

Anti Forest-Mafia Coalition of NGOs

[ICW-JIKALAHARI-WALHI-ICEL-TELAPAK-FWI-IWGFF-GREENPEACE-HUMA-SAWIT
WATCH-SILVAGAMA]

Joint Press Release

APP & APRIL products linked to corruption

-- none of the companies related with corruption and bribery brought to court --

Jakarta, May 4th 2012 – In April 2010, Anti Forest-Mafia Coalition of Indonesian NGOs reported 12 government officials, including Riau Governor and former Forestry Minister, to the Presidential Judicial Mafia Eradication Task Force and Corruption Eradication Commission for their alleged involvement in forest logging cases in Riau.

By today, four provincial government officials of Riau Province have been sentenced in prison and one official has been detained for accepting bribes for issuing logging licenses to affiliated wood suppliers of Asia Pulp & Paper (APP) and Asian Pacific Resources International Limited (APRIL).

On Tuesday (5/1), Anti Forest-Mafia Coalition of NGOs called Corruption Eradication Commission to complete forestry corruption cases in Indonesia, especially in Riau, as many perpetrators remain untouchable by the law. At least APP and APRIL's 35 wood suppliers in Riau are confirmed or suspected to have bribed government officials to clear more than 400,000 hectares of central Sumatra's natural forests. National and global buyers have likely purchased APP & APRIL's pulp and paper products linked to bribery and corruption.

In reality in Indonesia, licenses acquired through corruption and bribery are considered as legal, even after the license-signer goes to jail, so none of these licenses has been revoked. This means paper products sold worldwide by APP and APRIL are tainted by corruption.

Corruption Crime Court has proven that 20 out of 37 companies – 35 of them are APP and APRIL affiliates – obtained their licenses through corruption and bribery and they are still supplying pulpwood to both paper giants. Based on Riau Police investigation in 2007, nine of them were indicated violating environmental law for environment destruction and illegal logging along with five other companies. The Coalition appreciates the Ministry of Environment's plan as quoted in TEMPO Magazine on April 22nd, 2012, to sue APP and APRIL based on environment destruction.

The financial loss caused by these 20 companies reached staggering figures. In 2011, the Judicial Mafia Eradication Task Force reported that the State had lost more than two billion US dollars due to environment destruction caused by these 14 companies affiliated with APP and APRIL. Meanwhile, Corruption Criminal Court decisions stated that the State had lost more than 300 million US dollars from the cases involving former heads of Pelalawan and Siak Districts and former chiefs of Riau Forestry Agency.

Jikalahari, local NGO coalition in Riau Province, observed large scale deforestation to supply world's demand on papers and the resulting impacts to local community, wildlife and global climate since 2002. Jikalahari suggests world's consumers to avoid using papers made from Riau's natural forest wood and calls investors to not funding forest destructions.

The four government officials above are already punished due to corruption, while another former chief of Riau Forestry Agency is detained and investigated for similar charges.

The two pulp and paper giants are two of the biggest in the world. However, they have been developing their production forests without any consideration of their plant capacities. Both companies are still depending on natural forest woods for their mills to keep operating. A report by Indonesian Working Group on Forest Finance (IWGFF) said that on 2011, 54 percents of APP & APRIL raw material was still natural forest wood. Furthermore, APP started to develop a new mill in South Sumatra which will add more pressure to natural and peatland forests in Sumatra. Greenpeace also reported that on March 2012, APP uses ramin wood protected by the Government for their pulp production. APRIL is also believed to use ramin woods as their raw material.

The Coalition calls global and national pulp product consumers to avoid buying APP & APRIL product related to corruption case in Indonesia; demand Corruption Eradication Commission to complete the investigations on alleged corruption by APP and APRIL in relation to Riau local government officials punished for corruption on forestry. The Coalition also calls the Ministry of Forestry to audit and review all licenses issued by the Riau government officials involved in corruption to ensure the rule of law for forestry industry and community.

For further information, please contact:

Willem Pattinasarany, IWGFF Coordinator, willempattinasarany@gmail.com, +62 852 897 69112

LIST OF CASES IN FORESTRY SECTOR HANDLED BY CORRUPTION ERADICATION COMMISSION (KPK).

| No | Defendant | Occupation | Case description | Loss | Law Process |
|----|------------------------|---|--|------------------|--|
| 1. | H. Tengku Azmun Jaafar | Head of Pelalawan District, Riau Province | Issued concession license (Izin Usaha Pemanfaatan Hasil Hutan Kayu Hutan Tanaman, IUPHHK-HT) to 15 uncompetent companies in forestry sector in Pelalawan District. | IDR 12.3 billion | KPK Supreme court: 11 years of prison, IDR 500 million fine |
| 2. | Burhanuddin Husin | Head of Riau Forestry Office 2005-2006; Head of Kampar | Issued IUPHHK-HT for several companies in Kampar District. | - | KPK Determined as suspect. Still waiting for court. |

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| | | District, Riau | | | |
| 3. | Arwin AS | Head of Siak District, Riau | Issued IUPHHK-HT for several companies in Siak District from 2001 to 2003 | IDR 301 billion | KPK Riau Corruption Court: 5 years of prison. |
| 4. | Asral Rachman | Head of Riau Forestry Office 2004-2005 | Related to H. Tengku Azmun Jaafar's case | IDR 1.54 billion | KPK Riau Corruption Court: 5 years of prison |
| 5. | Syhada Tasman | Head of Riau Forestry Office 2003-2004 | Related to H. Tengku Azmun Jaafar's case | | KPK Riau Corruption Court: on going process. |