



Update for Customers of RGE Group / APRIL

Deforestation continues – weak policy commitments broken

In January 2014, Asia Pacific Resources International Ltd (APRIL) published a new Sustainable Forest Management Plan (SFMP).¹ Unlike the commitment made the previous year by Asia Pulp & Paper (APP) – Indonesia's other major pulp and paper producer – APRIL's new policy was not a commitment to protect all natural forest and peatland. It largely restated older commitments that the company had failed to meet in the past.²

Greenpeace and other NGOs called on APRIL to improve its policy and make a full commitment to forest and peatland protection.³ In July 2014, Greenpeace issued a formal advisory note, recommending once again that companies put any business with APRIL and other Royal Golden Eagle (RGE) Group companies on hold until a group-wide policy to protect all natural forest and peatland had been agreed and implemented.⁴

One year into its new policy, APRIL has still failed to address the deficiencies of that policy. Nor have other RGE Group pulp and paper companies committed to end deforestation. Further, APRIL and its suppliers have repeatedly broken the commitments made in that new policy. In August 2014, APRIL's Stakeholder Advisory Committee commissioned KPMG to report on APRIL's progress against its commitments.⁵ The KPMG audit found that not a single concession complied with the policy.⁶

In sharp contrast, the palm oil division of the RGE Group has made significant policy progress⁷ – indicating awareness at senior management level within the Group of the real issues and solutions to deforestation and peatland degradation. The disparity indicates that APRIL's own response is not genuine. Its continued forest and peatland destruction over the past year merely reinforce the impression that the company's 2014

policy is just another attempt to buy time with its stakeholders rather than a serious revision its deforestation-dependent business model.

Greenpeace therefore reiterates its advice that companies should stop buying from or financing APRIL and the other pulp and paper companies in the RGE Group including Asia Symbol, Sateri and Toba Pulp Lestari.

Nothing has been done to address the deficiencies in APRIL's policy

Unlike many other plantation companies, including its larger competitor APP, APRIL has yet to commit to protecting Indonesia's forest, peatland and wildlife.

1. APRIL plans to pulp rainforests until 2020

Although APRIL's 2014 policy states that it and its long-term suppliers will have finished establishing plantations (ie clearing rainforests) by the end of 2014, it has given itself until the end of 2019 to continue using rainforest fibre sourced from so-called short-term suppliers (contracts with these companies may run over a number of years).⁸ In the first six months of 2014, APRIL's Sumatra mill pulped 1.3 million cubic metres of mixed tropical hardwood timber from Indonesia's rainforests.⁹

APRIL plans to continue to source rainforest fibre until the end of the decade set it at odds with the rest of Indonesia's plantation sector. In February 2013, APP – the only other major pulp and paper producer in Indonesia that has relied on rainforest fibre – agreed to end its deforestation by protecting peatland and forest identified as high carbon stock (HCS).¹⁰ On the basis of its current policy and fibre supply plans, APRIL will still be pulping Indonesia's rainforests almost seven years after APP ended its use of mixed tropical hardwoods.

Further, a report by KPMG into APRIL's progress against its new policy, published in December 2014, notes that even the 2019 deadline is an 'aggressive' – ie, ambitious – target.¹¹ APRIL has made repeated commitments to become self-sufficient in plantation fibre and repeatedly failed to meet its own or government deadlines. In 2004, for example, APRIL pledged to end the use of rainforest fibre by 2009.¹²

2. The policy still does not apply to other RGE Group pulp companies, despite across-the-board progress from its palm oil division

APRIL's policy only applies to APRIL and PT RAPP, its pulp mill in Kerinci, Sumatra.¹³ Other pulp and paper companies in the RGE Group have yet to make any meaningful commitment to forest protection – even though these companies are supplied with fibre from high-risk regions.

3. APRIL has yet to adopt the well-established High Carbon Stock Approach to forest protection

In the latter half of 2014, the palm oil companies in the RGE Group agreed to end their deforestation and to protect forests using the HCS Approach.¹⁴ Since its inception in 2011, the HCS Approach has become a well-established methodology for companies to identify the forest within their concessions so they can protect it.¹⁵ APRIL's policy refers to HCS repeatedly, but the company has refused to accept the HCS Approach and only commits to assess its concessions 'if and when relevant standards are established'.¹⁶

In the meantime, despite the policy commitment,¹⁷ there is no apparent moratorium on deforestation in place within APRIL's current supplier concessions that have not had HCV assessments reviewed by the HCV Resource Network. By contrast, APP and the palm oil companies within the RGE Group have established moratoria and are using the HCS Approach to identify and protect any remaining forest within their supply chains.

APRIL claims to be embarking upon an HCS study with IDH Sustainable Trade Initiative,¹⁸ but there is no evidence of any progress beyond the signing of a non-binding MOU in June 2014.

4. APRIL and other RGE Group pulp companies are not protecting peatland

Unlike its competitor APP,¹⁹ APRIL has yet to commit to protecting forested peatlands within its concessions or the wider peatland landscape. APRIL's policy only refers to 'peatland management',²⁰ and APRIL and its suppliers are continuing to establish plantations on deep forested peatland in Sumatra and

Kalimantan.²¹ Peatland drainage is the largest source of greenhouse gas emissions in Indonesia and fuels a recurring regional smoke haze.

Even though its policy is weak, APRIL has failed to adhere to key criteria

APRIL has repeatedly failed to meet even the weak commitments it has made in its most recent policy. Throughout 2014, civil society organisations in Indonesia exposed APRIL and its suppliers breaching various policy criteria.²² Further evidence of the scale of APRIL's policy breaches was provided by KPMG in its appraisal of APRIL's progress.²³

This is not the first time that APRIL has made and broken sustainability commitments. For instance, it first committed to identifying and protecting HCV forest in 2005 and to be solely reliant on plantation fibre by 2009.²⁴ Instead, APRIL obtained sub-standard HCV assessments and even then failed to protect areas of forest that had been identified as HCV.²⁵ Continued clearance of identified HCV forest was one of the reasons for APRIL's auditors withdrawing its FSC certification in 2010.²⁶

None of the concessions supplying APRIL with fibre complies with its new policy

The headline policy in APRIL's January 2014 SFMP is the commitment to source fibre only 'from non High Conservation Value Forest ("HCVF") areas that have been identified through independent HCV assessments, based on Indonesian HCV toolkit and peer-reviewed by the HCV Resource Network'.²⁷ Given the poor quality of previous HCV assessments, compliance with this criterion is a critical test of APRIL's commitment to implement its policy.

Yet according to KPMG, not one of the fifty concessions that supplied APRIL with fibre in 2014 met this criterion.²⁸ Indeed:

- None of APRIL's suppliers has had its HCV assessments peer reviewed by the HCV Resource Network.
- The HCV assessments for some concessions were not independent, but had been conducted internally by APRIL or its suppliers.
- Some HCV assessments had had no peer review of any sort.
- In the first half of 2014, APRIL received some 50,000m³ of rainforest fibre from concessions that had not had any HCV assessment.

KPMG observed two species on the IUCN Red List of Threatened Species at one of the concessions where further clearance is planned but no HCV assessment has been conducted.²⁹

APRIL is shifting the goalposts

Instead of addressing this failure, APRIL is now proposing to exempt its existing suppliers from the commitment it made.³⁰ Responding to the KPMG report in December 2014, APRIL claimed that its commitments on independent HCV assessment and peer review, including a moratorium on development, were only ever supposed to apply to new suppliers.

However, the January 2014 policy explicitly covers its entire supply of fibre: 'APRIL sources fibre from non High Conservation Value Forest ("HCVF") areas that have been identified through independent HCV assessments [...] and peer-reviewed by HCV Resource Network.'³¹ As recently as October 2014, APRIL announced that it had 'reiterated to employees and suppliers' that any rainforest fibre must come from concessions that complied with its policy, and that it had imposed a moratorium on forest development since January 2014 in all areas 'undergoing HCV assessment or the peer-review process'.³²

The company now intends to update its SFMP in the first quarter of 2015 to 'remove any ambiguity or uncertainty' by exempting all its existing suppliers from requirements to have independent HCV assessment and peer-review by the HCV Resource Network.

Further, KPMG noted that one supplier has been misleadingly classified as a 'short-term' supplier.³³ This supplier, which has a multi-year contract with APRIL, is clearing peatland forest to establish a pulpwood plantation. The situation gives rise to the concern that APRIL has sought to get around its headline 2014 deadline for an end to forest clearance by long-term suppliers by labelling companies with whom it intends to have a long-term relationship as short-term suppliers until their supply of rainforest timber has been exhausted.

Such breathtaking attempts to reinterpret policy commitments render meaningless APRIL's already inadequate forest protection claims. If the policy does not protect forests and peatland and will not apply to existing suppliers, then what exactly is APRIL claiming to protect?

APRIL and its suppliers are still pulping peatland, rainforests and critical wildlife habitat

APRIL's headline commitment to only source rainforest timber from non-HCV areas³⁴ is simply untrue. As KPMG confirmed, many of APRIL's suppliers have not been independently assessed for HCV forest, and none has had its HCV assessment peer-reviewed by the HCV Resource Network.³⁵

In April 2014, Eyes on the Forest, a coalition of NGOs including WWF, published evidence of an APRIL supplier clearing deep peat and HCV forest in North Kalimantan.³⁶ APRIL responded by claiming that the HCV maps had been revised and that the area of peatland forest designated for protection was now located over a kilometre away.³⁷ No further explanation has been offered. However, a subsequent field visit including WWF and the concession owner confirmed that deep peatland forest had been cleared.³⁸

In July, Greenpeace exposed active clearance by APRIL of deep peatland forest in Pulau Padang, Sumatra.³⁹ In November, WWF and partner NGOs accused the company of clearing HCV forest in the same concession, and of breaching Indonesian laws and forestry regulations.⁴⁰ KPMG also found a drainage canal dug into in an area of forest marked as HCV.⁴¹ There are long-standing social conflicts arising from this concession that have yet to be resolved.⁴²

The Indonesian NGO Greenomics has exposed serious problems with one of APRIL's future suppliers in West Kalimantan.⁴³ The HCV assessment identified over 65,000 hectares of forest as having high conservation value, but only 20,000 hectares were earmarked for protection. The unprotected HCV forest includes habitat for endangered orang-utans. Roads and port infrastructure were reportedly constructed in some of the protected areas of HCV forest before the HCV Resource Network had finished reviewing the HCV assessment.

Advice to all companies sourcing pulp / paper

When APRIL published its SFMP in January 2014, Greenpeace urged companies not to be fooled by the company's promises.⁴⁴ Along with other NGOs, including WWF⁴⁵ and its partner NGOs in Eyes on the Forest, and the Rainforest Action Network,⁴⁶ Greenpeace recommended that customers suspend immediately any pulp / paper purchases from any RGE-related companies, including APRIL.

Since January 2014, APRIL and the other pulp companies in the RGE Group have made no progress towards agreeing and implementing a credible group-wide sustainability policy. By contrast, the RGE Group's palm oil companies did make substantive commitments, which suggests that at least some of the RGE Group's senior management understand the nature of the problem and the actions needed to address it.

APRIL's Stakeholder Advisory Committee commissioned KPMG to assess the company's progress towards meeting its January 2014 Sustainable Forest Management Plan. The report KPMG produced presents compelling evidence that APRIL has completely failed to meet the commitments it made one year ago.⁴⁷ Not one concession is compliant with the policy. APRIL's response⁴⁸ – to exempt its existing suppliers from key policy commitments – provides further evidence that the main purpose for APRIL in announcing a new policy one year ago was to buy time with its stakeholders while it continues its forest destruction.

Greenpeace therefore reiterates its earlier advice that companies should not do business with APRIL and other pulp companies in the RGE Group. This should apply not only to all purchases of pulp / paper, but also to financial services, whether market capital or project financing, including for non-forestry activities.

The suspension should not be lifted unless and until the RGE Group makes and implements commitments that stop its involvement in deforestation for pulp and paper and addresses its broader social and environmental impacts including its legacy of forest and peatland destruction.

Greenpeace International
January 2015

Endnotes

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