



October 17, 2008

Dear Respected Members of Eyes on the Forest,

APP understands the concern Eyes on the Forest (EoF) has for the many challenges facing the Senepis Forest, the Sumatran Tiger habitat, and global climate change. In fact, APP shares these concerns and hopes to engage in constructive dialogue with EoF and other interested stakeholders on how to meet these challenges sustainably.

While we appreciate your focus on these critical issues, we would like to clarify and correct the record. First, it is necessary to point out that our operations, and the operations of our fiber suppliers are within the law and the development plans of the Indonesian government, which seek to ensure a future for sustainability.

Here are the facts related to our genuine commitment to sustainable forestry in Indonesia:

- **PT. Ruas Utama Jaya (RUJ) and PT. Suntura Gajapati (SGP), both are plantation license holders independent from APP, are located in areas designated by the government for production forestry with licenses issued by the authorities in 1999 and 2000, respectively. RUJ and SGP are legitimate forest development companies with licenses to develop pulpwood plantations.** Their development activities, including infrastructure construction and plantation establishment and are in accordance with the law. These activities are taking place in areas that have been set aside for plantation wood production in accordance with the government's development plans. Review and scrutiny of the licenses, permits, feasibility studies, macro- and micro delineation processes and independent studies will show that **there is no question as to the legal operation of these companies. The 45-kilometer road examined by EoF is inside these areas.**

Facts about RUJ:

- Total area: 34,600 hectares
- RUJ pulpwood plantation license: 1179/Menhut-bun/1999
- Environmental Impact Study (AMDAL): approved on August 2nd 2000 under SK 912/Menhutbun-II/2000 revised under SK Gov. KPTS No, 568A/12/05 on December 29th 2005
- Development of corridor road license: SK Gov. KPTS. 537/XI/2006 issued on November 6th 2006. The road development has been finalized in early October 2008. **This road development is in fact**

located outside the boundary of the proposed Sumatran Tiger Sanctuary area, based on Ministry of Forestry Decree No. S.05/Menhut-VII/2006. Please see the approved map attached.

Facts about SGP:

- Total area: 34,792 hectares
 - SGP pulpwood plantation license: SK 71/KPTS-II/2001
 - Environmental Impact Study (AMDAL): approved on December 11th 2000 under SK 94/Menhut-II/2000
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- It is important to understand that the Indonesian government has a formal policy (*the Long Term Plan for Forestry Development 2006-2025*) to manage the vast Indonesian forests (about 110 million hectares) in a way that balances poverty alleviation and sustainable use of natural resources to achieve sustainable development. Through a rigorous process, the government has identified the most valuable forests – areas that are the richest in terms of biodiversity – and has set aside 47% of Indonesian forest area for permanent natural forest conservation. This land, which is entirely off limits for development of any kind, amounts to 51 million hectares for conservation, which is approximately the size of Sweden. **In fact, of the total forested area in Indonesia, to date just 3% can legally be used by the pulp and paper-making industry. So, while many of the big public battles are waged against the Indonesian pulp and paper industry, the reality is that the industry represents a relatively small amount of the total Indonesian forested area.**
 - **Recognizing the need to address the continued survival and conservation of Sumatran Tigers, APP, Sinar Mas Forestry and its fiber suppliers, and other companies were actively involved in establishing the Senepis-Buluhala Tiger Sanctuary (STS) and the organization of an STS Working Committee.** PKHS, a local NGO is an active member of the committee and has been involved in addressing human-animal conflict resolution together with BBKSDA, APP, and Sinar Mas Forestry. The Chief of the Provincial Forestry Service of Riau is the chairman of the working committee with a representative from APP and Sinar Mas Forestry serving as vice chairman. EoF and other interested stakeholders are encouraged to join.
 - **APP and Sinar Mas Forestry together with its partners have specifically dedicated environmental conservation areas totaling 313,000 hectares, 72,000 hectares of which are for permanent conservation in the area south of RUJ and SGP.**
 - **APP has zero tolerance for illegal logging. As stated in the company's Fiber Procurement Policy***, APP's forest-to-mill gate protocols ensure that no illegally obtained wood enters the fiber supply through a strict, independently audited, Legal Origin Verification and Chain-of-Custody.
 - We are dedicated to maintain a Chain-of-Custody program in line with the national requirement and other relevant requirements such as by the

PEFC, Eco-label Institute (LEI), SGS, Global Forest & Trade Network or GFS Wood Tracking Programme.

- **SGS (Société Générale de Surveillance) completed the 2006 Legal Origin Verification and Chain-of-Custody audit for APP's operations in Sumatra, Indonesia in the first half of December 2006.** As it reported in 2005, SGS found no evidence of illegal materials being supplied through the APP and its fiber suppliers' supply chains. SGS also found that APP and its fiber suppliers showed improvement in their systems, and had successfully addressed issues identified during their 2005 audits. Additional audits of the Indah Kiat and Lontar mills in December 2007, assured the integrity of mills supply chain and re-affirmed the 2005 findings, that there is no evidence of illegal materials being produced by the mills or any of their joint ventures.
- **Such is APP's commitment against illegal logging that in February 2008 it appointed Oxford Index, a leading, independent UK-based environmental and sustainability consultancy, to investigate allegations that its fiber suppliers were engaged in illegal logging activities in Jambi Province, Indonesia [Oxford Index report, March 2008].**
 - In its research Oxford Index found that areas cited by a group of interests as locations where illegal logging had taken place were in fact within legitimate APP supplier holdings.
- **APP's major mills have achieved Programme for the Endorsement of Forest Certification Schemes (PEFC) Chain-of-Custody Certification in line with other major global pulp and paper manufacturers.**
- **In addition to protecting valuable forests, APP works to protect the global environment by reducing our carbon footprint, reducing pollution and constantly seeking to improve technology and best practices.**
 - 80% of the energy used at APP's largest mill in Indonesia, Indah Kiat, comes from renewable energy sources.
 - APP production facilities maintain a strict Source Control Policy and a Reduce, Recycle & Re-use Policy.
 - APP has partnered with the world leading, independent UK-based sustainability consultancy Environmental Resources Management (ERM) to carry out the world's first Carbon-Socio Footprint Assessments for a pulp and paper company.
 - APP has a research and development team of over 400 people working to improve our sustainable practices and technology.

We respect the rights and opinions of all parties with regard to sustainability and environmental issues and are eager to work with them, particularly when they are prepared to take a broad and balanced view of sustainability issues. However, we are not always going to see eye-to-eye with every stakeholder how these goals are best achieved, but **we will always strive to dialogue with stakeholders and we will never close our door or our ears to their concerns.**

We would again like to convey that a true commitment to sustainability can be achieved by working together with a wide range of stakeholders, including government, NGOs and companies such as APP. We are implementing sustainability pillars with an equal balance of protecting endangered species, such as Sumatran tigers and elephants; supporting greenhouse gas reduction and carbon sequestration through sustainable plantations that combat global warming; and promoting sustainable economic development in Indonesia as a whole.

Best Wishes,

A handwritten signature in black ink, appearing to read 'Aida Greenbury', with a small dot above the 'i' and a period at the end.

Aida Greenbury

Director of Sustainability & Stakeholder Engagement

APP Indonesia

c/o BII Plaza Twr. II, 19th Fl.

Jl. M.H. Thamrin 51 Jakarta 10350, Indonesia

Phone (62-21) 3929266 Fax (62-21) 3162617

Mobile (62) 811 813391

www.asiapulppaper.com

Minister of Forestry Decree: No. S.05/Menhut-VII/2006
 The basis of the establishment of Senepis Tiger Sanctuary

