

Open Feedback to **APRIL**

(Asia Pacific Resources International Limited)

Feedback on key highlights.

Evolution of APRIL's dependence on raw materials sourced from natural forests.

Number of trees planted vs. number of trees felled in natural forests to supply raw materials.

15 December 2011

APRIL Sustainability Report fails to unlock all the “key highlights”

Feedback on key highlights

The APRIL Indonesia Sustainability Report 2010 – which is preceded by a President Director's statement and was signed on 16 September 2011 – is clearly intended to present the highlights of APRIL's pulp and paper operations, and those of its pulpwood suppliers.

Of the 24 key highlights presented in the 2010 APRIL Sustainability Report, there is only one that is not presented in an holistic and transparent manner in the report, namely, the evolution of APRIL's dependence on raw materials sourced from natural forests.

Indeed, the 2010 APRIL Sustainability Report restricts the scope of its overview to the period between January 2008 and December 2010. However, the evolution of APRIL's dependence on raw materials sourced from natural forests needs to be presented, bearing in mind that is the key highlight that is likely to attract the most attention.

In addition, the use of raw materials sourced from natural forests and derived from the clearing of natural forest located on peatland in the period from January 2008 to December 2010 is also not covered by the 2010 APRIL Sustainability Report. Thus, it is only to be expected that the 2010 APRIL Sustainability Report fails to disclose the evolution of APRIL's reliance on raw materials sourced from natural forests between January 2008 and December 2010.

Evolution of APRIL's dependence on raw materials sourced from natural forests

In reality, the 2010 APRIL Sustainability Report should present a full description of APRIL's dependence on raw materials from natural forests on a periodic basis, namely, based on the period prior to 2008, the period from 2008 to 2010, and its projections for the future. It is indeed unfortunate that the 2010 APRIL Sustainability Report appears to be steering as far clear as possible from a satisfactory discussion of this matter, which should, in fact, be the most crucial key highlight.

This Greenomics Indonesia report is intended to provide feedback to APRIL – as requested on the closing page of the 2010 APRIL Sustainability Report – with the focus of the analysis being placed on why the 2010 APRIL Sustainability Report should have included the evolution of APRIL's dependence on raw materials sourced from natural forests.

In the section of the 2010 APRIL Sustainability Report titled “APRIL Indonesia sustainability challenges,” there are two important focuses that receive specific attention related to the fulfillment of APRIL's raw material needs from natural forests, namely, natural forest conversion and peatlands.

With regard to the focus on natural forest conversion, the APRIL response is as follows:

“The clearing of natural forest is an inherent step in developing renewable plantation wood supply. We will continue to assess our wood supply needs and ensure a responsible approach is taken to meeting that demand”.

Meanwhile, as regards peatlands, APRIL's claims that “*All peatland concessions utilize ‘eco-hydro’ management to reduce GHG emissions*”.

These two responses by APRIL completely fail to address the question of the sustainability of APRIL's dependence on raw materials sourced from natural forests, which involves the clearing of peatland forest.

The 2010 APRIL Sustainability Report sets out the extent of the pulpwood plantations owned by APRIL. However, a key highlight that is not revealed in the 2010 APRIL Sustainability Report is how many hectares of the 1.45 million hectares of concessions that have been cleared to provide raw materials from natural forests to APRIL's operations, and what the volume of timber obtained from these natural forests was. The 2010 APRIL Sustainability Report should have also explained the increase in timber volume being supplied through cooperation contracts to APRIL operations.

This data should have been revealed in the 2010 APRIL Sustainability Report in the form of time-series data that shows the evolution of APRIL's dependence on raw materials sourced from natural forests during the pre-2008 period and the 2008-2010 period, and the company's projections post 2010.

The following section sets out data on the plans for, and realization of, raw materials fulfillment for the pulp and paper operations of APRIL during the period prior to 2008, which data has been obtained from the Industrial Raw Materials Fulfillment Plans (RPBBI) of PT Riau Andalan Pulp and Paper (RAPP) – APRIL’s biggest pulp and paper industry – whose pulpwood concessions are located in Riau Province . The said data constitutes official and legal data adduced by PT RAPP, which was then studied by the Riau Provincial Forestry Agency and subsequently approved by the Ministry of Forestry.

- **In 2002**, APRIL’s pulp and paper operations in Riau Province consumed almost 9.2 million m³ of raw materials. Of this amount, more than 7.2 million m³ consisted of raw materials that originated from natural forests, or the equivalent of almost 80 percent. It needs to be underlined also that suppliers of natural forest raw materials based on third party contracts supplied APRIL with 3.3 million m³ of raw materials in 2002. APRIL had a total of 77 suppliers operating based on cooperation contracts to ensure that its demand for raw materials from natural forests was fulfilled.
- **In 2003**, the supply of raw materials to APRIL’s pulp and paper operations in Riau was lower than in 2002 at almost 8 million m³. Almost 6 million m³ of these raw materials came from natural forests, or the equivalent of 75 percent of the total raw materials supplied to APRIL. A total of 31 contract suppliers provided APRIL with more than 1 million m³ of timber from natural forests, or almost 20 percent of the total raw materials sourced from natural forests that were used by APRIL in 2003. However, it should also be noted that PT RAPP supplied raw materials supplied almost 4.7 million m³ of raw materials sourced from the clearing of natural forest.
- **In 2004**, APRIL’s pulp and paper operations in Riau were supplied with 7.5 million m³ of raw materials, with almost 5.5 million m³ of these raw materials being sourced from natural forests, or 73 percent of APRIL’s total raw material supplies.
- **In 2005**, APRIL’s pulp and paper operations in Riau were supplied with almost 8.3 million m³, of which more than 5 million m³ was sourced from natural forests, or the equivalent of almost 62 percent. A total of 46 contract suppliers provided APRIL with more than 4.5 million m³ of raw materials from natural forests in 2005, accounting for almost 90 percent of the total raw material supplies used by APRIL in that year.
- **In 2006**, raw material supplies to APRIL’s pulp and paper operations in Riau amounted to almost 8.4 million m³. This included 5.2 million m³ of timber from natural forests, or the equivalent of 62 percent. A total of 42 contract suppliers provided APRIL with 5 million m³ of raw materials from natural forests, or almost 97 percent of total supplies.
- **In 2007**, APRIL’s pulp and paper operations in Riau had targeted 9 million m³ of raw materials. In the same year, however, APRIL management complained loudly of a shortfall in raw materials as a result of an anti-illegal logging operation in Riau Province. This was despite of the fact that actual raw material realization amounted to 10.57 million m³, or approximately 17.36 percent more than planned.

The above official and legal data should have been disclosed in the 2010 APRIL Sustainability Report as time-series data explained the evolution of APRIL’s dependence on raw materials sourced from natural forests in Riau

As regards the 2008–2010 period, the 2010 APRIL Sustainability Report needs to explain the size of the composition of raw materials sourced from natural forests that were used for APRIL’s pulp and paper operations during that period, compared with 2008.

In 2009, more than 5.3 million m³ of timber from the clearing of natural forest in Riau was used as raw materials for pulp and paper operations in Riau, while in 2010 a total of 14 million m³ of natural forest was targeted for clearance in Riau in order to provide raw materials to pulp and paper operations there.

APRIL needs to explain the composition of its raw materials by source, including the volume of timber from natural forests that is used by its pulp and paper operations in Riau.

Meanwhile, for the post 2010 period, the 2010 APRIL Sustainability Report should have made a projection as regards the composition of raw materials from natural forests that will be used by its pulp and paper operations in Riau. For example, for 2011, pulp and paper industries operating in Riau have targeted the sourcing of more than 12 million m³ of raw materials from natural forest clearance in Riau.

In addition, APRIL needs to also explain the provenance of the timber supplied to its pulp and paper operations in Riau, for example, sources in North Sumatra Province and East Kalimantan Province. As an example, if the raw materials sourced from natural forest clearance in Riau, North Sumatra and East Kalimantan are aggregated, then the total raw materials supplied to pulp and paper industries by the three provinces as a result of the clearing of natural forest amounts to more than 35 million m³. APRIL is deeply involved in all three provinces in sourcing its raw materials, particularly raw materials from natural forests.

With an explanation of the use of natural forest timber as raw materials for APRIL’s pulp and paper operations in Riau, the evolution of APRIL’s dependence on raw materials sourced from natural forests would become apparent to the public at large. This data is urgently needed by the public as it provides a basis for allowing the public to evaluate the extent to which APRIL’s practices are sustainable.

However, given that the necessary data is not provided in the 2010 APRIL Sustainability Report, including projected data for the post-2010 period, all the public has to go on are the 24 key highlights presented in the report, not one of which addresses the question of the sustainability of APRIL’s raw material supplies. This is despite the fact that sustainability is a key aspect of the 24 highlights presented in the 2010 APRIL Sustainability Report.

With a transparent explanation of the composition and source of the raw material supplies from natural forests used by APRIL’s pulp and paper operations, whether during the pre-2008 period, during the 2008–2010 period, and during the post-2010 period, the 2010 APRIL Sustainability Report would have a level of accountability and transparency hoped for by the public in answering the two focuses that represent key sustainability challenges for APRIL’s pulp and paper operations, namely, the focus on natural forest conversion and the focus on peatlands.

Number of trees planted vs. number of trees felled in natural forests to supply raw materials

The 2010 APRIL Sustainability Report states that “in 2010 alone, APRIL Indonesia planted 160 million trees on 96,000 hectares.”

It is unfortunate that the report fails to mention the number of trees that were felled in natural forests and the area of natural forest that was cleared in order to provide raw materials to APRIL’s pulp and paper operations in 2010.

It is very clear that the 2010 APRIL Sustainability Report does not wish to discuss the issue of APRIL’s dependence on raw materials sourced from natural forests. In fact, as part of its operations, APRIL uses timber from natural forests almost every day in its operations. However, neither issue is addressed in the 2010 APRIL Sustainability Report.

This gives rise to the question as to whether APRIL’s use of natural forests as a source of raw materials obtained through the clearing of natural forest and peatlands is not an issue that is “most material to APRIL Indonesia’s sustainability” – as stated in the 2010 APRIL Sustainability Report.

Is touting the number of trees and the area planted “more material to APRIL’s sustainability” compared with the number of trees in natural forests and the area of natural forest felled by APRIL? If not, why does the company only reveal the number of trees and the extent of the area planted, even though APRIL’s use of timber from natural forests as raw materials for its pulp and paper operations was continuing at the time the 2010 APRIL Sustainability Report was published?

One of the key highlights set out in the 2010 APRIL Sustainability Report is that 278,721 hectares constitute natural forest conservation areas. **This statement has the potential to mislead the public** bearing in mind that pulpwood plantation concessions, including those held by APRIL, must preserve and retain natural forest areas that satisfy the criteria for designation as protection forest.

The obligation to retain such natural forest areas that satisfy the criteria for designation as protection forest is clear to be seen from the relevant micro-delineation documents – legal and official documents on the pulpwood plantation development that are prepared by each company. The question that needs to be asked here is whether the aforesaid 278,721 hectares of natural forest conservation areas that are touted by APRIL must not actually be retained by the company, as obligated by the relevant micro-delineation documents?

Of course, APRIL will need to study the micro-delineation documents for its pulpwood plantations before answering this question as the company’s claim is excessive and not supported by 100% voluntary setting aside from its pulpwood plantation operations.

The fact is that APRIL “must comply with the regulations made by the Ministry of Forestry, and the Ministry of Forestry is responsible for the implementation of forestry law.” This was written response given by the Ministry of Forestry’s Secretary General, Dr. Hadi Daryanto, when questions by Greenomics Indonesia on 10 November 2011 about claims made by the Indonesian pulp and paper industry, including as regards the setting aside of natural forest conservation areas in pulpwood plantations.

Of course, there is also the widespread suspicion that data on peat depth is being manipulated by pulpwood plantation operators, which results in deep peat areas being cleared so that the timber produced can be used as raw materials by the pulp and paper industry.

Thus, the “key highlight” that 278,721 hectares of natural forest conservation area have been sold gives rise to suspicion as it is not accompanied by a key highlight setting out the area of natural forest that is not included within the category of “natural forest conservation area” and which has been cleared, is being cleared or will be cleared by APRIL’s pulpwood plantation concession operators in order to provide raw materials to their parent company, APRIL.

The pointing to the setting aside of 278,721 hectares of natural forest conservation area as a key highlight also needs to be accompanied by key highlight data explaining the emissions that have been released into the atmosphere as a result of APRIL’s clearing of natural forest and peatlands during the prior to 2008, between 2008 and 2010, and its projections for the post-2010 period. **The increase or decrease in emissions resulting from APRIL’s operations and its clearing of natural forest and peatlands in order to obtain raw materials should also be included as a key highlight in the 2010 APRIL Sustainability Report.**

Conclusion

The 2010 APRIL Sustainability Report fails abysmally to provide a portrait of the sustainability of APRIL operations having regard to its dependence on raw materials sourced from natural forests and peatlands. Thus, the substance of the 2010 APRIL Sustainability Report may be regarded as lacking in depth and as not constituting what most people would regard as an accurate sustainability report as the company's interaction with natural forest and peatlands as a source of raw materials is not featured in the report's key highlights.

Recommendation

We would like APRIL Indonesia to carefully study the feedback contained in this paper, bearing in mind that the last paragraph of the President Director's statement reads as follows: "I look forward to addressing our sustainability challenges aggressively, transparently and with constructive stakeholder involvement."

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