

APP's statement on Mighty Earth grievance and next steps

On 19 May 2018, Asia Pulp & Paper (APP) received the grievance submission from Mighty Earth on the acceptance of PT. Korintiga Hutani into APP's supply chain as one-time pulpwood supplier. This was then followed by another grievance submission by Mighty Earth on 24 May 2018 on the acceptance of KTS Timber Sdn Bhd into APP's supply chain as one-time pulpwood supplier.

Since the submission of both grievances, APP has been in dialogue with Mighty Earth to address the concerns of possible violation to APP's '*Association Procedure for implementing a No-Deforestation commitment in APP's Supply Chains.*' Mighty Earth alleges that, under the criteria of the Association Procedure, both PT Korintiga Hutani and KTS Timber Sdn Bhd are 'indirectly involved' in deforestation practices.

APP has highlighted that both companies have passed the Supplier Evaluation & Risk Assessment (SERA) process comprising of twelve indicators which include cut-off date by February 2013, HCV and HCS protection, protection of endangered species, and protection of traditional and civil rights. This was further strengthened by the fact that both companies are FSC Controlled Wood certified. The extensive SERA assessment was done through both desktop research and field visits to the concession of both companies.

Through the dialogues over the past month, APP recognized that there is the need to review its SERA process to ensure the companies within its supply chain are not involved, whether directly or indirectly, in deforestation practices and other unacceptable forest activities (in line with its Association Procedure).

In consultation with Mighty Earth, APP agreed on the following actions point:

1. APP will not consider any future pulpwood supply contracts with either PT. Korintiga Hutani or KTS Timber Sdn Bhd until their links to deforestation issues are addressed.
2. APP will revisit the SERA procedures under the Forest Conservation Policy (FCP) to strengthen its implementation and better align with the Forest Conservation Policy. These revisions will be consulted to the stakeholders through the Stakeholder Advisory Forum, scheduled to be on mid October 2018. Mighty Earth will be part of the stakeholders consulted in this process.

Based on the above, both APP and Mighty Earth have agreed to close the two grievances submitted by Mighty Earth.