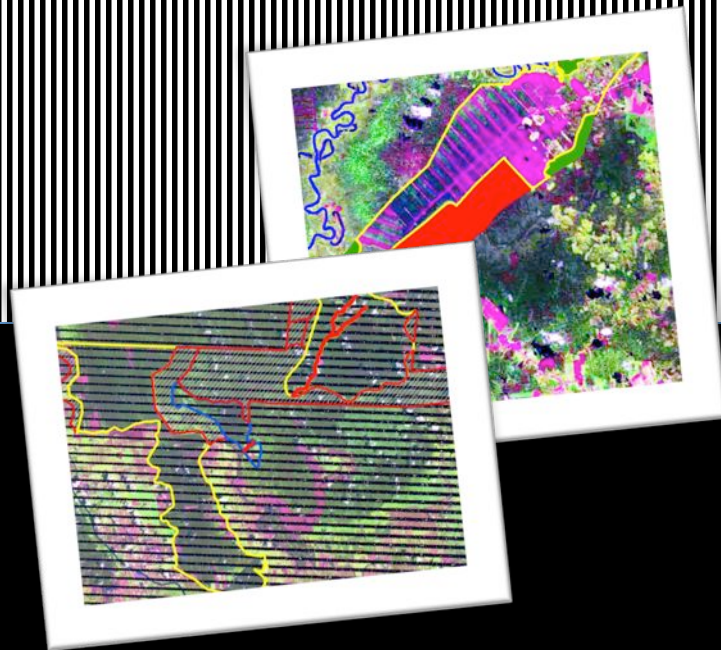


Investigation by Forestry Ministry
following Greenpeace report proves that
two APP subsidiaries involved in felling
and supplying ramin logs



Background

On March 1, 2012, Greenpeace published a report entitled **"The Ramin Paper Trail."** The report contained the findings of an investigation that reveals how the largest APP mill - Indah Kiat Pulp and Paper, which is located in Riau, Sumatra, has been using illegal ramin logs mixed with other commercial timber species (mixed tropical hardwood/MTH). The MTH was obtained through the clearance of natural forest.

Asia Pulp and Paper (APP) Managing Director of Sustainability Aida Greenbury said: "If we find that a supplier is not compliant with our policies, we give them a timeframe to enforce corrective actions to abide by these. If this does not happen, APP will reaffiliate the contract with the supplier or disengage"
(PrintWeek, 22 May 2012).

From this APP statement, one would be forgiven from thinking that the suppliers of ramin logs to the APP mill were independent suppliers, whereby APP could "disengage" from them if they failed to comply with APP's policies. The statement also clearly indicates that APP wants to wash its hands over the issue of ramin logs being supplied to its mill by suggesting that APP does not own the suppliers of the illegal ramin logs.

After the publication of the Greenpeace report, Greenpeace called on the Indonesian Ministry of Forestry to conduct an investigation into the report's findings. We can reveal that the Ministry of Forestry has completed its investigation and prepared a follow-up report on the Greenpeace allegations.

Greenomics Indonesia obtained a copy of the full Ministry of Forestry investigative report some time ago. Surprise, surprise, the report shows that the suppliers of illegal ramin logs mentioned in the Greenpeace report turn out to be owned by the Sinar Mas Group (APP/Sinarmas Forestry.) In fact, their head offices are located at the same address as APP headquarters in Jakarta.

Bearing in mind that Greenpeace has been collaborating with APP since the beginning of February 2013, we can be sure that the Ministry of Forestry report will not be used by Greenpeace to prove the involvement of two APP subsidiaries in the supply of illegal ramin trees.

This Greenomics Indonesia report can, at the very least, be used as a reference by the public that suppliers of illegal ramin logs, which APP claims are independent suppliers, are in fact APP subsidiaries.

What does the Ministry of Forestry report reveal?

According to the Ministry of Forestry's investigative report, two subsidiaries of the Sinar Mas Group (APP/Sinarmas Forestry) supplied ramin logs to the APP mill. It needs to be stressed here that this finding is based on various legal documents in the possession of the Ministry of Forestry, including documents submitted by the companies themselves to the Ministry of Forestry, which documents were subsequently approved by the ministry. According to these documents, there is no doubt whatsoever that the two suppliers are in fact subsidiaries of the Sinar Mas Group (APP/Sinarmas Forestry).

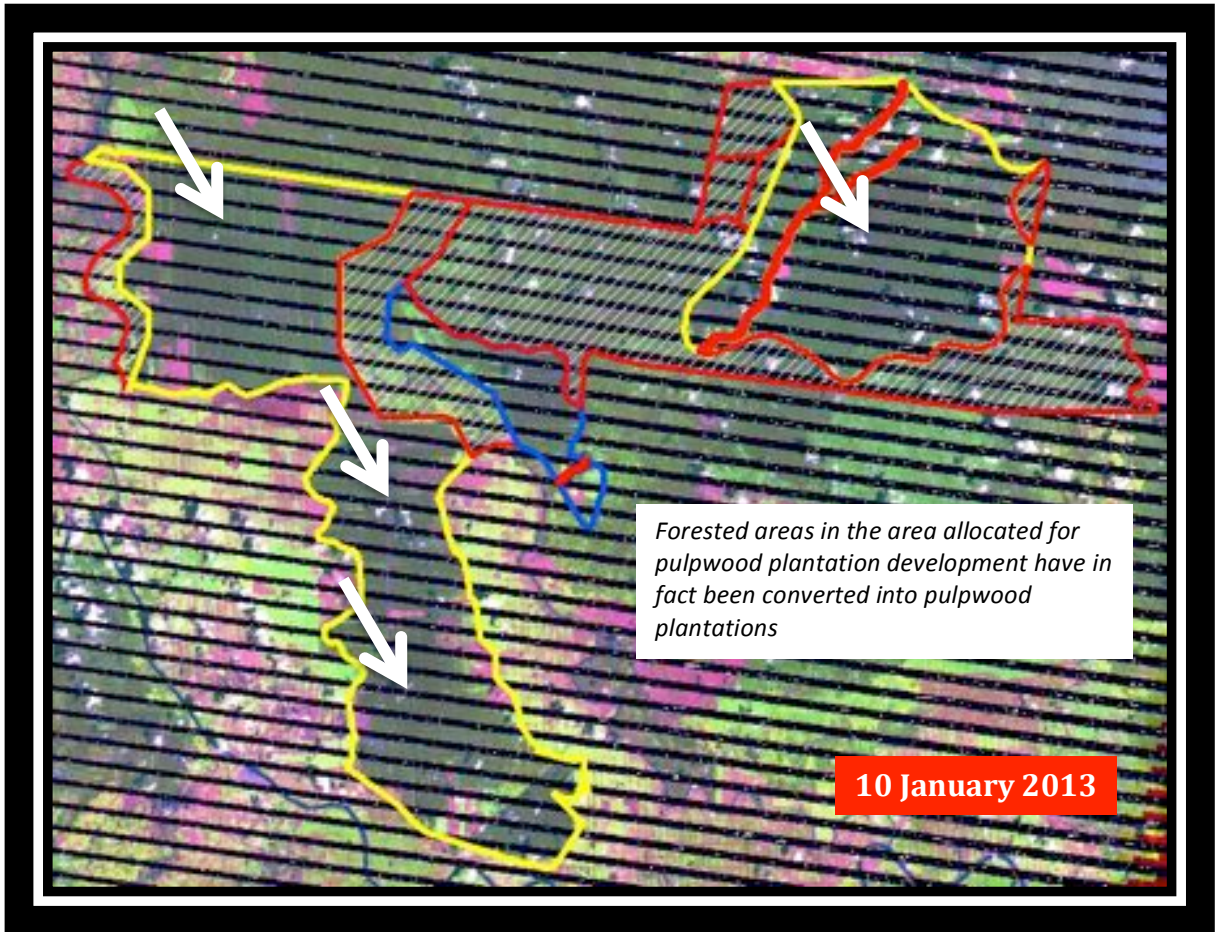
More details on the operations of the two supplier companies are as described below:

PT Rimba Hutani Mas (RHM)

RHM obtain its pulpwood plantation development license on 22 March 2007. The license covers an area of 67,100 hectares located in the Province of South Sumatra - the same province where OKI Pulp and Paper, an APP subsidiary, is in the process of developing a large new mill.

Based on the Ministry's report, it can be revealed that RHM supplied ramin logs to the APP mill in 2012.

From the spatial perspective, it can be shown how natural forest, the majority of which consisted of forested peatlands, was cleared in this concession of RHM, a subsidiary of the Sinar Mas Group (APP/Sinarmas Forestry) since the concession was granted in March 2007. It also needs to be underlined that in addition to ramin trees being common in this concession, it also contained Sumatran tiger habitat.



As regards APP's forest conservation policy, which was announced with great fanfare at the beginning of February 2013 and which is also supported by Greenpeace, the policy did nothing to protect ramin habitat on the RHM concession as it had, in fact, been completely cleared prior to APP announcing the policy. **The remaining natural forest on the concession is legally protected and cannot be cleared.**

See the Greenomics Indonesia report titled: "APP's Artful Deception: After pulping its remaining forests, APP positions itself as a conservation leader with new policy" – published on 18 March 2013.

PT Kalimantan Subur Permai (KSP)

KSP obtain its pulpwood plantation development license on 17 September 2007 for a total concession area of 13,270 hectares. The concession is located in Kalimantan Barat Province in Indonesian Borneo.

The Ministry of Forestry's investigation revealed that KSP is one of the suppliers that supplied ramin logs to the APP mill in 2011.

KSP provides quite an important contribution as a supplier of natural timber sourced from the clearing of natural forest on its concession, which includes ramin habitat.

The decline in the amount of natural timber supplied is the result of the blanket clearing of natural forest to supply the APP mill (2009-2012), and the ensuing exhaustion of the natural forest that may be legally cleared in the concession area. There is little doubt that this decline in the volume of natural timber supplied has nothing to do with APP's forest conservation policy.

Spatially, the following map clearly shows the extent to which natural forest has been cleared, including ramin habitat, on the concessions of KSP, a subsidiary of the Sinar Mas Group (APP/Sinarmas Forestry).

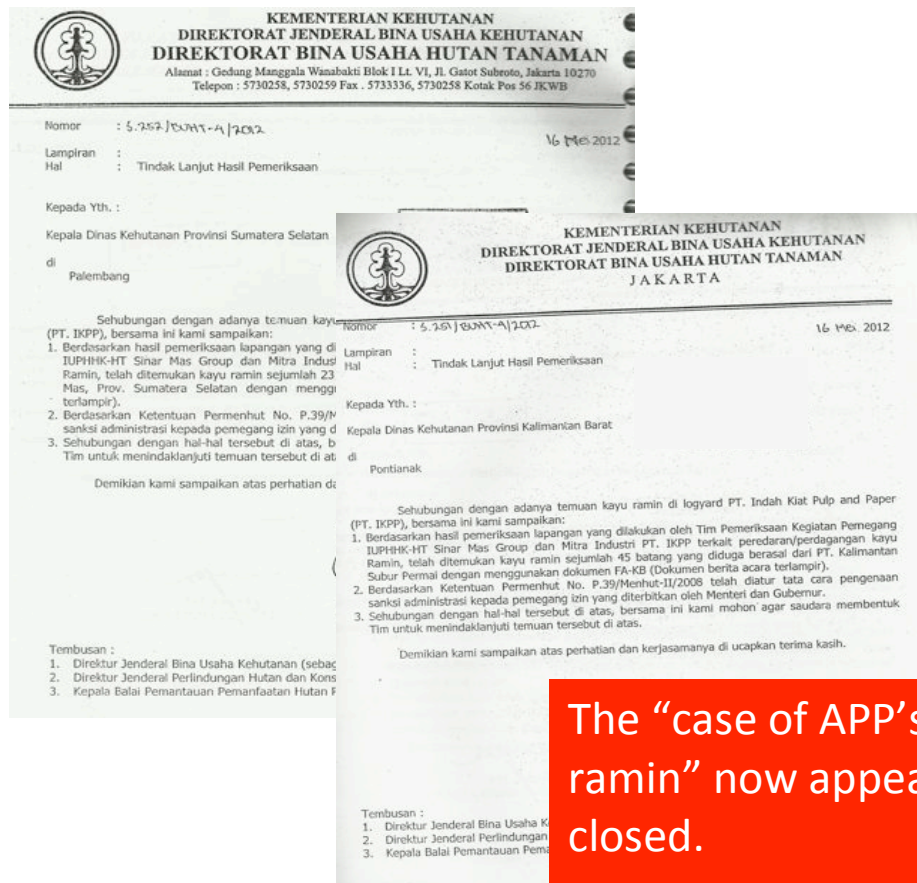


It will be clearly seen that, technically speaking, all of the natural forest has been cleared. APP's forest conservation policy came too late to protect ramin habitat in this concession.

What action has been taken in connection with the Ministry of Forestry's investigative report?

In response to the findings of its investigation, the Ministry of Forestry sent letters to the Heads of the South Sumatra and West Kalimantan Provincial Forestry Agencies in mid- May 2012, instructing them to form teams to follow up on the findings of the Ministry of Forestry investigation.

See the two letters that have been scanned from the Ministry of Forestry report.



The “case of APP’s illegal ramin” now appears to be closed.

Given that Greenpeace has collaborated with APP in developing its Forest Conservation Policy and monitoring the implementation of the policy, we may take it for granted that there will be no more queries from Greenpeace regarding the follow-up action taken based on the two letters from the Ministry of Forestry.

However, this Greenomics Indonesia report remains important for conveying to the public the extent to which the supply of illegal ramin logs to APP mills, as exposed by Greenpeace, has been responded to and acted upon by the Ministry of Forestry.

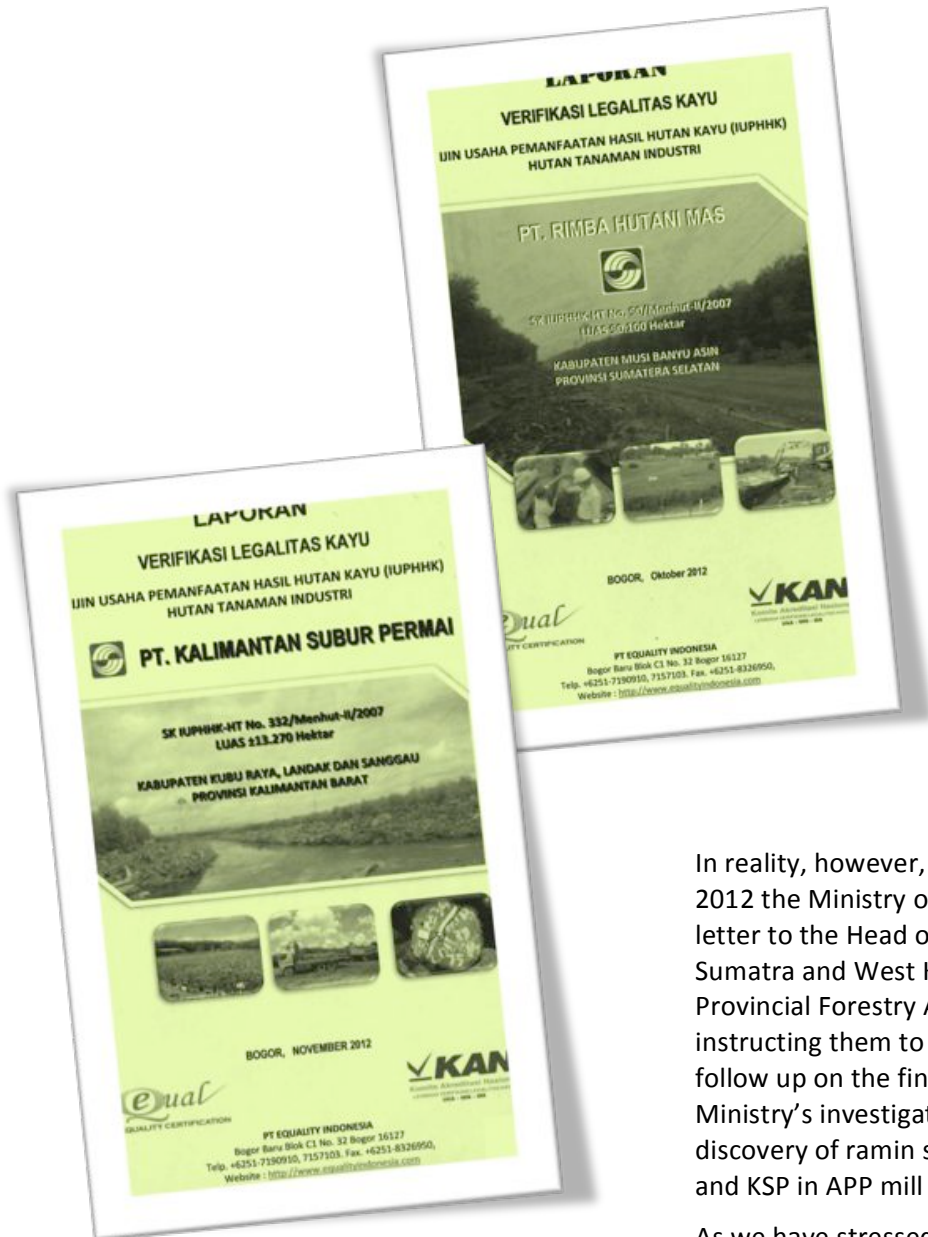
The two APP subsidiaries obtained “Indonesian Timber Legality Verification System” certification

RHM and KSP obtained SVLK (Indonesian Timber Legality Verification System) certification respectively in October and November 2012.

Naturally this drew attention, especially as regards the SVLK certification process in the context of the legality verification system.

It should be underlined that a timber legality verification report must be used as the basis for a “pass” or “fail.” Such reports are prepared based on a cooperation agreement between the assessor and the company. In the case of both RHM and KSP, the legality verification reports stated that two companies should be awarded SVLK certificates.






These are the front covers of the timber legality verification reports for RHM and KSP. It is these reports that provided the bases for KSP and SHM to be awarded SVLK certification.



In reality, however, in mid- May 2012 the Ministry of Forestry sent a letter to the Head of the South Sumatra and West Kalimantan Provincial Forestry Agencies instructing them to set up teams to follow up on the findings of the Ministry's investigation into the discovery of ramin supplied by RHM and KSP in APP mill logyards.

As we have stressed throughout this report, both RHM and KSP are subsidiaries of the Sinar Mas Group (APP/Sinarmas Forestry).

What lessons can be drawn by the public?

-  The Indonesian Ministry of Forestry responded to the Greenpeace report exposing the supply of illegal ramin logs to the APP mill by conducting a field investigation, which has revealed the presence of ramin logs in the APP mill logyards, which logs were supplied by two APP subsidiaries, one operating in the Province of South Sumatra and one in West Kalimantan.
-  The Ministry of Forestry acted on these findings by sending letters to the Heads of the Provincial Forestry Agencies of South Sumatra and West Kalimantan instructing them to establish teams to follow up on the Ministry's findings.
-  The follow-up action taken by the provincial forestry agencies in South Sumatra and West Kalimantan pursuant to the letters sent to them by the Ministry of Forestry has not been monitored, especially since Greenpeace entered into collaboration with APP on its "Forest Conservation Policy", which was announced at the start of February 2013. Apparently, the investigations into the case have been halted just like that.
-  The Ministry of Forestry's investigative report proves that two pulpwood suppliers of APP that are subsidiaries of the Sinar Mas Group (APP/Sinarmas Forestry) supplied APP with ramin logs. This means that the Forestry Ministry's report clearly refutes the claims of APP that the companies that supplied ramin logs to APP are independent suppliers.
-  In conclusion, it may be said that there are no meaningful lessons to be learned by the public from the response to the ramin cases exposed by Greenpeace. Moreover, the findings of the Ministry of Forestry's investigation were never made public. In addition, Greenpeace has claimed that the implementation of the Forest Conservation Policy by APP during the last nine months has been a "great success." The "case of APP's illegal ramin" now appears to be closed.

This Greenomics Indonesia report can, at the very least, be used as a reference by the public that suppliers of illegal ramin logs, which APP claims are independent suppliers, are in fact APP subsidiaries.

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