



Mr. Afdhal Mahyuddin
Editor of Eyes on the Forest
Eyes on the Forest
Indonesia

Jakarta, May 29th 2007

Dear Mr. Mahyuddin,

Thank you for the advance copy of Eyes on the Forest's report that we received on May 25th 2007. We have investigated the matter, and present our findings below.

EoF's Report Analysis December 2006 (Map 1 - 5):

The EoF report suggests that one of APP's fiber suppliers, Arara Abadi, operated without proper licenses in Kampar Peninsula Block and was in breach of national law.

APP's Response:

APP is committed to sustainability in all operations, in compliance with all relevant law and regulations.

APP carefully monitors the wood flow from its fiber suppliers to ensure that it has been obtained in accordance with all applicable regulations and permits.

APP's fiber suppliers have developed and implemented chain-of-custody systems to ensure the legality of fiber origin and to ensure that no illegal wood is co-mingled with the legal raw materials entering APP mills. The efficacy and integrity of this system is independently verified by credible third parties on a regular basis.

The area referred to in the EoF's report is a 68-kilometer road and community development by the Government of Siak Regency connecting the villages of Sei Rawa and Teluk Lanus. An environmental impact study has been done by the District Government in relation to the development plan. Arara Abadi has been invited by the Government of Siak to assist in the establishment of pulpwood plantation within 500 meters wide on both sides of the road to help prevent encroachments, illegal occupation, and to provide buffer to adjacent natural forest

habitat. The development of pulpwood plantation is part of the environmental and social management plan to mitigate anticipated adverse impacts.

The development of roads to reach isolated villages is one of the many prioritized development mandated for the Regency's strategic plan to bring economic development to these impoverished areas, and enhance the welfare of local communities.

Should you have any inquiries, please do not hesitate to contact me.

Yours Truly,

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

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