the recently released Greenpeace report regarding the Indonesian forestry industry. The claims made against Indonesian policy and APP in this report are unequivocally inaccurate and deliberately misleading. We are disappointed that Greenpeace continues to publish misleading reports containing false claims and we would like to set the record straight.

Indonesia is a developing nation, which is very much focused on the sustainable development of its economic growth; to lift what is a significant proportion of its population out of poverty. Even now, however, nearly 35 million people in Indonesia live below the poverty line and approximately 60% of the population live in rural areas where forestry and agriculture are the main sources of livelihood. Natural resources are an important contributor to Indonesia's Gross Domestic Product. Agriculture, forestry and mining constitute about 25% of Indonesia's GDP, with the forestry sector alone contributing roughly US\$ 7 billion a year to state income.

Understanding that for sustainable development there needs to be a balance between the needs for economic and social development and the environment, the government of Indonesia (GOI) considers this in formulating the laws to regulate the development of natural resources. This consideration is explicitly stated in its land use law¹, which has become the basis for the development of Indonesia's Spatial Plan that determines areas in which production forest -- including forestry plantations -- and other land-use activities can be established.

In light of this, APP welcomes the Letter of Intent (LoI) between Norway and Indonesia, announced by President Susilo Bambang Yudhoyono in Norway on 26 May 2010 -- on the eve of a climate conference in Oslo -- regarding Indonesia's commitment to a new forestry partnership between the two countries. In the LoI, the governments of the Republic of Indonesia and the Kingdom of Norway recognise that poverty reduction and economic development are two universal goals for human welfare. As climate change is among the greatest challenges facing the world today and -- as Indonesia and Norway are parties of the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol and the Convention on Biological Diversity -- noting that the main goal of Indonesia's and Norway's climate policy is to limit the average rise in global temperature, both countries agreed to establish a climate change partnership, focusing on Reduction of Emissions from Deforestation and Forest Degradation Plus (REDD+).

This is welcomed wholeheartedly and unreservedly by APP. A 2-year moratorium, or freeze, is not uncommon in other industries worldwide, such as commercial fishing, and has a proven

¹ Law No.24 of 1992 about Spatial Use Management



track record of allowing those industries to review and re-assess their sustainability issues, while allowing a period for dialogue between governments, NGOs and other third parties. APP is absolutely committed to the sustainable development of Indonesia and is dedicated to supporting the Indonesian government and its policies of achieving its environmental and development objectives.

Out of Indonesia's 190-million hectare land area, around 110 million hectares is covered by forest, which is roughly about 57% of the total land area. Put into context, the total forest area in Indonesia is almost four times the size of the land area of the United Kingdom. Out of that forested area, the government has reserved around 46% solely for the purpose of conservation and environmental protection. By way of comparison, EU-27 area has set aside 21.5 % of its forest areas under its Natura 2000 conservation and protection program. Based on the Spatial Plan, the government allocates only around 3% of Indonesia's landmass, which it defines as wasteland or low value and degraded forest, for pulpwood plantation development.

Contrary to Greenpeace allegations, APP's pulpwood suppliers only operate on land that the government has expressly set aside for pulpwood plantation development and they strictly follow the government's allocated rules and regulations that were designed to protect environmentally sensitive areas. Therefore, following those government regulations, all of APP pulpwood suppliers' areas are subject to rigorous multiple socio-environment assessments, including an environmental impact assessment (AMDAL), as well as micro and macro-delineation by independent third parties. This ensures that high-conservation value areas, such as critical peatland over 3 metres, which the government identifies as protected, remain protected. These assessments, which include: community/stakeholder consultation, protection of cultural heritage and values and the impact of the surrounding community's standard of living and health, have become the basis of their government-approved pulpwood plantation development plans.

As of today, APP pulpwood suppliers, based on their high conservation value assessments and their government-approved plantation development plans, develop only 60% of their production forest concession area, while the remaining 40% is set aside for conservation, community forest, indigenous species' development and relevant infrastructures. This is significantly more than what the government legally requires of pulpwood suppliers.

Sustainable operations are an integral part of APP's business model. We intend to be around for the long run and continue to grow in this industry; so, one priority is to continuously work to ensure the sustainability of our raw materials for the future, in line with Indonesian government policies and regulations. Therefore, in the past two years, APP's pulpwood consumption in Indonesia roughly consists of 85% sustainable plantation wood and 15% mixed wood residues from pulpwood plantation development in degraded areas. Our target from 2010 onwards is to consume around 10% of mixed wood residues and other waste wood materials (wood shavings, trimmings and others), which is a common practice in pulp mill operations worldwide. In addition to that, as part of its commitment to sustainable production of paper products, a



significant amount of APP's total fibre consumption – currently at 35% -- is from recycled material. We are planning to continue increasing our recycled product capacity. APP is one of the few companies in Asia that has been actively promoting the use of recycled paper.

Furthermore, to support APP's commitment to ensure that no illegal wood enters its production facilities, we have implemented stringent, rigorous, externally-audited Legal Origin Verification and Chain of Custody (CoC) systems and protocols. APP and its pulpwood suppliers' systems are continuously audited by independent third parties against national law, the Eco-label Institute and Timber Legality and Traceability Verification standards by SGS – a Geneva-based world-leading environmental auditor. APP's main pulp and paper mills successfully achieved CoC certification under the Indonesian Eco-label Institute certification program, while APP's main paper mills have also obtained PEFC CoC certification after a careful, independent review by accredited independent auditors.

Greenpeace's claim of a 'secret' plan by APP to increase – by up to 7 times – its current pulping capacity, is totally false. First of all, Indonesian's regulations require transparency for such expansion plans, to be approved and supported by different levels of provincial and central government. Greenpeace's allegation is also illogical since roughly 8 million hectares of gross pulpwood concession area will be needed to support the production of 17.5 million tonnes of pulp a year. As of today, the land allocated for pulpwood plantations is around 5.7 million hectares or 3% of the total land mass of Indonesia. The Indonesian government's target is to develop around 10 million hectares of plantation by 2014, mostly consisting of community-based forestry for all wood industries.

Finally, in response to the report's shameful allegation, accusing APP of endangering the habitat of endangered animals such as the Sumatran Tiger, we can categorically state that this is not the case. We can assure you that according to the national spatial planning, APP operations are not threatening the habitat of wildlife in Indonesia. On the contrary, we are supporting many projects to enhance national parks and high value conservation forestry areas. APP played a significant role in setting up the 110,000-hectare Senepis Sumatran Tiger Sanctuary in Riau province, Sumatra. By setting aside 106,000 hectares of production forest as the core area for the Tiger sanctuary, APP's pulpwood suppliers and other concession holders are making a vital contribution to the survival of the species. The establishment of a tiger sanctuary within production forests is a pioneering initiative.

APP is committed to the protection and conservation of all endangered and threatened wildlife and fauna throughout Indonesia. In addition to our efforts to protect the Sumatran tiger, we recently embarked on a crucial project – partnering with a local NGO – to save the critically-endangered Javan rhino. This hugely significant joint venture will focus on the development of a Javan Rhino Sanctuary in Ujung Kulon National Park – a 76,000 hectares reserve in West Java, Indonesia. The development of the sanctuary is aimed not only to conserve the Javan rhino through intensive scientific studies, but also to widen its habitat, protecting it from domestic animals' interference – ensuring population growth – which are the main goals of the program.



Governments, many civil societies and stakeholders all realise that the private sector has a massive role to play in implementing Indonesian policies to support economic development to alleviate poverty and improve social welfare and environmental protection. This includes the protection of high-conservation value forests, biodiversity, endangered species and actions to tackle climate change. Without a well-functioning private sector creating jobs and prosperity, sustainable economic development in Indonesia fails. By creating this report, which – among others – has made swipes at the policies of the government of Indonesia in the development of its natural resources for improving its economy and the life of its people, Greenpeace undermines the government's efforts toward sustainable development. Greenpeace attacks the very industries that provide the communities with better prospects – as opposed to unsustainable agricultural practices, illegal forest encroachment and illegal logging or poaching, which leads to forest destruction, only giving people a short-term fix to escape the miseries of poverty.

As part of its commitment to transparency, APP opens its doors to credible and responsible NGOs and independent auditors to trace the chain-of-custody of its products, enabling them to better understand the sustainability aspects of its raw materials and to work with the company to enhance its sustainable practices. We regret that Greenpeace published this report without contacting us first. We would ask that instead of investing their resources to work against us, they come and examine our operations and work with us to seek new solutions that balance the complex and interconnected needs of the developing world.

We are more than happy to further discuss any concerns you may have. Should you have any questions, please do not hesitate in contacting us.

Yours sincerely,

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