



May 24, 2012

Dear Sir or Madam:

Asia Pulp and Paper's current business practices are inextricably linked to rainforest destruction and chronic conflicts with communities whose lands and livelihoods have been damaged or are threatened by logging and conversion to industrial pulp plantations in order to feed APP mills. Increasingly, major corporations are recognizing APP and its affiliates as problematic business associates that pose significant risk to their brands and contradict their values. Many have dropped or declined business with APP and adopted policies for rainforest and conflict free paper as a result.

On May 15th, Asia Pulp and Paper (APP) announced several "new" commitments that seemingly have the potential, if implemented, to address aspects of some of these controversies by 2015. It is encouraging to see APP acknowledge many of the negative impacts associated with its business model that the company has, at different times, denied. Many of these "new" commitments, however, are variants of promises that APP has repeatedly made – and consistently broken – since the late 1990's.

The bottom line is that APP's latest announcement fails to provide what responsible customers and investors want: a reliable business partner supplying pulp and paper free from association with rainforest and peatland destruction or chronic social conflict. Because APP fails to be transparent, engage stakeholders in a meaningful way, and set out specific metrics and milestones that can be measured and independently verified, its new commitments will also miss the mark. The statement should be viewed as another attempt to mollify valid concerns without putting forward realistic plans to address those concerns. Rainforest Action Network is advising current and potential customers, supply chain partners, and investors not to do business with or entrust their brand or values to be associated with APP until the company and its affiliates demonstrate meaningful engagement with affected communities and concerned NGOs, buyers, and investors, and adopt measurable, comprehensive reforms.

A close reading of APP's May 15th statement reveals:

APP and its suppliers will continue to use rainforests for pulp and convert natural forests and peatland landscapes to industrial pulp plantations: In its statement, APP makes a temporary commitment to suspend natural forest clearance in its "owned concessions," which reportedly include 1.08 million hectares of forest land, until an assessment to identify a subset of "High Conservation Value Forest" areas within them is completed. The temporary commitment to suspend natural forest clearance does not, however, extend to its "independent pulpwood suppliers," which reportedly hold more than 1.5 million hectares of forest land. This means that through its independent suppliers at a minimum, APP will continue to feed rainforest trees to its pulp mills into the foreseeable future. Further, the company has consistently failed to make maps and verified wood supply data available for the concession areas it directly controls and those controlled by its suppliers. This means that commitments relating to changing practices in specific areas and monitoring wood supply are opaque and unverifiable. This is particularly troubling in light of its proposed plans for a new pulp mill in South Sumatra.

APP has not committed to resolving current social conflicts associated with its operations or to respecting and upholding the rights of forest communities in the future: There are numerous cases of conflict between APP's and its supplier's concessions and local communities affected by those operations. Forest clearing and conversion license areas are allocated by the national government and developed by plantation companies

almost invariably without demarcation of or respect for indigenous and other local communities' tenure rights. APP's policy states it "will enhance [its] community engagement programs to ensure that [they] are operating in line with best practice requirements of Free, Prior and Informed Consent." The scope and meaning of this commitment are unclear as is how it will be implemented, who will assess its effectiveness and on what basis. It does not address how existing social conflicts will be resolved, nor does it address how rights of communities will be upheld throughout APP and its suppliers' current and future operations.

APP has not outlined a pathway to reducing the massive carbon emissions associated with its operations:

Much of APP's pulpwood operations are located in deep peat soils, which release very high levels of carbon dioxide emissions when cleared and drained for pulpwood plantations. This makes APP paper one of the most greenhouse gas intensive in the world. In its policy, APP states it "will lead an independent research initiative and multi-stakeholder engagement on High Carbon Stock (HCS)," but makes no commitments to outcomes or actions that will lead to a reduction in its greenhouse gas emissions. Given that a large proportion of APP's planned expansion areas are on peat soils, this is particularly problematic.

APP has failed to create an open or meaningful stakeholder engagement process: APP repeatedly makes declarations of cooperation with NGOs and other stakeholders but these groups are hand-picked by APP and often remain anonymous. APP has failed to set out an open, transparent process where interested parties can engage in meaningful dialog based on reliable information and mediated by a mutually agreed third party to reach binding agreements.

APP has a long history of broken promises: From promises made to investors to certification bodies to auditors to customers to communities to NGOs, Asia Pulp and Paper has a long history of making and breaking financial, environmental and social commitments. Since the 1990's, APP has been promising its financiers that it will end the conversion of rainforests for its pulp and paper mills. In 2004, as part of the legal obligations of its \$13 billion bankruptcy and restructuring, APP signed environmental covenants to end its dependence on forest conversion by 2007. However, having failed to do so by 2007, APP then promised to end its reliance on forest conversion by 2009. In 2009, having again failed to do so, APP revised its commitment to be natural forest free by 2015. In its May 2012 commitment, APP now only aims to stop conversion of High Conservation Value Areas by 2015, which, according to WWF, would only set aside small areas if implemented, meanwhile leaving the door open for continued forest conversion outside of such designated areas.

This is not the first time that APP has committed to protect High Conservation Value Forests (HCVFs). In 2005, APP entered into a contract with leading certifier Rainforest Alliance to monitor the status and condition of several HCVF areas in a portion of its land holdings. After one year, Rainforest Alliance's audits clearly indicated that the efforts made by APP were insufficient to manage and protect the HCVFs. They reported, "[APP] has not demonstrated a comprehensive, consistent or dedicated approach toward conservation management necessary to maintain or enhance the forest ecosystems fundamental to the survival of the HCVs present there. Changes in HCVF boundaries, including some clearing of HCVFs identified for conservation, have occurred." In February 2007, Rainforest Alliance submitted a formal letter terminating its contract with APP.

In 2001, APP was barred by the U.S. Securities and Exchange Commission from further trading on the New York Stock Exchange. A confidential 2,000 page report by KPMG identified over \$4 billion in questionable transactions and accounting entries by APP's Indonesian operations.

In 2007, the Forest Stewardship Council "delisted" APP as well, stating, "The Forest Stewardship Council has a duty to protect the good will and integrity associated with its name and logo for consumers and for our trusted partners and members. The FSC Board of Directors decided that association with APP would threaten

the good will and faith invested in the name Forest Stewardship Council and the years of support and participation by companies that are truly committed to the pursuit of responsible forest management globally.”

And despite APP’s continued inability to move to rainforest and conflict free fiber sources for its existing Sumatra mega mills, in February 2012 Pulp and Paper International magazine reported that APP is actively developing plans to expand its capacity by building yet another new mill in Sumatra, which APP intends to be the biggest pulp mill in the world.

Don’t be fooled: Given APP’s long record of broken promises and bad production practices, we recommend that your company avoid purchasing from or investing in APP or its affiliates until such time that the company has undertaken comprehensive reforms including for example: fully implemented and independently verified elimination of natural forest fiber in its supply chains; an end to peat forest conversion and peat drainage for its plantations; implementation of a transparent and meaningful stakeholder engagement process; an amelioration of concerns relating to plans for new mills in Sumatra; recognition and respect for community rights to land; and the implementation of mechanisms for resolving existing social conflicts and respecting the rights of affected communities to give or withhold their free, prior and informed consent to planned expansion of APP and its partners’ operations. RAN therefore continues to advise companies and investors to:

- Eliminate and avoid investment in or use of pulp and paper from APP and its affiliates;
- Eliminate and avoid investments in or the use of pulp and paper from APP’s equally problematic main Indonesian competitor, APRIL, and its affiliates;
- Use your investment or supply chain channels and direct communication to pressure these Indonesian companies for comprehensive reforms as a condition for future business or investment;
- Adopt a comprehensive paper policy to maximize environmentally preferable papers and ensure that controversial sources like paper from APP do not enter your supply chain or investment portfolio.

RAN is deeply committed to the conservation of Indonesia’s rainforests and peatlands and the protection of the rights and livelihoods of its tens of thousands of forest dependent communities. In consultation and coordination with our Indonesian and international allies, we are calling for continued support from businesses, policy makers and civil society in order to accelerate arrival of the day that we see meaningful change in Asia Pulp & Paper’s practices, policies and performance.

Sincerely,



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