

APP's Forest Conservation Policy – One Year On

5 February 2014



Indonesian
Forestry Ministry
Rejects
Applications
from APP
“Independent
Suppliers”

*APP's Sustainability Roadmap &
Forest Conservation Policy under
serious question from legal
perspective*

The rejection by the Ministry of Forestry has clear legal implications for the operational status of so-called APP “independent suppliers” which in reality are subsidiaries of APP/Sinarmas Forestry.

Rainforest Alliance should not commence its independent audit of APP’s Forest Conservation Policy until the legal status of APP “independent suppliers” has been clarified.



Background

On 5 June 2012, Asia Pulp and Paper (APP) announced its "Sustainability Roadmap for 2020 and beyond," which included a moratorium on natural forest clearance in concessions belonging to APP-owned companies. Crucially, the Sustainability Roadmap does not impose a moratorium on APP "independent suppliers."

APP claims to have only 6 subsidiaries, which hold a total concession area of 1,082,934 hectares in Sumatra and Kalimantan. APP also claims to have about 30 independent suppliers with a total of 1,558,731 hectares of concessions, also spread around in Sumatra and Kalimantan.

The moratorium on natural forest clearance by APP-owned companies that was imposed by the APP Sustainability Roadmap in reality only benefits natural forest areas covering a hectareage that is in the hundreds – a miniscule amount compared to the extent of the concessions operated by APP's subsidiaries and independent suppliers.

The conclusion that only hundreds of hectares are covered by the moratorium is based on a presentation by APP to the Ministry of Forestry on 2 October 2012, which was attended by Greenomics Indonesia.

Given their status as APP "independent suppliers," the APP Sustainability Roadmap affords an opportunity for these suppliers to continue clearing almost all of the forested peatlands and natural forest within their concessions, particularly in blocks allocated for the development of pulpwood plantations.

The clearing of natural forest and forested peatlands by APP independent suppliers stopped with the announcement of APP's Forest Conservation Policy on 5 February 2013, which imposed a moratorium on natural forest and forested peatland clearance commencing on 1 February 2013. The moratorium applied to all APP suppliers, both APP-owned companies and its "independent suppliers."

As one year has passed since the introduction of APP's Forest Conservation Policy, Greenomics Indonesia considers it necessary to prepare this report highlighting the rejection by the Ministry of Forestry of the APP independent suppliers' proposals related to their legal status.

This report has been prepared based on the consideration that APP's Sustainability Roadmap and Forest Conservation Policy has not been updated to take account of the Ministry of Forestry's rejection of these proposals, and is expected to serve as a useful reference for stakeholders as regards the true status of APP "independent suppliers."

It is important to note that when the APP's Forest Conservation Policy was announced, the vast majority of the natural forest and forested peatland located in the concessions of the so-called "independent suppliers" had already been technically exhausted. This fact should not be forgotten.

Applications Submitted by APP “Independent Suppliers” in the Third Month of Implementation of APP’s Forest Conservation Policy

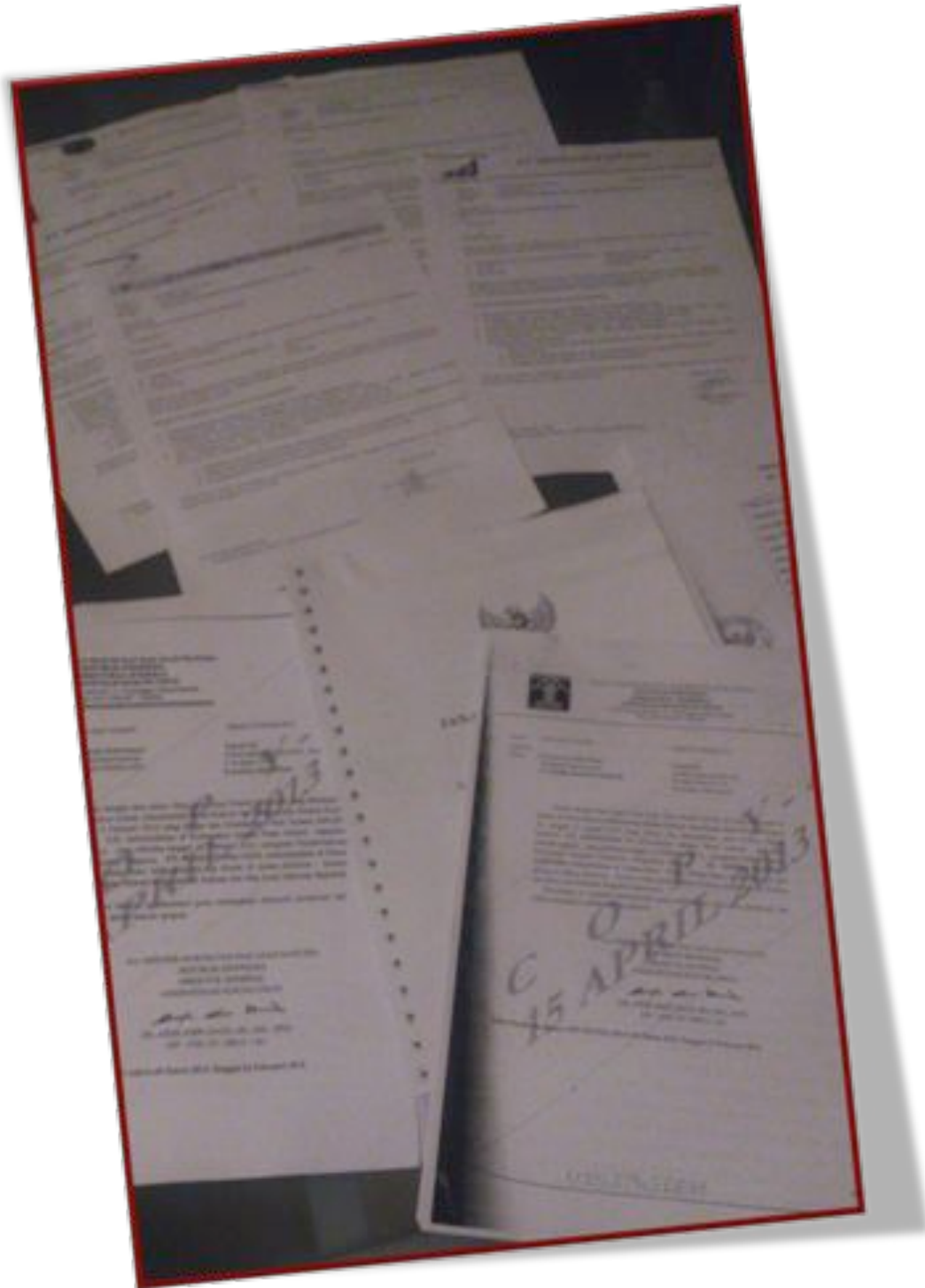
Five APP “independent suppliers”

– PT Perawang Sukses Perkasa Industri (PSPI), PT Ruas Utama Jaya (RUJ), PT Rimba Mandau Lestari (RML), PT Rimba Hutani Mas (RHM Jambi) and PT Rimba Hutani Mas (RHM South Sumatra) submitted applications seeking to be allowed to collaborate in forestry plantation development operations with APP-owned companies under a joint-operation arrangement or KSO.

The three APP “independent suppliers” operating in Riau Province – PSPI, RUJ and RML – applied to be allowed to collaborate operationally with PT Arara Abadi (AA), which is an APP-owned company, while RHM Jambi and RHM South Sumatra applied to be allowed to work together with PT Wira Karya Sakti (WKS), which is also an APP-owned company. The applications were accompanied by amendments to the legal documents of APP “independent suppliers.”

Through these applications, APP/Sinarmas Forestry intended to draw a clear division between APP-owned companies and its “independent suppliers” in tandem with the announcement of its Sustainability Roadmap.

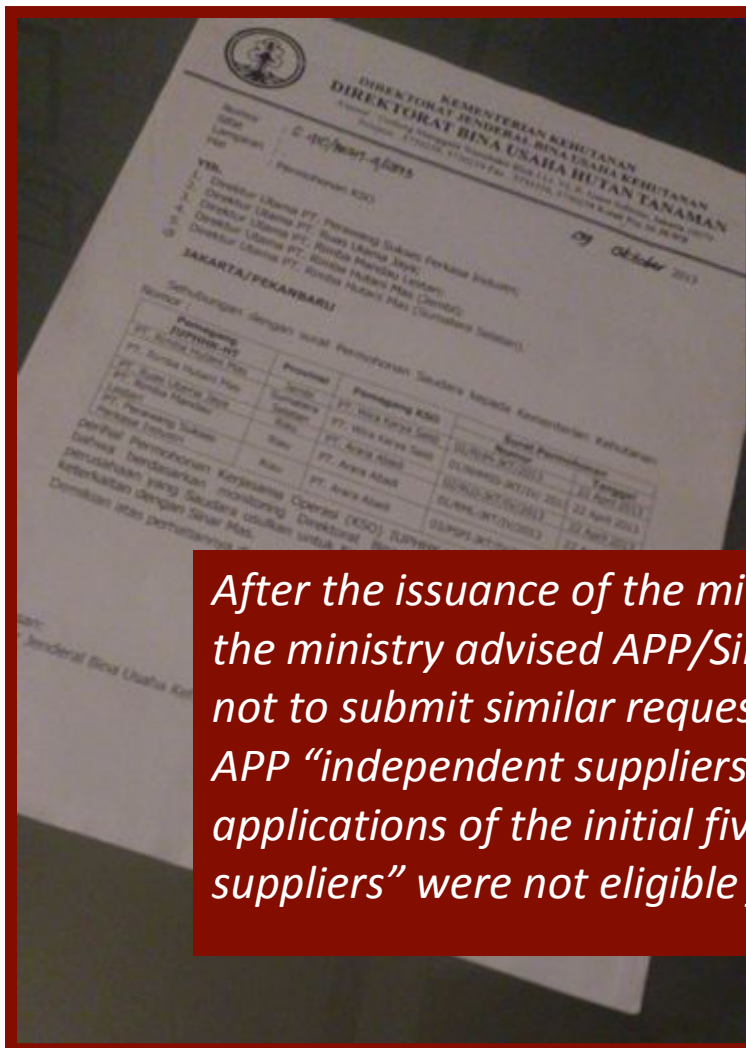
The applications from APP “independent suppliers” and the amendments to their legal documents are shown below:



Applications Rejected by Ministry of Forestry in the Ninth Month of APP's Forest Conservation Policy

In response to the applications by APP “independent suppliers,” the Ministry of Forestry on 9 October 2013 issued a letter, which stated that based on the monitoring conducted by the Directorate of Plantation Forestry, the five “independent suppliers” were in fact linked to Sinar Mas.

The following is the letter of rejection from the Ministry of Forestry to the five applications from the APP “independent suppliers”:



Recommendations for APP



Following the Ministry of Forestry’s rejection of the applications by the five APP “independent suppliers”, APP has no other choice legally than to take cognizance of the legal documents that were officially submitted by its “independent suppliers” to, and subsequently approved by, the Ministry of Forestry, which documents legally acknowledge that the “independent suppliers” are in fact subsidiaries of APP/Sinarmas Forestry.

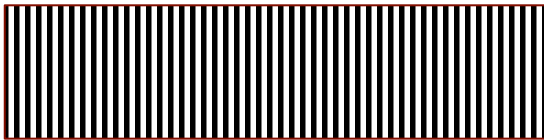


APP/Sinarmas Forestry needs to be aware that the Ministry of Forestry’s rejection of the applications of its “independent suppliers” has legal implications for APP if it does not acknowledge the reality of what is contained in the legal documents that were officially submitted to, and approved by, the Ministry of Forestry.

Recommendations for Rainforest Alliance



Before commencing its independent audit on APP’s Forest Conservation Policy, the Rainforest Alliance should first study the legal documents submitted by the APP “independent suppliers,” and subsequently approved by the Ministry of Forestry, so as to see for itself how APP’s “independent suppliers” are recognized as being subsidiaries of APP/Sinarmas Forestry.



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