

Marubeni Group Subsidiary,
PT Tanjungenim Lestari Pulp and Paper,
Uses Wood Chips Sourced from



10 October 2013

BACKGROUND

PT Tanjungenim Lestari Pulp and Paper (TeLPP), a Marubeni Group pulp and paper company operating in the Indonesian province of South Sumatra, has claimed that the wood chips it uses as raw materials are sourced "from 100% plantation logs which are sustainable and FSC CW (Forest Stewardship Council Controlled Wood)."

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In Marubeni's 2012 and 2013 Annual Reports, TeLPP's operations are described as the "production and sale of Acacia wood-based pulp." In addition, Marubeni also has a "Marubeni Group Environmental Policy," one of the principles of which relates to environmental conservation, i.e., taking appropriate steps to preserve biodiversity. This is clearly described in the 2013 Marubeni Annual Report. In addition, Marubeni states in its 2011 CSR Report that it has "large scale afforestation and acacia pulp production businesses in Indonesia."

Meanwhile, the 2010 Marubeni CSR Report says that "by way of a precaution against the future shortage of raw materials, we started our afforestation business at the end of the 1990s, including in Indonesia."

Based on the above claims, one would immediately think that the raw materials used by TeLPP's operations are 100% obtained from acacia afforestation sources. Such a conclusion is not surprising given the Marubeni claim that TeLPP is "a sustainable pulp business using 100% planted acacia," as stated in the 2010 Marubeni CSR Report.

This report contains the findings of preliminary observations conducted by Greenomics Indonesia in respect of the wood chips used as raw materials by TeLPP. The purpose of the observations was to see to what extent TeLPP adheres to the principle of prudence – the company holds an FSC Controlled Wood Certificate – in fulfilling its raw material needs.

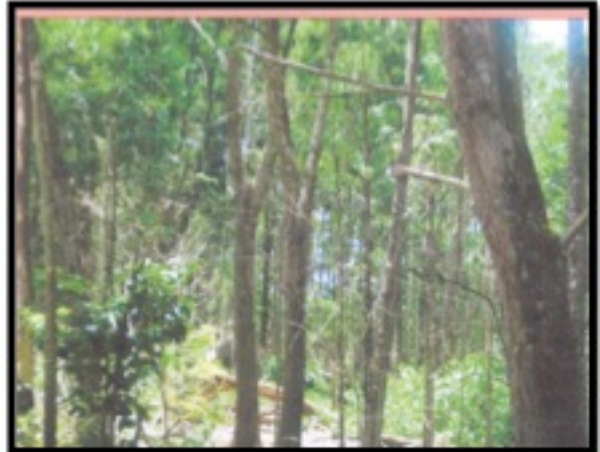
KEY FINDINGS

TelPP has been sourcing wood chips from Sumatran tiger habitat since 2011

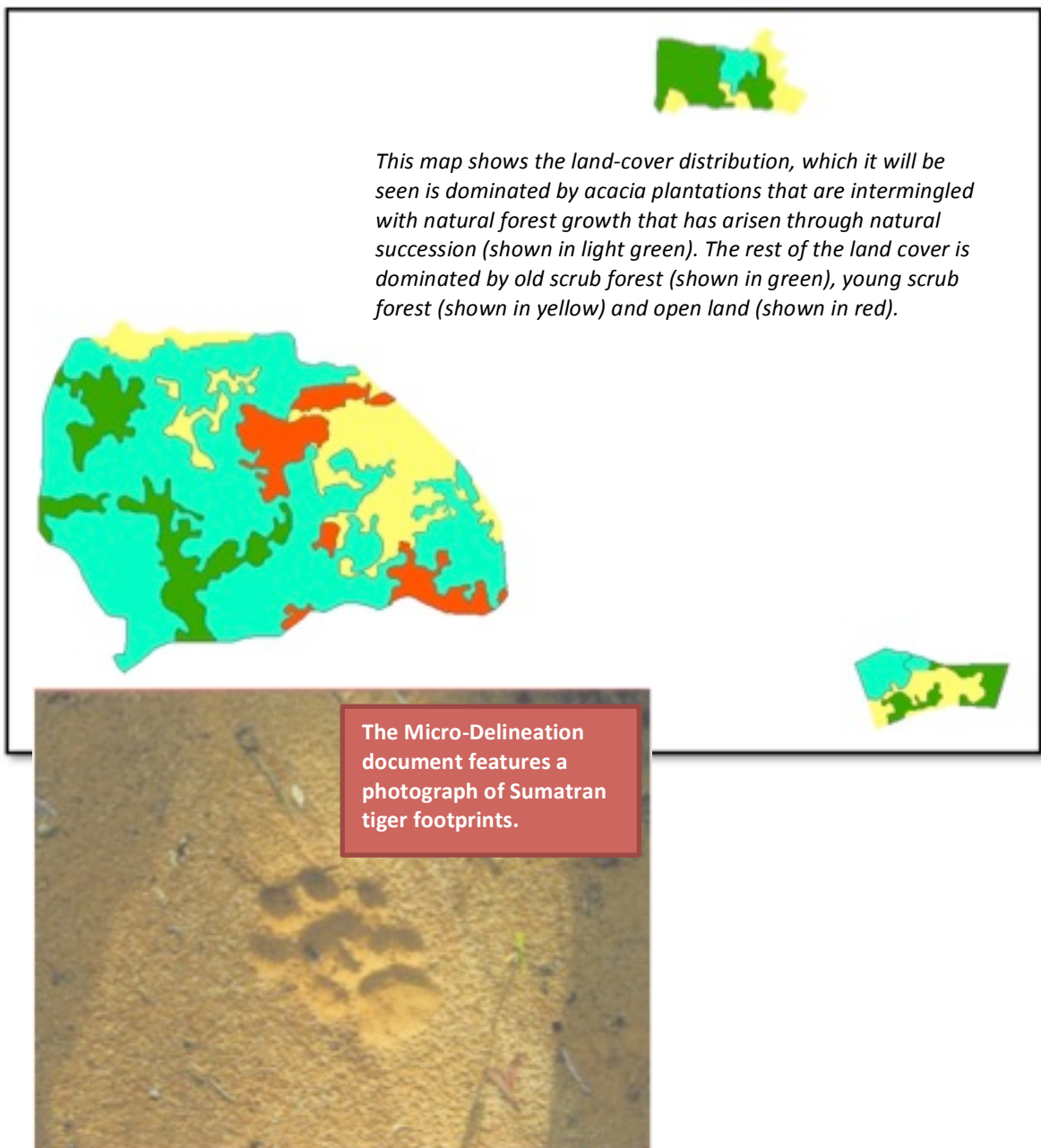
In fulfilling its wood chip needs, TelPP sources acacia wood from acacia plantations that are around 20 years old and which are intermingled with natural forest regeneration areas that constitute Sumatran tiger habitat. The acacia plantations in question were planted in the early 1990s as part of an experimental Indonesian-government sponsored forestry plantation program.

The photographs of acacia plantations intermingled with natural forest that has grown up through natural succession were taken on the concession of WAM, which is a supplier of wood chips to TelPP and operates in Musi Banyuasin Regency, South Sumatra Province. WAM obtained its operating license in 2009. However, the acacia plantations in the concession were not planted by the company.

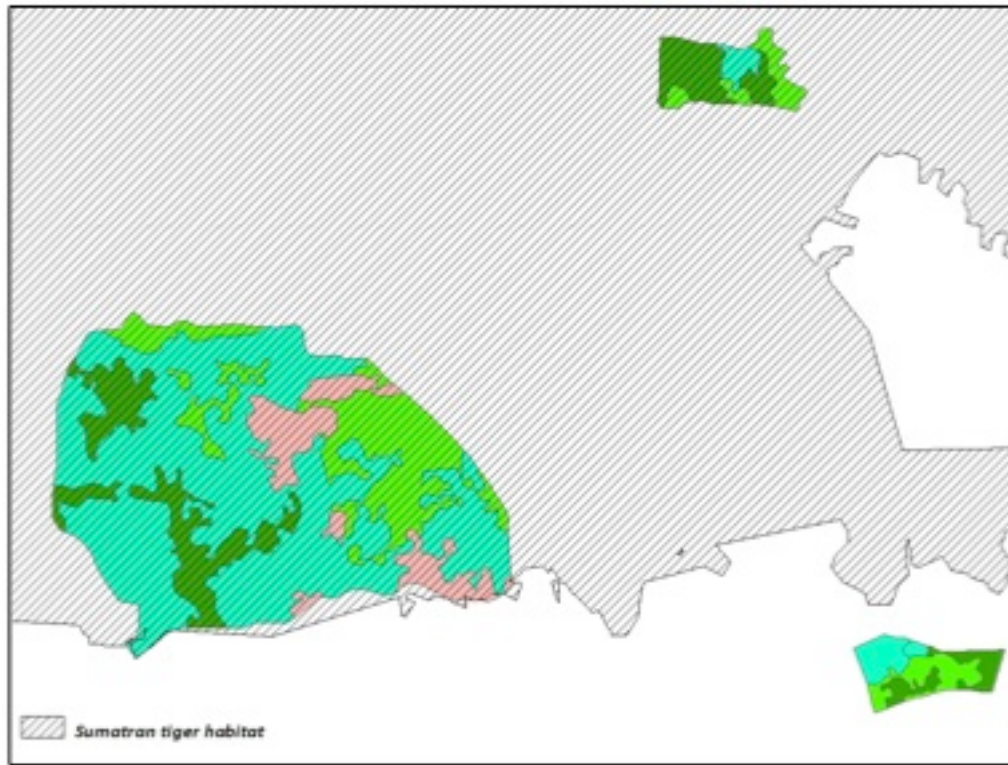
The photographs of these 20-year-old acacia plantations were taken from the 2010 Micro-Delineation document. This is a legal document that must be submitted by WAM to the Ministry of Forestry.



The acacia wood chips purchased by TeLPP from WAM are not the result of afforestation efforts by the Marubeni Group subsidiary.

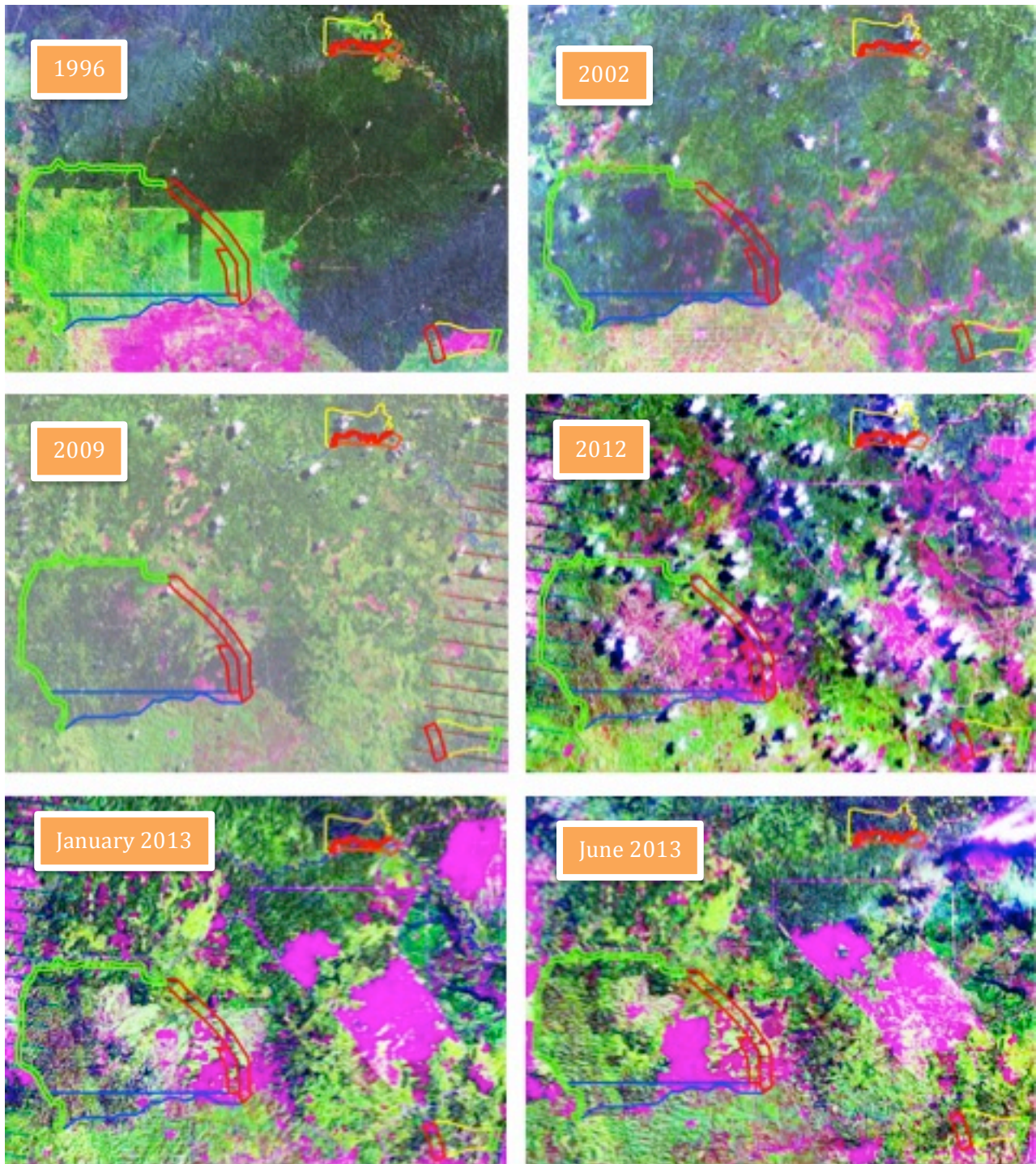


The fact that the WAM concession also contains Sumatran tiger habitat can also be seen from the data shapefile obtained by Greenomics Indonesia from WWF Indonesia, as shown in the following map.

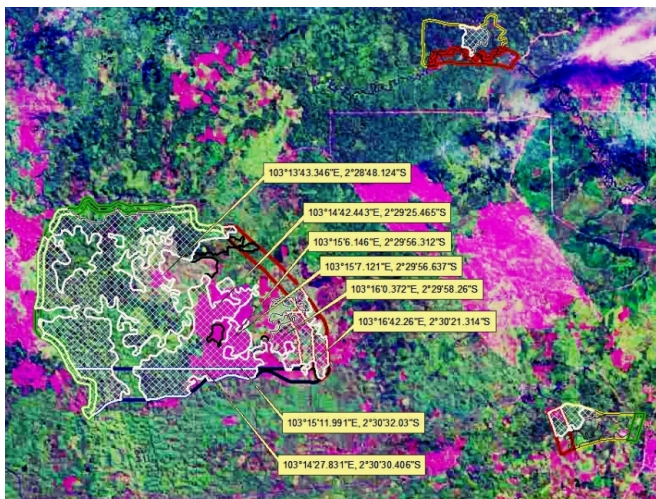


TeLPP, as a company that holds an FSC CW Certificate, should studiously avoid sourcing wood chips from areas that have been shown to contain Sumatran tiger habitat. Moreover, the evidence has been officially and legally reported by WAM to the Ministry of Forestry.

These maps reveal that by 1996 acacia had been planted as part of a pilot program by the Indonesian government. On 6 May 2009, WAM obtained permit to develop forestry plantations extending to 6,290 hectares. TeLPP has been sourcing its wood chips from this concession since 2011.



The pink areas within WAM concession indicate areas that have been cleared, including Sumatran tiger habitat, the wood from which was supplied to fuel the operations of TelPP.



Date taken: 20 September 2013

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Greenomics Indonesia's concerns in this respect were presented to representatives of the Indonesian Pulp and Paper Association (APKI) on 30 September 2013 at the association's headquarters. During the presentation, Ms. Liana Bratasida (an APKI representative) conveyed Greenomics Indonesia's concerns to TeLPP. Then, on 8 October 2013, Greenomics Indonesia visited APKI headquarters again to present its findings to TeLPP during a meeting facilitated by Ms. Liana.

During the presentation, TeLPP told Greenomics Indonesia that it had taken important steps after being informed of Greenomics Indonesia's concerns by Ms. Liana. These steps included temporarily halting the sourcing of wood chips from WAM as it was unacceptable for TeLPP as the holder of an FSC Controlled Wood Certificate to acquire wood chips from questionable sources.

Greenomics Indonesia is not in a position to ask TeLPP to avoid sourcing wood chips from WAM. However, TeLPP, as the holder of FSC Controlled Wood Certificate, most assuredly should not acquire its raw materials from sources that have not been subject to a HCVF (high conservation value forest) assessment. The fact that it did so clearly suggests that TeLPP did not take "appropriate steps to preserve biodiversity," as required by the Marubeni Group Environmental Policy.

Notwithstanding TeLPP's decision to stop sourcing wood chips from WAM, Greenomics Indonesia is forced to conclude that the fulfillment of the company's wood chip needs during the 2011-2013 period gives rise to concerns, particularly as regards TeLPP's actions as the holder of a FSC Controlled Wood Certificate.

Greater Transparency Needed Over TeLPP's Sourcing of Wood Chips from "Community Forests"

TeLPP also buys wood chips derived from "community forests." TeLPP needs to be transparent as regards its purchases of raw materials from such sources so as to ensure that it complies with the rules applicable to a holder of an FSC Controlled Wood Certificate.

While there is no problem if TeLPP depends for some of its raw materials on wood chips sourced from "community forests," as the holder of an FSC Controlled Wood Certificate it needs to be transparent about its suppliers, particularly the location of the "community forests," and the volume of wood chips that it purchases from such suppliers.

According to data gathered by Greenomics Indonesia during its observations, there were 8 suppliers which provided TeLPP with wood chips sourced from "community forests" in 2012, while this year there are 18.

TeLPP needs to be transparent about its purchases of wood chips sourced from "community forests" so as to avoid controversies that could reflect badly on the FSC Controlled Wood Certification scheme.

What Should Marubeni Do Now?

Marubeni Group has no other choice than to explain to the public what substantial steps it has taken as an FSC Controlled Wood Certificate holder so as to overcome the existing doubts about the sources of its wood chips.

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