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**WWF Advisory to Buyers and Investors of
Sinar Mas Group / Asia Pulp & Paper (SMG/APP)**

**WWF-Indonesia
19 December 2017**

Sinar Mas Group's Asia Pulp & Paper (SMG/APP) and its pulpwood suppliers have had a 30-year history of deforestation, wildlife habitat destruction, peat drainage and conflict with local communities related to acquisition of land for wood harvesting and pulpwood plantation development in Sumatra and Kalimantan, Indonesia. In February 2013, APP pledged to halt deforestation under its Forest Conservation Policy (FCP)¹. Since then, APP has announced a policy² to dissociate from suppliers that violate the FCP and in 2014, committed to restore and support conservation of one million hectares of natural forest and other ecosystems in 10 landscapes in Indonesia³ to remedy the past significant conversion of natural forest and damaged High Conservation Values caused by APP's supply chain.

It has been nearly five years after the FCP announcement and more than three years since the one million hectares restoration commitment. Although we have not found any significant deforestation done by APP's wood suppliers, we are concerned by APP's lack of adequate progress on the ground on many elements of environmental, social responsibility and corporate governance, including: continued reliance on plantations on drained peatlands despite new government regulations requiring some of them to be restored; the resultant peat emissions and peat fires; lack of a clear plan and progress to implement its restoration commitment; numerous unresolved social conflicts and lack of full recognition of harm done to local communities; and a serious possibility that APP may default on its zero deforestation commitment due to potential wood supply gap caused by the dramatically increased wood demand since its giant new mill started to operate in South Sumatra⁴⁵.

Since 2013, APP has not commissioned a truly independent verification of its progress made towards its own promised goals. APP has continued to self-declare its progress on implementing various aspects of its policy through communications or marketing campaigns, buyers' trips and its "Stakeholder Advisory Forum" meetings. We consider such self-reporting as biased, insufficient and unreliable. Some of the APP wood supply and products are certified by Indonesian Forestry Certification Cooperation, Indonesian arm of Programme for The Endorsement of Forest Certification (PEFC), however, WWF have concerns over the robustness of PEFC certification standard and actual audits^{6,7}.⁸ APP products are certified by Indonesia's mandatory legality verification system (SVLK), however, legality does not equal sustainability⁹.

While WWF believes that Forest Stewardship Council (FSC) certification is the best way to get independent, and objective verification of a company's performance on environmentally responsible, socially beneficial and economically viable management of forests, this tool cannot be used to verify the performance of SMG/APP companies, affiliates and their wood suppliers. This is because APP was disassociated by FSC in 2007 due to rampant deforestation it had been causing, making it the first among a very small number of the most controversial companies in the world that are disassociated by FSC.



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FSC has recently initiated a process to develop a roadmap for ending disassociation with APP and established a Stakeholder Working Group (SWG) with members from environmental NGOs, including WWF-Indonesia, social NGOs, a workers' union and the private sector. To inform this process and provide guidance to global buyers and investors, the same NGOs, working with additional NGOs and in consultation with the world's key private sector actors, have recently developed and published a set of Criteria and Indicators for assessing and verifying performance of SMG/APP¹⁰ in addressing critical issues on the ground. WWF-Indonesia recommends APP to agree to implement the roadmap once FSC finalize it with inputs from SWG in 2018¹¹.

WWF-Indonesia expects that it will take some time before FSC ends disassociation with APP after the company's roadmap implementation is proven satisfactory. However, ending disassociation does not mean that APP has become a responsible producer – it simply means that the company is out of the black list of the worst companies. WWF recommends that companies and finance institutions do not enter into a new sourcing agreement or investment with SMG/APP until a regular, independent 3rd party verification demonstrates significant progress by SMG/APP companies, its affiliates and global wood supply partners against the NGOs' published Criteria and Indicators which include successful implementation of the re-association roadmap.

WWF, together with local NGOs in the Eyes on the Forest coalitions in Sumatra and Kalimantan will continue monitoring RGE suppliers' operation and inform the public at <http://www.eyesontheforest.or.id>

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¹ Asia Pulp and Paper (5 February 2013) Forest conservation Policy <http://www.asiapulppaper.com/sustainability/vision-2020/forest-conservation-policy>

² Asia Pulp and Paper (May 2014) APP Association Procedure http://asiapulppaper.com/system/files/140207_app_association_procedure_revised_draft_final_0.pdf

³ Asia Pulp and Paper (28 April 2014) APP to support the protection and restoration of one million hectares of forest in Indonesia <http://www.asiapulppaper.com/news-media/press-releases/app-support-protection-and-restoration-one-million-hectares-forest>

⁴ WWF (20 April 2016) Will Asia Pulp & Paper default on its “zero deforestation” commitment <https://www.worldwildlife.org/publications/will-asia-pulp-paper-default-on-its-zero-deforestation-commitment>

⁵ APP (21 April 2014) APP Statement on PT OKI Pulp & Paper Mills <http://www.asiapulppaper.com/id/news-media/press-releases/asia-pulp-paper-group-app-statement-pt-oki-pulp-paper-mills-oki>

⁶ WWF (29 September 2015) WWF queries IFCC/PEFC certification of Indonesian pulp plantations <http://wwf.panda.org/?253664/WWF-queries-IFCCPEFC-certification-of-Indonesian-pulp-plantations>

⁷ WWF (15 February 2012) APP certifiers distance themselves from sustainability claims <http://wwf.panda.org/?203540/APP-certifiers-distance-themselves-from-sustainability-claims>

⁸ WWF (15 February 2012) WWF Questionnaire to Certification Standard Setting Bodies http://awsassets.panda.org/downloads/app_collated_certifier_responses_final_13_february_2012.pdf

⁹ WWF (15 September 2016) Tackling illegal timber trade: Indonesia first country to export licensed timber to EU http://wwf.panda.org/wwf_news/?278190/Indonesia-export-flegt-timber-EU

¹⁰ WWF (1 November 2017) Corporate Governance Performance of Sinar Mas Group (SMG) and Royal Golden Eagle (RGE) Companies-Criteria and Indicator for Assessing and Verifying Performance <https://www.wwf.or.id/en/?61822/Evaluating-the-Environmental-Social-and-Corporate-Governance-Performance-of-Sinar-Mas-Group-SMG-and-Royal-Golden-Eagle-RGE-Companies-Criteria-and-Indicators-for-Assessing-and-Verifying-Performance>

¹¹ FSC (8 November 2017) Stakeholder Engagement Plan <https://ic.fsc.org/file-download.fsc-asiapulppaper-stakeholderengagementplan-v3-7-approved.7053.htm>