

## **Update on APRIL's Sustainability Practices**

**21 February 2013**

A number of NGOs have posed questions and made statements about APRIL and our sustainability practices in Indonesia. In addressing this, we wish to reiterate our values and the facts about how we operate.

The term "deforestation" is regularly used by critics to characterise our operations in Indonesia. It is an emotive word that makes good headlines but does not reflect the facts. We believe this word denigrates the considerable work we have done and the care we have taken to balance commercial, social and environmental objectives.

We are not about deforestation. We are about managing land, establishing and harvesting renewable plantations, rapidly re-planting harvested areas and protecting and restoring forest areas with high conservation values.

Significant deforestation in Indonesia stems from illegal logging by unlicensed parties, illegal encroachment into forests through slash and burn farming methods and degradation of land through poor land management practices. We work hard to prevent these impacts.

These illegal activities ignore Indonesia's stringent laws and are resulting in profound forest destruction, including of national parks. This is true forest destruction. Given these realities, it is our view these destructive practices should be the focus of greater efforts to achieve better outcomes by all engaged in civil society.

We comply with all laws and regulations in Indonesia. We also bring shared prosperity to areas where economic development is a fundamental driver in the reduction of poverty and creation of sustainable livelihoods. We do not consider this to be destructive behavior. We are about helping to build economies, support communities and creating a renewable resource.

Over our 19 years of operations, we have strived to implement sustainable forest management practices in Indonesia. Our practices have advanced in their effectiveness as both expectations and science around sustainability have evolved – and we have played a leadership role in many aspects of both. We have learned first-hand what works and doesn't work in implementing responsible forestry practices in Indonesia. We are not about promises, we are about delivering results.

Our contribution to local communities has grown as we have grown.

Our community development programmes have brought livelihood opportunities and improved education, healthcare and infrastructure in the areas where we operate. We believe that the people in these communities have the same right to achieve better standards of living as people in any other community.

Our process of assessing and conserving high conservation value ("HCV") forest areas within our concessions is thorough. This is done before plantations are established, not after the fact.

We have applied the HCV Indonesia Toolkit as the method for those assessments. APRIL has rigorously adhered to these processes.

Our commitment to identifying and protecting high conservation value (HCV) forest has delivered real conservation outcomes. Through 36 HCV assessments conducted since 2005 and application in land use management of government requirements, more than 200,000 hectares of conservation forest and indigenous tree species areas have been set aside in Riau Province alone.

Our HCV assessments are actioned through land management plans that are developed and submitted for approval prior to plantation establishment. This process is time consuming and costly, but we believe is the most diligent and responsible method, and preferable to assessment after plantation work has commenced.

We believe that, in time, the benefits of this meticulous process of plantation development will be acknowledged by stakeholders. We are willing to share our eight years of practical experience in identifying and protecting conservation forest with others in the industry now embarking on this process.

Our land and environmental management commitments continue to advance. We recognize the growing importance of restoring and protecting degraded areas of forest and believe this is an area where APRIL and other companies in the private sector can make a big difference. We continue to see eco-restoration activities as a part of future contributions we can make. We also see it as a new and constructive focus for collaboration between private sector and civil society organisations and we are active in this area.

We are well advanced in the process of completing plantation establishment on our concessions. The land that remains scheduled for plantation establishment is primarily in our Pulau Padang concession, an area which was licensed in 2009 and where HCV areas were designated and set aside over 12 months ago. Once the go ahead to recommence operations at Pulau Padang is given, we will complete plantation establishment on Pulau Padang as soon as possible.

Plantation establishment in that area has been suspended for the past year to allow government-appointed third parties to undertake a process of boundary mapping. The proposal for development of acacia plantations on Pulau Padang has involved extensive local community consultation. While the proposal has the support of 11 of 14 villages in the area, we continue to work on solutions to address the concerns of the remaining three villages.

Our progress over the years in completing the establishment of our plantations has also been slowed by disputes bound to occur in a rapidly developing nation – some involving us and some between third parties that affect us. Rather than push on regardless, we have taken the time to allow proper dispute resolution processes to work – with issues being resolved correctly and within timeframes required in the Indonesia context.

Some see the fact that we still have some of our overall plantation area to clear as a bad thing. However, our rate of conversion, which has been slower than some competitors, reflects the fact we are doing things properly, including HCV assessments, with sustainability at the forefront of our approach, not as an after-thought.

We have been criticized for using mixed hardwood (MHW) sourced from third parties. There are numerous companies in Indonesia that are legally licensed to establish plantations, notwithstanding the moratorium on new licenses which has applied since May 2011. For such companies, clearance of existing forest cover (which is generally in a degraded state) is a legitimate and lawful part of their plantation establishment process.

All fibre sourced by APRIL and used in our mill is from legal sources and this is ensured through rigorous Chain of Custody processes.

APRIL uses its commercial relationships to work with third party suppliers to lift standards in areas such as best practice HCV identification and protection, and design of responsible forestry practices. We continue to review and adjust the standards of practice we require of suppliers.

Indonesia has a wealth of diversity and this is evident in the diversity between and within its communities. Community engagement is therefore a complex process and one size does not fit all in reaching community agreements and resolving conflicts. APRIL's approach to community issues is based on engagement, not conflict. We strictly adhere to and respect all laws and regulations regarding land ownership and land rights in Indonesia.

We encourage local communities to appoint representatives to undertake dialogue and consultation with APRIL. We conduct formal social audits in the areas where we operate to identify community views and need. These audits are factored into stakeholder consultation, community development commitments and agreements and land use management plans. We take a dialogue-based approach to resolving disputes and we cooperate in dispute resolution processes guided by government and other third parties.

We understand that not every individual within communities will be supportive of us. However, each community has the right to form its own view and enter into a legitimate agreement for its benefit and ours. This right should be respected by all parties.

We consider positive engagement as fundamental to good business practices, not least because it creates a stable operating environment. In other words, it is in our interests as a business to do this properly.

We are increasing our stakeholder engagement and communication efforts and have been gathering feedback from a wide range of stakeholders to help inform those efforts. Through this process we have also started work to offer fresh lines of dialogue with NGOs on the issues they have raised. Such dialogue may not always result in agreement, but it will help each party to understand the other's perspective.

Our business requires decisive action on short term objectives but also a long term vision and diligent planning for what is possible for the future. We remain firm and committed to our belief in responsible forestry and to advancing its effectiveness in balancing commercial, social and environmental imperatives. We will not always get everything right but we will continue to learn and enhance our practices. We see fibre plantations as a renewable engine of growth for our business and for the communities where we operate.

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