

**Why the Indonesian
Ministry of Forestry
Recommends that**

ASIA PULP & PAPER

revise its

“APP Sustainability Roadmap 2020 and beyond”



- *APP has no option but to revise the said roadmap*
- *As a party involved in the design of the roadmap, The Forest Trust (TFT) must respect the Ministry's recommendation*

Background

On 14 May 2012, Asia Pulp and Paper (APP) announced what it described as “its new High Conservation Value Forest (HCVF) policies to evolve APP’s business, including the immediate suspension of natural forest clearance on its own pulpwood plantations in Indonesia.” In the said public statement, APP asserted that “effective from 1st June 2012, we will suspend natural forest clearance while HCVF assessments are conducted.”

Further, APP stated that “given our firm commitments on HCVF, APP expects independent suppliers to comply with our request for HCVF assessments, by 31 December 2014.” The key phrase here is “suspension of natural forest clearance” based on the differentiation of supplier ownership as between APP-owned pulpwood plantations and APP independent suppliers. Greenomics Indonesia will address the ownership of APP pulpwood suppliers in a separate report.

Following the APP public announcement of 14 May 2012, on 5 June the company launched the “APP Sustainability Roadmap for 2020 and beyond”, in which it claimed that it had embarked on “a period in which it aims to put conserving Indonesia’s natural resources at the heart of its business strategy”. In this announcement, APP once again stressed that it was “suspending natural forest clearance on its own plantations.”

In the third paragraph of the said public announcement, it is stated that “the Sustainability Roadmap and milestones extend APP’s commitments to improving environmental performance, biodiversity conservation and protection of community rights.” A key phrase that requires particular scrutiny is “protection of community rights.”

On 5 September 2012, APP published its *Quarterly Update on Vision 2020 Sustainability Roadmap*, in which APP asserts once again that “the Sustainability Roadmap and milestones extend APP’s commitments to improving environmental performance, biodiversity conservation and protection of community rights.” In fact, this assertion appears in the very first paragraph of the APP’s Update. We can be sure that this statement will continue to be repeated in future Quarterly APP Roadmap Updates. Consequently, Greenomics is convinced that there is something behind the statement, which we will discuss in this report.

Although it only appears in point three, the phrase “protection of community rights” is a key phrase that needs to be addressed specifically as it is very closely related to the HCVF assessments and the “suspension of natural forest clearance on APP pulpwood plantations in Indonesia”.

In this Greenomics report, we discuss the area of natural forest that is subject to APP’s “suspension of natural forest clearance on its own and independent pulpwood plantations,” while paying particular attention to the phrase “protection of community rights” in the context of HCVF assessments. In addition, we will also provide information to the public at large on the Ministry of Forestry’s recommendations as regards the APP Sustainability Roadmap.

How many hectares of natural forest are subject to “the suspension of natural forest clearance” in APP-owned pulpwood plantations?

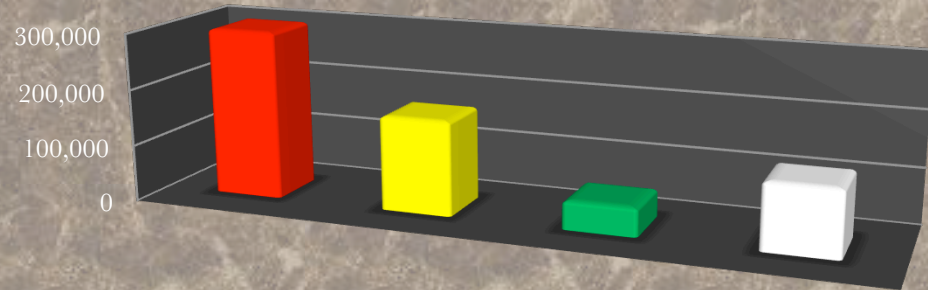
In answering this key question, Greenomics has referred to the data presented by APP during the follow-up meeting between the Ministry of Forestry and Greenomics on 2 October 2012. The said presentation was made in response to the presentation made by Greenomics on 24 September 2012 to the Ministry of Forestry’s Director General of Forestry Business Management, Mr. Bambang Hendroyono -- to which meeting the Director General had invited APP.

The said meeting jointly discussed the Greenomics findings on its spatial analysis of APP-owned pulpwood plantations having regard to APP’s policy on “the suspension of natural forest clearance on APP owned pulpwood plantations”.

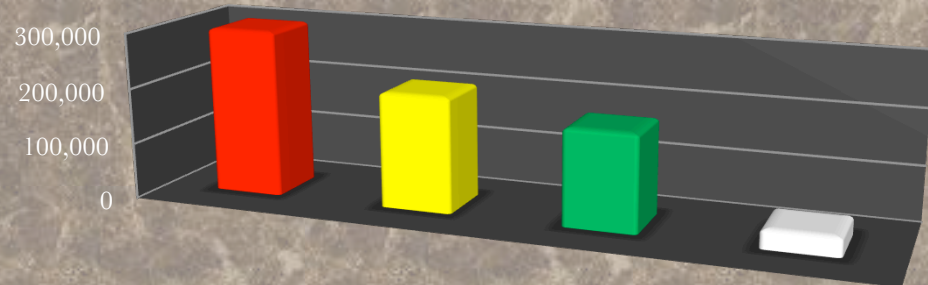
The key conclusions drawn by the Director General based on the Greenomics presentation and APP responses at the meeting of 24 September 2012 were that APP needed to produce data on the geographical extent of the area of natural forest affected by its policy on “the suspension of natural forest clearance on APP owned pulpwood plantations”.

Greenomics has used data produced by APP in its presentation of 2 October 2012, as shown in the charts below (*in hectares*). The said charts only show the extent of concessions (*shown in red*), the extent of the areas allocated for the development of pulpwood plantations in each of the concessions (*shown in yellow*), the extent of the areas had already been planted (*shown in green*), and the extent of the areas in which APP claims natural forest clearance will be suspended (*shown in white*).

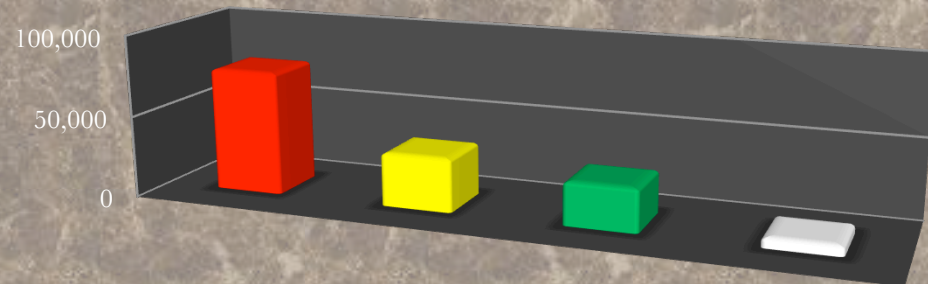
PT Finnantara Intiga



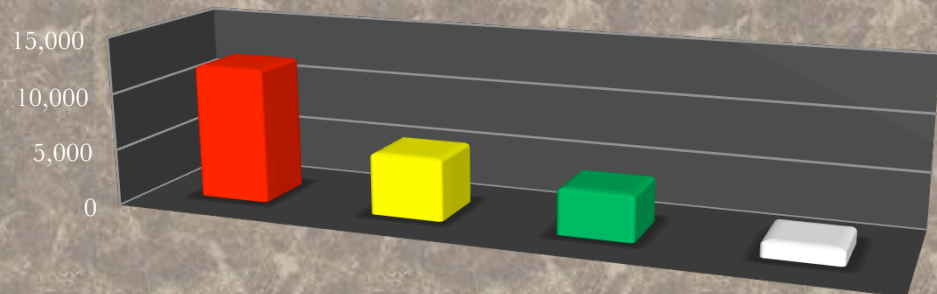
PT Arara Abadi



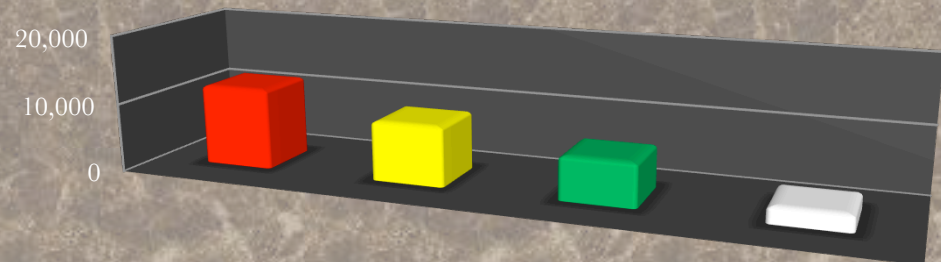
PT Satria Perkasa Agung



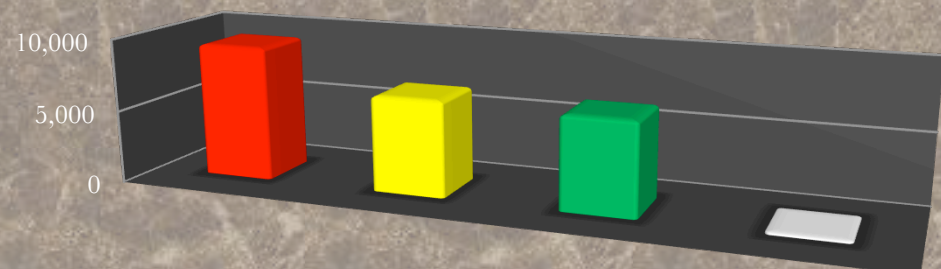
PT Riau Abadi Lestari



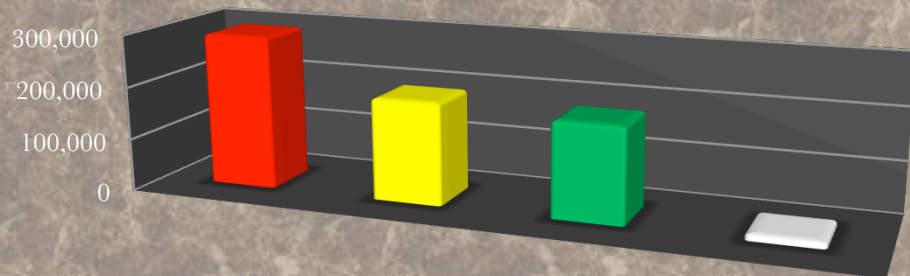
PT Satria Perkasa Agung (Unit Serapung)



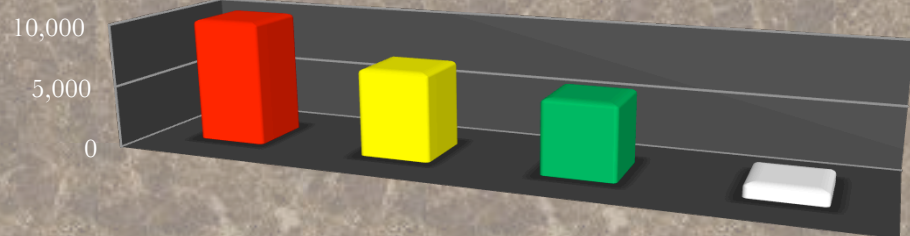
PT Satria Perkasa Agung (Unit Merawang)



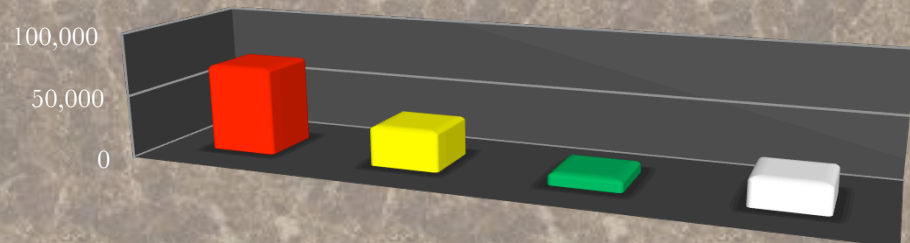
PT Wira Karya Sakti



PT Sumalindo Hutani Jaya (Unit I)



PT Sumalindo Hutani Jaya (Unit II)



Having regard to the above charts, the area in which APP claims natural forest clearance will be suspended extends to 198,841 hectares out of a total of concession area of 1,082,934 hectares. In other words, it accounts for 18.36% of the total area covered by the concessions.

According to APP, the almost 200,000 hectares covered by the moratorium form part of 9 APP-owned pulpwood plantations and were allocated for pulpwood plantation development, but were subsequently excluded from the area to be developed.

There now follows brief descriptions of the areas in which APP claims that natural forest clearance has been suspended.

West Kalimantan

It should be stressed that almost 60% of the total area in which APP claims that natural forest clearance has been suspended is located within one pulpwood plantation concession, namely, the concession owned by PT Finnantara Intiga, located in West Kalimantan Province.

Of this 299,700-hectare concession, 168,022 hectares – or 56.06% - is allocated for pulpwood plantation development. As of June 2012, a total of 50,730 hectares of the said 168,022 hectares had been developed. APP claimed that the remaining 117,292 hectares are subject to the moratorium on natural forest clearance.

Riau

As regards Riau Province, in its presentation APP admitted that it only had 5 pulpwood plantation concessions in this province, extending to a total area of 409,122 hectares. Of this area, the area subject to “the suspension of natural forest clearance on APP-owned pulpwood plantations” extends to 45,011 hectares, or 11% of the total area of the 5 pulpwood plantation concessions owned by APP.

It should be noted that almost 300,000 hectares (73.32%) of the total hectareage of pulpwood plantation owned by APP in Riau consists of the PT Arara Abadi concession. Of the 45,011 hectares that are subject to the moratorium on natural forest clearance, 34,580 hectares, or 76.83%, come within the boundaries of the PT Arara Abadi concession.

Of the 299,975 hectares that make up the PT Arara Abadi concession, 207,475 hectares, or almost 70%, are allocated for the development of pulpwood plantations. As of June 2012, as stated in the APP presentation, 172,895 hectares had been developed, while the remaining 34,580 hectares had yet to be developed as pulpwood plantations. It is this area that the moratorium on natural forest clearance is to be applied.

After the concession owned by PT Arara Abadi, according to the APP presentation, the second biggest APP-owned pulpwood plantation in Riau is that operated by PT Satria Perkasa Agung, which has a concession area of 76,017 hectares, with 32,985 hectares of this being allocated for the development of pulpwood plantations.

As of June 2012, according to the APP presentation, 26,617 hectares, or 80.69%, had been planted, while the remaining 6,368 hectares are subject to the moratorium on natural forest clearance.

The next biggest APP-owned pulpwood plantation in Riau is operated by PT Riau Abadi Lestari, which has a concession of 12,000 hectares. Of this area, 5,510 hectares has been earmarked for the development of pulpwood plantations. As of June 2012, according to the APP presentation, a total of 4,069 hectares, or 73.85%, had already been developed, while the remaining 1,441 hectares are subject to the moratorium on natural forest clearance.

The last two APP-owned pulpwood plantations in Riau are operated by PT Satria Perkasa Agung Unit Serapung dan PT Satria Perkasa Agung Unit Merawang, which respectively extend to 11,830 and 9,300 hectares. According to the APP presentation, PT Satria Perkasa Agung Unit Serapung has allocated 8,735 hectares for development as pulpwood plantations, of which 6,317 hectares (72.32%) has already been developed. Thus, the moratorium covers 2,418 hectares.

Meanwhile, PT Satria Perkasa Agung Unit Merawang has allocated 6,628 hectares for development as pulpwood plantations, of which 6,424 hectares (96.92%) has already been developed. Thus, the moratorium in this concession covers 204 hectares.

Jambi

According to the APP presentation, the only APP-owned pulpwood plantation in Jambi is PT Wira Karya Sakti, which has a concession covering 293,812 hectares. Of the said concession area, 194,798 hectares (66.36%) have been earmarked for the development of pulpwood plantations.

As per June 2012, according to the APP presentation, 182,025 hectares had already been developed as pulpwood plantations, while the remaining 12,953 hectares (6.64%) of the 194,798 hectares had yet to be developed. The APP presentation stated that these 12,953 hectares were subject to the moratorium on natural forest clearance.

East Kalimantan

In East Kalimantan Province, APP said in its presentation that it has two APP-owned pulpwood plantation concessions covering a total area of 80,300. The two concessions are operated by PT Sumalindo Hutani Jaya Unit II (70,300 hectares) and PT Sumalindo Hutani Jaya Unit I (10,000 hectares).

PT Sumalindo Hutani Jaya Unit II has allocated 32,133 hectares for pulpwood plantation development, of which 9,663 hectares had been developed per June 2012, meaning that 22,470 hectares had yet to be planted. According to the APP presentation, this area subject to the moratorium on natural forest clearance.

Meanwhile, PT Sumalindo Hutani Jaya Unit I has allocated 7,000 hectares for the development of pulpwood plantations, of which, according to the APP presentation, 5,885 hectares had been developed per June 2012. The remaining 1,115 hectares had yet to be developed and was subject to the moratorium on natural forest clearance. In all, 23,585 hectares are covered by “the suspension of natural forest clearance on APP owned pulpwood plantations” in East Kalimantan.

How many hectares of natural forest are subject to “the suspension of natural forest clearance” on concessions held by APP’s independent suppliers in Jambi Province?

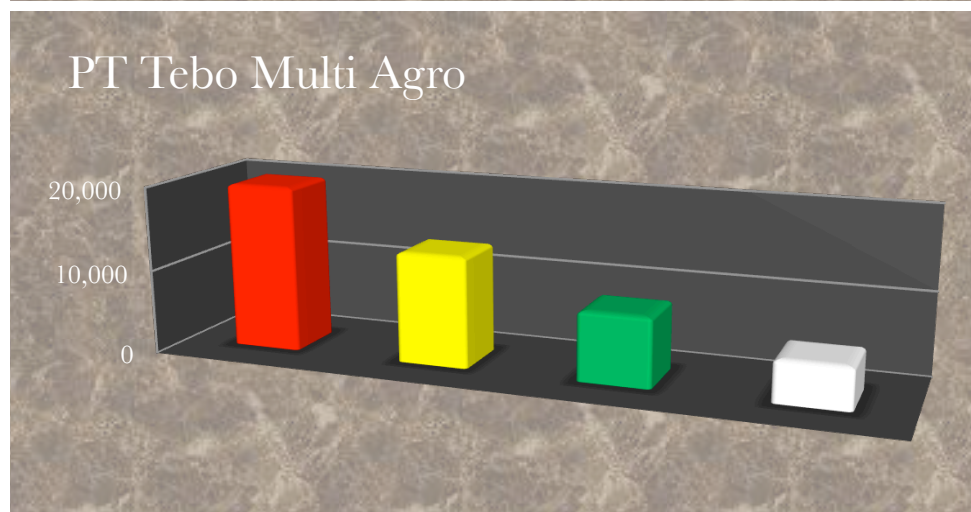
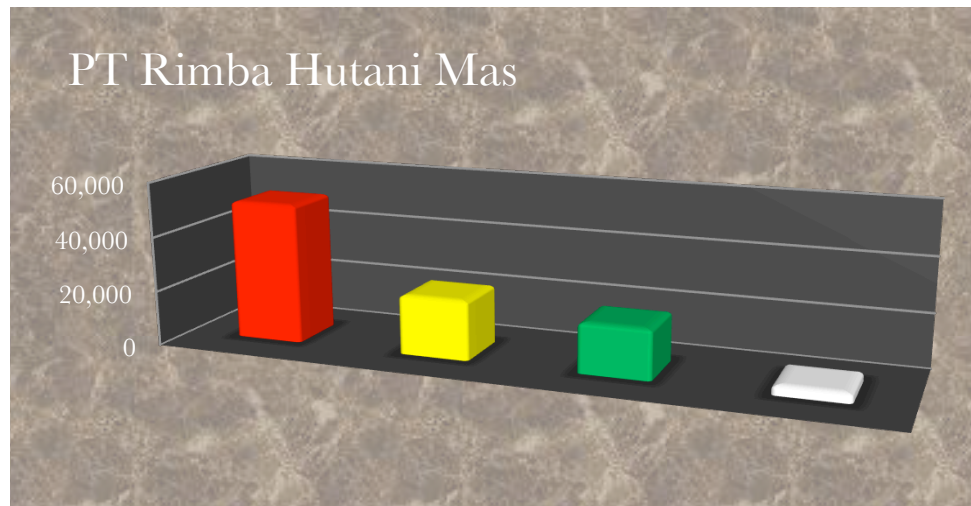
On 5 September 2012, APP published its “Quarterly Update on Vision 2020 Sustainability Roadmap,” in which it was announced that “two independent suppliers to APP in the Jambi Province of Sumatra, Indonesia, have agreed to adopt HCVF principles from September 1st, 2012. This means that APP is able to suspend natural forest clearance across all of its supply chain in Jambi.”

APP subsequently stated in its public Update that “two independent pulpwood suppliers in Jambi – Tebo Multi Agro (TMA) and Rimba Hutani Mas (RHM) – have agreed to join APP’s own Wira Karya Sakti (WKS) company in the region, by suspending natural forest clearance with immediate effect while HCV assessments are conducted.”

APP also claimed that “the Jambi moratorium will cover gross concession area of 55,584 hectares – in addition to APP’s own WKS concession (gross concession area of 293,812 hectares), where suspension of natural forest clearance is already in place.” APP also claimed that “these two independent TMA and RHM concessions in Jambi are vital areas for a large landscape forest conservation initiative.”

Greenomics has used the charts presented below, which were developed from the data presented by APP on 2 October 2012, as the basis for clarifying the area subject to “the suspension of natural forest clearance” in the concessions of the said two independent pulpwood suppliers of APP.

As in the case of the charts showing the area subject to the “suspension of natural forest clearance” in APP-owned pulpwood plantations, the charts below (*in hectares*) also show the extent of concessions (*shown in red*), the extent of the areas allocated for the development of pulpwood plantations in each of the concessions (*shown in yellow*), the extent of the areas had already been planted (*shown in green*), and the extent of the areas in which APP claims natural forest clearance will be suspended (*shown in white*).



Having regard to the above charts, of the 51,260-hectare concession of PT Rimba Hutani Mas, 21,819 hectares have been allocated for the development of pulpwood plantations. As per June 2012, according to the APP presentation, 18,204 hectares had already been developed, leaving 3,615 hectares unplanted and subject to APP's moratorium on natural forest clearance.

Meanwhile, of the 19,770-hectare concession of PT Tebo Multi Agro, 13,165 hectares have been allocated for the development of pulpwood plantations. As per June 2012, according to the APP presentation, 8,204 hectares had already been developed, leaving 4,961 hectares unplanted and subject to the "suspension of natural forest clearance."

Overall, the total area of independent suppliers' concessions that is subject to APP's moratorium on natural forest clearance in Jambi Province amounts to 8,576 hectares. When we add the area of the concessions that are owned by APP in Jambi through PT Wira Karya Sakti, this brings that area subject to the suspension of natural forest clearance to 21,529 hectare, or 5.9% of the total area of the three APP-linked pulpwood plantation concessions in Jambi.

Greenomics's Reaction and APP's Response

Of course, Greenomics needed to react quickly following the presentation by APP on 2 October 2012 in respect of APP's moratorium on natural forest clearance.

Bearing in mind that Greenomics had earlier conducted a spatial analysis using various legally binding planning and operational documents concerning the 9 APP-owned pulpwood suppliers and 2 independent suppliers, Greenomics unequivocally stated that the bulk of the area subject to the "suspension of natural forest clearance" among the 9 APP-owned pulpwood suppliers, which is claimed to be 198,841 hectares, in actual fact no longer consists of natural forest. In reality, most of this area is subject to community conflicts. Thus, the use of the phrase "suspension of natural forest clearance" is inappropriate.

This situation does not only apply to the 9 APP-owned pulpwood suppliers, but also to the two independent suppliers in Jambi, which are stated as also participating in the "suspension of natural forest clearance" from 1 September 2012.

Once again, in reality the bulk of the area that is stated as being subject to the moratorium on natural forest clearance is affected by conflicts with local communities.

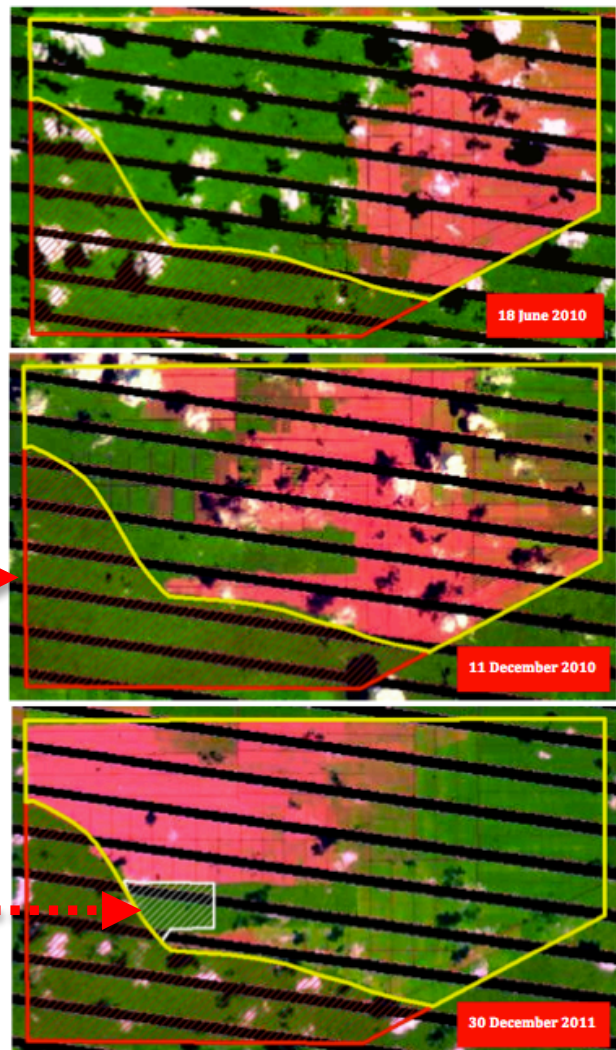
In response to Greenomics reaction, APP acknowledged that part of the area covered by the moratorium on natural forest clearance was in fact scrubland, agriculture land or land affected by conflicts with local communities or third parties. APP also admitted that only a small part of the moratorium land actually consisted of natural forest.

APP produced data on the blocks of natural forest that it referred to as “the small part of the moratorium land that consists of natural forest.” According to APP, the said area (204 hectares), which amounts to only 0.02% of the total area of APP-owned pulpwood plantations or 0.1% of the total area which APP claims is subject to the “suspension of natural forest clearance,” is located within the concession of PT Satria Perkasa Agung Unit Merawang.

These maps have tried to show the said 204 hectares referred to by APP within the concession of PT Satria Perkasa Agung Unit Merawang. In 2010, more than half of the block allocated for pulpwood plantation development had been cleared (shown in red), while almost the entire other half was cleared in the following year.

This block, even in the absence of the HCVF assessments, must be retained as protection areas

“The small part of the moratorium land (204 hectares) that consists of natural forest“



If the 204 hectares left after the two year of systematic clearance is claimed as constituting the “the small part of the moratorium land that consists of natural forest,” as stated by APP, then it is clearly irrational, excessive and bombastic for APP to make statements on the “suspension of natural forest clearance” by the 9 APP-owned pulpwood suppliers and its 2 independent suppliers on a total concession area of up to 1.15 million hectares.

In response to APP’s admission, Greenomics immediately asked APP to revise its Sustainability Roadmap, bearing in mind that APP’s policy on the “suspension of natural forest clearance” is not in accordance with the fact and the data on the ground, and is at odds with the official reports submitted by the 9 APP-owned pulpwood suppliers and its 2 independent suppliers to the Ministry of Forestry.

The reality is that APP and its suppliers are essentially unable to develop such areas as pulpwood plantations. As a result, APP has been forced to relinquish such areas from its operational zones. Notwithstanding the fact that it has had no other choice then to do so, APP persists in claiming that it has set aside these areas for the “protection of community rights.”

Even if such claim were justified, which they are not, they still have nothing to do with the “suspension of natural forest clearance.”

It should be noted that in relation to the protection of community rights in pulpwood plantation concessions, every Ministry of Forestry decree granting such concessions contains a clause stating that “should the land be the property of a village, or take the form of irrigated or unirrigated rice land, or be lawfully occupied and cultivated by third parties, such land must be excluded from the operational area of the pulpwood plantation.”

Greenomics is of the opinion that the inclusion of conflict zones in the areas that are subject to the moratorium on natural forest clearance is disingenuous, as in no way can such conflict zones be considered as having been set aside by APP as part of its commitment to the protection of natural forest or community rights.

As regards the area subject to the moratorium on natural forest clearance which is no longer under forest cover, APP in its presentation of 2 October 2012 stated that the HCVF assessments would not only focus on natural forest, but rather on six classifications of HCV:

- **HCV1:** Areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia)
- **HCV2:** Globally, regionally or nationally significant large landscape-level areas where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution and abundance
- **HCV3:** Areas that are in or contain rare, threatened or endangered ecosystems
- **HCV4:** Areas that provide basic ecosystem services in critical situations (e.g. watershed protection, erosion control)
- **HCV5:** Areas fundamental to meeting basic needs of local communities (e.g. subsistence, health)
- **HCV6:** Areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities)

In respect of this statement by APP, Greenomics believes it is necessary to continue focusing on the key issue, namely, the fact that APP's claims regarding the "suspension of natural forest clearance" are for the most part not supported by the facts, data or the reports submitted to the Ministry of Forestry by APP's 11 pulpwood suppliers.

In the light of the above, we would argue that it is only fitting to question the real purpose of the HCVF assessments that are currently being carried out by the 9 APP-owned pulpwood suppliers and 2 independent suppliers if the areas of conflict in the concession areas are focused on HCV5 and HCV6, which will then be touted as an expression of APP's commitment to the "protection of community rights?"

As explained above, the reality on the ground is that these areas are affected by conflicts with local communities, and continue to be controlled by such local communities, irrespective of whether the HCVF assessments have been conducted. In actuality, there is no element whatsoever of "protection of community rights."

It is also conceivable that the HCVF assessments will concentrate on the protection areas so as to fulfill HCV 1, 2, 3 and 4. Thus, it was reasonable for protection areas to be excluded from those areas that are subject to the "suspension of natural forest clearance" during the APP presentation of 2 October 2012. Nevertheless, they were included in the HCV 1, 2, 3 and 4 areas. In fact, these protection areas, even in the absence of the HCVF assessments, must be retained as protection areas.

This time around APP has not included protection areas in the moratorium

Based on the data presented by APP on 2 October 2012, it was apparent to Greenomics that protection areas located within the 9 APP-owned pulpwood plantations and 2 concessions of APP's independent suppliers have not been included in the area covered by the moratorium on natural forest clearance.

This is worthy of note, and also appreciation, bearing in mind that APP always claimed in the past that such protection areas had been deliberately set aside as part of its commitment to protecting natural forest in its concession areas, despite the fact that APP was already obliged by law to do so based on the criteria set by the Ministry of Forestry. In other words, this land had not been "sacrificed" by APP as part of its commitment to natural forest conservation.

A number of cases have been found where protection areas in particular blocks were only designated after the clearance of natural forest. Other facts show that natural forest clearance has been conducted in protection areas that had already been designated.

In its official report to the Ministry of Forestry, a number of APP-owned pulpwood companies and APP independent suppliers acknowledged that they had conducted forest clearance in protection areas within their concessions and had developed pulpwood plantations in such protection areas.

In the APP presentation on 2 October 2012, it was stated that the concessions of the 9 APP-owned pulpwood plantations included 166,933 hectares of protection area, while the concessions of the 2 APP independent suppliers in Jambi that were applying the moratorium on natural forest clearance also included 8,796 hectares of protection area. Thus, the 11 APP-linked pulpwood suppliers include 175,729 hectares of protection area, accounting for 15.23% of the 1.15 million hectares incorporated in the 11 concessions.

As explained earlier, the vegetation cover has been quite significantly fragmented both as a result of forest clearance operations and encroachment. In fact, there are some protection areas that are affected by community conflicts. Thus, to say that protection areas make up 15.23% of the 1.15 million hectares, as explained above, does not accurately reflect the situation on the ground as regards protection area allocations.

In the light of the above, Greenomics recommended to the Ministry of Forestry that it required APP to compensate for the protection areas that have already been cleared. Such compensation may be provided through the employment of three mechanisms: First, APP must rehabilitate those protection areas that have been fragmented if such fragmentation has resulted from forest clearance operations by APP-owned pulpwood suppliers or encroachment.

Second, in respect of those parts of protection areas which can be proved to have been cleared by APP-owned pulpwood suppliers, APP must compensate by providing replacement tracts of intact natural forest out of the concessions of the APP pulpwood suppliers, while the cleared areas must continue to be rehabilitated.

Third, in respect of those parts of protection areas which can be proved to have been cleared by APP's independent suppliers, APP must request its independent suppliers to compensate by providing replacement tracts of intact natural forest out of the concessions of the APP pulpwood suppliers, while the cleared areas must continue to be rehabilitated.

Ministry of Forestry's Reaction

As the chairman of the data verification meeting between Greenomics and APP, Forest Plantation Business Management Director Mr. Herry Prijono recommended that APP revise its moratorium policy (APP Sustainability Roadmap) so as to bring it into line with the facts on the ground and the data set out in the planning and operational documents of APP-owned pulpwood plantations and its independent suppliers.

These documents consist of the micro-delineation documents, businesses plans and annual work plans submitted by the 11 APP pulpwood suppliers to the Ministry of Forestry.

This recommendation was incorporated in the minutes of the meeting of 2 October 2012, which were issued on 4 October 2012. Greenomics has discussed the recommendation with the Secretary General of the Ministry of Forestry, Mr. Hadi Daryanto. After studying them, the Secretary General said that he agreed with the recommendation and that it should be complied with by APP (*see unofficial translation of unofficial translation thereof*).

Bearing in mind that the Forestry Business Management Director General Mr. Bambang Hendroyono was still in the field at the time, it was only on 11 October 2012 that Greenomics was able to discuss the recommendation with him. The Director General also said he agreed that APP needed to abide by the recommendation and to revise its Sustainability Roadmap.

MINUTES OF MEETING (Unofficial translation)

Dated: 2 October 2012

Venue:
Conference Room, DG Forestry Business Management (DG BUK), 6th Floor

Participants:

1. Director of Forest Plantation Business Management (BUHT),
DG BUK, as meeting chairman
2. Head of Sub-directorate of Industrial Forest Plantation,
DG BUK
3. Administration Section Head for Working Plan and Production Region I,
DG BUK
4. APP/SMF
5. Greenomics

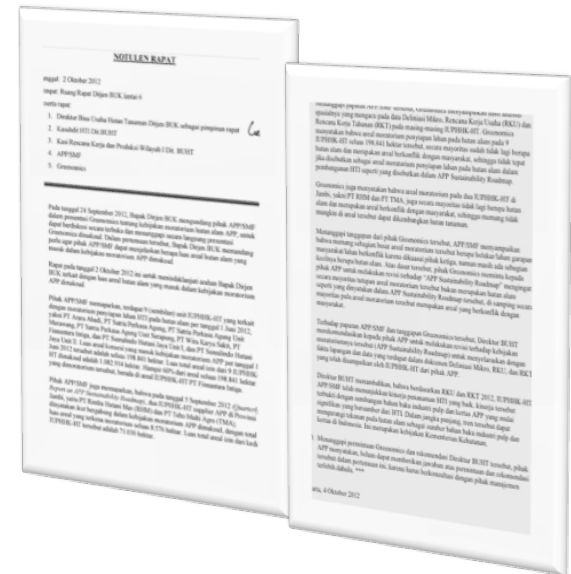
1. On 24 September 2012, Director General of Forestry Business Management invited APP/SMF to a Greenomics presentation on APP's natural forest moratorium policy, and to have an open and frank discussion in response to the said Greenomics presentation. During the meeting, the Director General deemed it necessary for APP/SMF to clarify the total area of natural forest covered by the APP moratorium.

2. This meeting of 2 October 2012 was held to follow up on the guidance given by the Director General in connection with an area of natural forests that is included in the aforesaid APP moratorium.

3. APP/SMF explained that there are nine (9) IUPHHK-HT (pulpwood plantation concessionaires) related to the APP's natural forest moratorium policy, namely those held by PT Arara Abadi, PT Riau Abadi Lestari, PT Satria Perkasa Agung, PT Satria Perkasa Agung Unit Merawang, PT Satria Perkasa Agung Unit Serapung, PT Wira Karya Sakti, PT Finnantara Intiga, and PT Sumalindo Hutani Jaya Unit I and PT Sumalindo Hutani Jaya Unit II. The extent of the concessions in question that were included in the APP moratorium as of 1 June 2012 was 198,841 hectares. The total area covered by the 9 IUPHHK-HTs in question extended to 1,082,934 hectares. Almost 60% of the area of 198,841 hectares that has been placed under the moratorium is located within the area covered by the IUPHHK-HT held by PT Finnantara Intiga.

4. APP/SMF also explained that on 5 September 2012 (Quarterly Report on APP Sustainability Roadmap), two IUPHHK-HT suppliers of APP in Jambi Province, namely, PT Rimba Hutani Mas (RHM) and PT Tebo Multi Agro (TMA), were included in the moratorium, giving an additional moratorium area of 8,576 hectares. The total area of the two IUPHHK-HTs extends to 71,030 hectares.

5. In response to the presentation by APP/SMF, Greenomics presented the findings of its spatial analysis conducted based on the Micro Delineations, Business Plans (RKU) and Annual Work Plans (RKT) of each of the IUPHHK-HT holders. Greenomics stated that of the 198,841 hectares of land subject to the moratorium on land-clearing in natural forest in the 9 IUPHHK-HTs, the majority could no longer be categorized as natural forest and in fact represented land that was affected by conflicts with local communities. Thus, it was not correct to refer to this land as being subject to a moratorium on the clearance of natural forest, as it has been referred to in the APP Sustainability Roadmap.



6. Greenomics also stated that the bulk of the land area subject to the moratorium in the two IUPHHK-HTs in Jambi, namely, those held by PT RHM and PT TMA, could also no longer be categorized as natural forest and was in fact affected by conflicts with local communities so that it was not possible for it to be developed as pulpwood plantations.

7. Responding to the input from Greenomics, APP/SMF acknowledged that the bulk of the land to which the moratorium had been applied consisted of scrub, smallholdings, or land that was subject to conflicts with third parties. However, they also argued that a small portion was still covered in natural forest. In response, Greenomics asked APP to revise the "APP Sustainability Roadmap" bearing in mind that the bulk of the land subject to the moratorium was no longer covered in natural forest, unlike as stated in the APP Sustainability Roadmap, plus the additional fact that most of the moratorium land was also subject to conflicts with local communities.

8. In response to the APP/SMF and the Greenomics presentations, the Director BUHT recommended that APP revise its moratorium policy (APP Sustainability Roadmap) so as to take account of the reality in the field and the data contained in the Micro Delineations, Business Plans (RKU), and Annual Work Plans (RKT) which had already been submitted by the IUPHHK-HTs on the APP side.

9. The Director BUHT added that based on the RKU and RKT of 2012, the APP/SMF IUPHHK-HTs had demonstrated a good performance in developing pulpwood plantations. This performance was evidenced by the fact that pulpwood plantations were now making a significant contribution to the raw material needs of APP's pulp and paper plants. Over the long term, this trend would help reduce the pressure on natural forests as a source of raw materials for the pulp and paper industry in Indonesia. He said that this was the policy of the Ministry of Forestry.

10. Responding to Greenomics's requests and the recommendations of the Director BUHT, APP/SMF said that it could not respond directly to these requests and recommendations at the meeting as they would have to consult with management first. ***

Jakarta, October 4, 2012

Conclusion

APP now has no other option than to act on the recommendation of the Ministry of Forestry and to revise the APP Sustainability Roadmap, bearing in mind that its policy on the “suspension of natural forest clearance” is not in line with the data and reports submitted by the 9 APP-owned pulpwood suppliers and 2 independent suppliers to the Ministry of Forestry.

As regards the involvement of **The Forest Trust (TFT)** in the design of the APP Sustainability Roadmap, TFT also clearly has no other choice but to abide by the recommendation of Ministry of Forestry if it wants to avoid accusations of connivance in greenwashing operations orchestrated by APP.

In response to Greenomics reaction, APP acknowledged that part of the area covered by the moratorium on natural forest clearance was in fact scrubland, agriculture land or land affected by conflicts with local communities or third parties. APP also admitted that only a small part of the moratorium land actually consisted of natural forest.

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