

## Asia Pulp & Paper Group (APP) Statement on PT OKI Pulp & Paper Mills (OKI)

21<sup>st</sup> April 2016

Asia Pulp & Paper Group (APP) acquired PT OKI Pulp & Paper Mills (OKI) in 2013 as part of our expansion plan to increase our production capacity responsibly, which is essential for us to continue meeting growing market demands and further strengthen Indonesia's contribution to global trade.

The initial production license for the OKI mill, which was issued by the Capital Investment Coordination Agency (BKPM) and accompanied by an approved Environment Impact Analysis license, was granted for the production of 2 million tons of pulp annually.

The mill will commence production this year at low level and will gradually increase subject to demand and the availability of raw materials. Pulp production and any future increase in production will be subject to the availability of raw materials from our suppliers. The design capacity of the mill is 2.8 million tons per year.

We will continuously monitor and review our production and supply of raw materials to ensure that we adapt our pulp production accordingly based on the available supply of raw materials from our pulpwood suppliers. Our pulpwood suppliers will continue to be bound by all the commitments of our Forest Conservation Policy (FCP) which, amongst other things, includes no clearance of natural forest by our pulpwood suppliers since February 2013.

Protection of natural forests is one of the four critical pillars of the FCP that has been implemented by APP and our suppliers since February 2013. Its goal is to protect and conserve natural forests, ensuring that APP and our suppliers only develop non-forested areas, as identified through independent HCV and HCS assessments, incorporating the implementation of Free Prior & Informed Consent and the work of our Social Conflict Resolution system. We have worked hard to develop a reliable supply of 100 per cent plantation wood for our mills.

Whilst the new mill at OKI significantly increases APP's production capacity, we have been clear that our FCP commitment takes precedence over maximizing our production. We are taking the following steps to ensure that we will be able to achieve optimum production whilst maintaining the commitments made in the FCP:

- 1. Increasing productivity and yield in our plantations:** We are working on increasing yield through improved control of pests and disease. In addition, we are reducing mortality and wastage as well increasing efficiency in our harvesting methods by using mechanization techniques.
- 2. Research into new species:** APP has been conducting research, in partnership with Euroconsult Mott MacDonald, to identify alternative plant species that can provide better yields and thrive in wetter peatland conditions. Several plant species have already been prioritized for this research, and field experiments are scheduled to commence soon.
- 3. Embracing community forestry into our supply chain according to the government regulations and guidelines:** We are planning to strengthen community forest initiatives in our supply chain. The primary objective of these initiatives is to adopt local wisdom, reduce poverty and enhance the alternative livelihoods of communities living in and around our concessions, through

agroforestry, intercropping between plantation trees including pulpwood, cash crops and animal husbandry, as well as reducing risks of further forest degradation and fires.

4. **Sourcing woodchips from global suppliers:** If these measures still prove to be insufficient, then APP will look towards sourcing for woodchips from global suppliers that meet our policy requirements in accordance to our Responsible Fiber Procurement and Processing Policy.

The bottom line is that there is no question in our minds that the commitments we made in the FCP come first. The OKI mill entering into production will not affect our commitment.

On peatland, APP is currently awaiting guidance from the Indonesian government and Badan Restorasi Gambut (Peat Restoration Body) regarding new policies and regulations around the management and restoration of the areas destroyed by the 2015 fires. This is in line with our own commitment towards Peatland Best Management Practices (please see: <http://news.mongabay.com/2016/02/with-haze-threatening-return-indonesian-forestry-giant-pushes-peatlands-restoration-model/>).

We continue to stress that APP will never compromise or lapse on its commitments as we continue to implement the FCP on our journey to help create a more sustainable and responsible business model for ourselves and for the whole of the forestry sector in Indonesia.

**End**

**Note :**

**Brief background on OKI Mill**

The OKI mill is being developed in Ogan Komering Ilir in Palembang, South Sumatra, and has been equipped with the most advanced environmental technology currently available. The mill will be powered by clean and self-sufficient energy generated from the pulp production process and wood bark gasification.

The OKI mill is designed to achieve the highest industry standards on emissions; notably, the mill has been designed to match the criteria of the European Union's Integrated Pollution and Prevention Control (IPCC) Directive. The mill will also create about 10,000 jobs, both directly and indirectly. Our intention is to prioritise South Sumatrans in our hiring policy, in alignment with the Governor of South Sumatra's plan to boost job opportunities and develop the local economy.