



6 October 2015

Linda Wijaya,
 Asia Pulp and Paper
 Jl. M.H. Thamarin 51
 BII Plaza Tower I

Dear Ms. Wijaya,

We the signatories to this letter have engaged with APP over the last several years with the aim to raise concerns and offer suggestions in relation to the development and implementation of APP's Sustainability Roadmap and Forest Conservation Policy (FCP). In 2013 we worked with the Environmental Paper Network (EPN) to develop a list of suggested performance targets and milestones for APP's commitments, which was sent to you in September 2013.

Since then there has been some progress, for example, APP issued a new association policy and started a number of processes on social conflict resolution, HCV/HCS assessments, ISFMP development, peat management, forest restoration and conservation. Based on our independent observations, however, APP has been failing to implement its policies and plans effectively at the concession level.

Delays and failures in FCP implementation were also confirmed by the evaluation of APP's progress by the Rainforest Alliance published in February this year which found widespread land and social conflict, pervasive deforestation by third parties and minimal progress on the development of management plans (ISFMPs), addressing peatland issues and preventing and stopping fires.

Less than a month after the release of the Rainforest Alliance report, APP's ongoing inability to effectively implement its policies at the Forest Management Unit (FMU) level was shown by the tragic murder of Indra Pelani by a security firm hired by SMG's Wira Karya Sakti (WKS) concession in Jambi. Indra Pelani was a member of the Lubuk Mandarsah community whose customary lands had been taken over by WKS. We remain concerned that the structures and conditions that led to Indra's murder are widespread throughout the SMG/APP wood supply concessions with many hundreds of conflicts that still have not been resolved.

More recent proof of policy implementation failures are the fires in SMG/APP wood supply concessions in Sumatra, contributing to hazardous haze locally and in neighbouring countries. We are concerned that APP remains incapable of protecting its own concessions, including the natural forest it is committed to protect from illegal logging and fires, and also seems unable or unwilling to prevent the inherent risks of developing plantations on peat

soils and unaware of the need to restore much more than the 7,000 ha of peatlands that it recently pledged to restore and protect.

We consider that SMG/APP is failing to communicate effectively with its forestry operations and those of its suppliers and to provide guidance to them on implementing its policy commitments. We are also concerned about indications of opaque management, corruption, protection rackets, and complicity in illegal land speculation associated with security contractors, local government and other authorities. These issues need urgent action in order to prevent further human rights abuses, deforestation and forest fires.

Given the seriousness and urgency of these issues, we offer the following recommendations for fundamental reforms of its management structures so that its policies and plans can be rapidly implemented in all the wood supply concessions. SMG/APP need to:

- Make corporate structural changes so that detailed technical guidance from the top SMG/APP management are delivered to and enforced properly at the Forest Management Unit (FMU) level. Clear responsibility and accountability lines are needed, senior staff with technical knowledge and professional expertise must be placed at FMUs to direct and oversee FCP implementation with sufficient authority. Performance in delivering FCP targets should be included in employee evaluations and compensation, alongside performance in production targets.
- Resolve land/social conflicts by recognising and respecting community customary rights in land and provide redress (restitution/compensation) for damages to community lands, forests, livelihoods and cultures that occurred since HTI licenses were issued.
- Address on-going deforestation and forest degradation by third parties in a fair, transparent and accountable manner; identify and eradicate areas of opaque management within the APP group and require similar efforts by its suppliers. Involve Civil Society Organization advisors to the relevant communities in this process.
- Ensure that the ISFMP is completed and postpone further plantation and canal development in already developed areas until:
 - High Carbon Stock and HCV assessments are completed, consistent with the HCS and HCV assessment toolkits including proper peer-review.
 - Participatory mapping of community lands in each concession area is completed and all community maps are incorporated into HCS studies and the ISFMP process. This is a key element to prevent future conflicts as well as third party deforestation and degradation.
 - A clear action plan to implement the one million hectare restoration and conservation commitment is developed and incorporated into the ISFMP to make sure the already developed HCV areas and peatlands currently under plantation can also be restored if considered necessary by the stakeholders/experts.
 - Economical consideration of growth & yield study should not be put as the final deciding factor.
 - Planted areas that have been identified as HCV have had management plans agreed by stakeholders.
 - Communities that have conflicts with APP and their NGO advisors have agreed to conflict resolution action plans and these plans are being implemented.
 - The peat expert study has been completed and incorporated into ISFMPs.
- Accelerate the process for implementing the announced one million hectare restoration plan by resolving community conflicts in these areas and forming partnerships with communities interested in forest restoration. Together with interested communities and CSO's, set up an independent, multi-stakeholder organization (MSO) to facilitate and secure funding, training and other activities needed to identify, maintain, restore and enhance conservation values within the priority landscapes, as suggested by the EPN Milestones.

- Implement the first 'provisional' measures of peat management through developing partnerships with local communities with the aim to stop peat draining, including canal blocking and other measures to restore the water table, in compliance with Indonesian regulation PP 71/2014.
- APP agrees to have regular independent third party evaluation, jointly managed, funded and supervised by APP and NGOs as proposed in the 2013 EPN Milestones.

We intend to review APP's performance on these issues over the coming six to twelve months and re-evaluate whether to stay engaged or withdraw our involvement in your reform efforts. We believe there will be also many local NGOs who will be willing to help if the company takes these reforms seriously.

Sincerely,

Deddy Permana, Wahana Bumi Hijau

Tomo Agus, Link-AR Borneo

Rudi Syaf, KKI WARSI

Hari Octavian, Scale Up

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