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Day, Month, 2014

To:
Bank investing in APRIL

Dear Mr Chairman,

As representatives of our member non-governmental organisations, we are writing to voice our concern regarding Asia Pacific Resources Limited (APRIL), Toba Pulp Lestari (TPL) and their sister companies under the conglomerate Royal Golden Eagle Group (RGE). We understand that (*bank name*) is interested in the pulp and paper sector, and therefore potentially in this group of companies. As members of the international community, we have closely monitored APRIL and found that its activities jeopardise the environmental and social balance on a local and global level. We would like to bring your attention to the serious legal, material, and reputational risks of a financial relationship with APRIL and its affiliates. Our research demonstrates illegalities under Indonesian law, Chinese banking regulations and international norms.

We understand that (*bank name*) has committed to sustainable development practices and so would like to inform you of our urgent concerns in case you were unaware. **We ask that you please ensure that you have no financial relationship with APRIL, TPL and their sister companies under the conglomerate RGE group, including Asia Symbol.**

Legal Risks

As you may know, APRIL companies include PT Riau Andalan Pulp & Paper (Riaupulp) and PT Riau Andalan Kertas (Riaupaper) in Indonesia and SSYMB Rizhao Shandong and Asia Symbol China. Other RGE paper companies include Sateri International, Asian Agri and Toba Pulp Lestari (TPL), which is held by Pinicle Investments. All these companies are controlled by Sukanto Tanoto.¹

The substantial legal risks associated with this group of companies controlled by Mr. Tanoto include purchases of fiber from concessions allocated corruptly, tax evasion, fraud and, a host of further alleged violations of forest management regulations, including for example, expansion into areas of deep peat protected under Indonesian law².

In November 2013, former Riau Governor Rusli Zainal was sentenced to 14 years in prison, after accepting bribes for issuing forest logging permits for pulp and paper timber licences, causing an estimated loss to the State of more than US\$ 23 million.³ Seven of the concessions that were issued by Mr. Zainal supply fiber to APRIL mills.

RGE Group member Asian Agri and its owner, Sukanto Tanoto, were involved in major tax fraud. *This case is reported to be the biggest tax evasion case in Indonesian history; the verdict requires the RGE-controlled Asian*

¹ Bloomberg Database, "Loan Finder", Bloomberg Database, viewed May 2012.

² See recent WWF study http://awsassets.wwf.or.id/downloads/report_april_hcvf_clearance_continues_english_1.pdf

³ PT Merbau Pelalawan Lestari, PT Mitra Taninusa Sejati, PT Rimba Mutiara Permai, PT Selaras Abadi Utama, CV Bhakti Praja Mulia, CV Putri Lindung Bulan, PT Seraya Sumber Lestari. About the court case, see The Jakarta Post, 12 March 2014, <http://www.thejakartaglobe.com/news/ex-riau-governor-gets-14-years-logging-permit-national-games-corruption-cases/>

Agri Group, to pay fines of US\$ 448 million. A number of company officials were sentenced with up to 11 years in prison.⁴ Unanswered questions include whether these business practices constitute money laundering, and whether they are pervasive throughout the RGE group.

Environmental and Social Risks

In addition to material risk posed by legality concerns, the group of companies controlled by Mr. Tanoto is linked to social and environmental controversy that poses significant reputational risk to investors. APRIL and Toba Pulp Lestari operate pulp mills in Sumatra, Indonesia, where their activities over many years have had serious impacts on local communities. Forest concessions were granted for industrial exploitation without the free, prior and informed consent (FPIC) of the people with legitimate claims on the land; many of these communities are dependent on the forest resources for their livelihoods. This situation has led to significant social conflict and human rights violations. With the Constitutional Court ruling “MK 35” last year, there is also a material risk that areas in concessions allocated to APRIL, TPL and their suppliers were in fact illegally appropriated from indigenous communities.

APRIL and TPL holdings and suppliers are having profound negative impacts on biodiversity and the climate. Many concessions supplying the mills owned by Mr. Tanoto are in areas representing some of the last refuges for the critically endangered Sumatran elephant⁵ and Sumatran tiger,⁶ and forest clearance of these areas forces these species closer towards extinction.

In addition, drainage of deep peat soils both for natural forest clearance and for plantation establishment is an issue of global concern due to greenhouse gas emissions: a study released by the University of Helsinki shows that APRIL’s Acacia plantations on peatland in Sumatra release around 80 tonnes of carbon dioxide per hectare per year.⁷ Other concerns include the continued subsidence of peatland areas, caused by drainage, leading to longer terms risks of flooding and inundation.

In April 2014 a Sumatra based NGO group identified clearcutting by the APRIL supplier PT Triomas Forestry in the carbon-rich peatlands of the Kampar Peninsula (Riau, Sumatra). This included the illegal logging of endangered tree species which are protected by national legislation and international conventions. In May 2014, WWF released a report detailing forest clearance on protected peatland in East Kalimantan by an APRIL supplier, PT. Adindo Hutani Lestari (AHL).⁸

In 2010, APRIL increased its production capacity of one million tonne/year at its pulp mill in Rizhao, China.⁹ By the end of 2014 APRIL is expected to have a total capacity of 2,550,000 tons per year at this mill. Increasing capacity requires a correspondent increase in demand for wood fibre, with a consequent increase of deforestation in the absence of established plantation sources.

On 28 January 2014, one company in the group, APRIL, announced a new Sustainable Forest Management Policy, including a commitment to cease sourcing fibre from natural forests.¹⁰ Unfortunately this policy does not adequately address the huge environmental and social impacts by the company, nor stop its involvement in deforestation. APRIL admits that it will continue to use natural forest fibre until the start of 2020. Furthermore, the policy doesn’t apply to other companies in the group of companies controlled by Mr. Tanoto.

⁴ The Jakarta Globe, 29 December 2012, see <http://www.thejakartaglobe.com/archive/asian-agri-ordered-to-pay-back-tax/563>

⁵ Uryu et al., Deforestation, Forest Degradation, Biodiversity Loss and CO2 Emissions in Riau, Sumatra, Indonesia, WWF Indonesia Technical Report, Jakarta, Indonesia, 2008, http://assets.panda.org/downloads/riau_co2_report__wwf_id_27feb08_en_lr_.pdf

⁶ Uryu et al., Deforestation, Forest Degradation, Biodiversity Loss and CO2 Emissions in Riau, Sumatra, Indonesia. WWF Indonesia Technical Report, Jakarta, Indonesia, 2008, http://assets.panda.org/downloads/riau_co2_report__wwf_id_27feb08_en_lr_.pdf

⁷ J. Jauhiainen, A. Hooijer, and S. E. Page, Carbon dioxide emissions from an Acacia plantation on peatland in Sumatra, Indonesia, University of Helsinki, 2012, https://helda.helsinki.fi/bitstream/handle/10138/34598/Jauhiainen_et_al_2012_bg_9_617_2012.pdf?sequence=2

⁸ Eyes on the Forest, APRIL violates its new sustainability policy, say Kalimantan NGOs

<http://www.eyesontheforest.or.id/?page=news&action=view&id=730>

GAPETA Borneo, RPHK and WWF Indonesia-East Kalimantan, Natural Forest Clearance Continues on Deep Peat in APRIL Supplier Concession, 20 May 2014, http://awsassets.wwf.or.id/downloads/report_april_hcvf_clearance_continues__english__1.pdf

⁹ RISI, APRIL sets late May ramp-up at Rizhao 1 million tonne/yr pulp mill, 13 May 2010

<http://woodbiomass.com/news/pulpandpaper/news/APRIL-sets-late-May-ramp-up-at-Rizhao-1-million-tonneyr-pulp-mill.html>

¹⁰ APRIL, APRIL’s Sustainable Forest Management Policy, 28 January 2004

<http://www.aprilasia.com/news/APRIL%20SFM%20POLICY.pdf>

APRIL announced in 2004 that it would cease to source from natural forests by 2009¹¹; however, the company failed to fulfil this pledge, demonstrating its lack of seriousness towards its own sustainability commitments. Since 2009, more than a quarter of all forest loss in the Riau province has been to provide wood for APRIL's mill.¹² As APRIL has not committed to end its involvement in deforestation until the end of 2019, and as its sustainability commitments cover only one company in the group, TPL and RGE related pulp companies will continue to have severe and negative impacts on Indonesia's rainforests.

These negative social and environmental impacts have sparked civil society campaigns globally in support of local campaigns to press these companies to adopt responsible management practices.

We understand that *(bank name)* has developed its own relevant sustainability policies. We are pleased to see that *(bank name)* has a *(name of policy)*, which includes the commitment to *(summary of most relevant commitments)*. We are very interested in learning how you apply these policies and processes to mitigate environmental and social risks with regards to the pulp and paper sector.

In conclusion

We advise that *(name of bank)* ensure that you have no financial relationship and avoid investment in increasing pulp and paper milling capacity by companies associated with illegal activity and environmental and social violations, particularly among APRIL, TPL and their sister companies under the conglomerate RGE group including Asia Symbol.

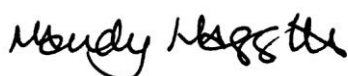
It is our view that responsible investors should avoid all investments in RGE group pulp and paper operations. This position should be held until TPL and the RGE group make and implement commitments to act within the law. We suggest that special caution is taken in relation to the companies controlled by Mr. Tanoto, especially considering the material and reputational risks of their current pulp and paper business and plans for expansion.

As a first step towards sustainability in the pulp and paper industry, the Environmental Paper Network has produced a [Performance Milestones](#) document, indicating the types of actions pulp and paper producers must take to address their environmental and social impacts in Indonesia in order not to be considered as controversial.¹³

We would welcome assurance that *(name of bank)* will not be investing in, or supporting any investment in increased pulp and paper milling capacity by APRIL, Toba Pulp Lestari, Sateri, Florindo or any other companies associated with RGE Group, until the RGE group ends its illegal and unsustainable environmental and social practices and achieves a performance consistent with the EPN *Performance Milestones*.

We look forward to your response, so please feel free to contact us anytime. Please send your reply to merel@banktrack.org.

Yours sincerely,



Mandy Haggith, Co-ordinator, European Environmental Paper Network

Johan Frijns, Coordinator, BankTrack

¹¹ APRIL, 2004 Sustainability Report, 2005, Moving Forward. http://www.aprilasia.com/pdfs/sreport_yr2004.pdf

¹² Eyes on the Forest, APRIL: Riau, Sumatra's biggest forest pulper 2009 to 2012 - questionable legality, social conflicts and global warming, [http://www.eyesontheforest.or.id/attach/Eyes on the Forest%20\(20Dec12\)%20APRIL%20Riau%20Sumatras%20biggest%20forest%20pulper%202009%20to%202012.pdf](http://www.eyesontheforest.or.id/attach/Eyes%20on%20the%20Forest%20(20Dec12)%20APRIL%20Riau%20Sumatras%20biggest%20forest%20pulper%202009%20to%202012.pdf)

¹³ <http://www.environmentalpaper.eu/milestones/>