

Asia Pulp & Paper (APP) further refutes allegations and announces it will invite stakeholders to review the facts in relation to the allegations made

Jakarta, 29 December 2017 - Asia Pulp & Paper (APP) further refutes the allegations made by the Associated Press (AP) stories of 19 and 20 December, and announces it will be inviting its stakeholders to review the facts in relation to the allegations made.

Firstly, as in previous statements, APP has made clear that allegations that various ownership structures have been deliberately used for the purposes of systematically avoiding sustainability commitments have been made without proof. All APP suppliers are held to the same high standards, regardless of ownership. The allegations made with regard to ownership and the integrity of the supply chain are also not new, and these are allegations that have addressed by APP in the past.

In 2014, APP, in consultation with reputable third parties, voluntarily executed an Agreed Upon Procedure (AUP) for the purpose of verifying the integrity of its supply chain. An overview of this AUP is available on the APP website:

(http://www.fcpmonitoring.com/Pages/general_content.aspx?M=11). The AUP, conducted by an independent third party, sought to categorize APP's relationship with its wood supplying companies according to the degree of influence and control APP has over them through reviewing transaction records and contracts. There were more than 100 companies included in the exercise. The exercise listed suppliers as either Partners (where APP had significant economic influence), Third Party Suppliers (where APP companies had no or minimal control) and No Existing Relationship (where APP had no transactions or agreement with them). Companies that were alleged to have a relationship with APP were listed for the third party assessor to establish if there was indeed a relationship. Many companies, including Muara Sungai Landak, fell in the third category. Due to a non-disclosure agreement, the results of the assessment were made known only to parties involved in the AUP. APP has announced that it is willing to expand engagement around the results of the assessment and is open to discuss the process with interested stakeholders to assure them of the integrity of its supply chain.

The act of involving third parties is not new. APP's Forest Conservation Policy (FCP) commitment has since its inception, been guided by, has involved and has been reviewed by third parties. APP has a Stakeholder Advisory Forum, which involves NGOs and other third parties, which it conducts regular updates on the FCP implementation and has open discussions to address the challenges.

(http://www.fcpmonitoring.com/Pages/general_content.aspx?M=12.) Reports of past third party evaluation to measure performance of FCP implementation are also publicly available. (<https://www.rainforest-alliance.org/business/forestry/sourcing/independent-evaluations/asia-pulp-paper>), (<http://www.tft-transparency.org/member/app/>).

Secondly AP insinuated that APP, through Bangun Rimba Sejahtera (BRS), is oppressing ahead to turn 66,000 Ha of state land in Bangka into industrial forest plantation and that it plans to breach its commitment to obtain Free, Prior and Informed Consent (FPIC) from local communities. These are all conjecture. While it is true that APP has carried out an evaluation of the supplier, BRS has yet to commence land preparation or tree planting. All

potential suppliers must attain FPIC before developing new concessions, a process which has not commenced for BRS. All suppliers must also undertake assessments under the FCP, to identify and preserve areas of High Carbon Stock (HCS) and High Conservation Value (HCV), as well as other areas of significance for the community. Based on our preliminary assessment, if the concession is to be developed, only a third of the land, or about 22,000 Ha, is suitable for development into a forest plantation. Nearly 44,000 Ha of forest in the concession area would either be largely preserved or reserved for community use should APP take BRS as a supplier. The 66,000 Ha number has been used to sensationalize the story.

Thirdly, the AP report refers to the 2015 fires but ignores the progress made since to combat fire and haze. It also insinuates that APP plantations and supplier concessions are the primary cause of fires and haze. Global Forest Watch released data at the height of the 2015 fires and identified 56% of fire alerts as originating from areas outside concessions and only 16% coming from pulpwood plantations. The AP article also suggests that one of the suppliers of APP, Bumi Mekar Hijau (BMH), was found guilty of land burning thus breaching APP's no burn policy. As clarified by BMH, this is false. BMH stated that it was not found guilty of deliberately burning concession land but was fined because there is a strict liability in Indonesian law for forestry that makes concession owners solely responsible for any sizeable fire inside their concession areas regardless of how it started. As such, none of the parties appealed the High Court decision. All sanctions relating to affected suppliers or concessions were lifted after 2016 post on ground verification by the Indonesian Ministry of Environment and Forestry. This allowed APP to resume its relationship with them.

What is more telling is that the AP report has failed to reflect the serious progress that has been made in fire and haze prevention in both companies like APP and in Indonesia. APP and its suppliers have invested over US\$100 million to combat fire and haze in the last two and half years and the extent of fire affected areas has continued to fall. In 2017 the total area affected by fire in APP supplier concession areas amounted to about 0.01% of the total supplier concession area. To suggest that APP suppliers are continuing to burn land or that APP only pays lip service to combating fires and haze makes no sense. The success of the Indonesian effort to combat forest fire is also backed by statistics. Global Forest Watch reported that the number of fires across Indonesia dropped from 180,133 in 2015 to 17,999 this year, a not insignificant achievement.

APP is willing to engage its stakeholders to address the concerns that have been raised. It is prepared to review the issues with them and to reassure them of our unwavering commitment to our sustainability journey. Furthermore, APP is open to dialogue with AP and is open to receive documents and relevant information that have been made available to AP, in order to investigate specific allegations made.