



**Rainforest Alliance Public Statement:
Termination of Contract to Verify High Conservation Value Forests (HCVF)
for APP in Sumatra, Indonesia
January 2007**

On July 8, 2005 the Rainforest Alliance entered into agreements with PT Indah Kiat Pulp & Paper Tbk, an Indonesian limited liability company, better recognized as Asia Pulp & Paper or “APP” in Indonesia. The agreements asked for the Rainforest Alliance SmartWood Program to provide independent monitoring on the status and condition of High Conservation Value Forest (HCVF) areas within four concessions managed by the Sinar Mas Group (Pulau Muda, Serapung, Siak, and Bukit Batu). Three of these HCVF areas were identified in SmartWood HCVF assessments in 2004/2005, while the fourth had been identified by WWF.

SmartWood HCVF audits would produce regular reports and deliver a “Verification Statement” that attested to the scope and results of the company efforts in protecting these HCVF areas. In addition, summary reports of the verification work were to be made public. The process was to continue as long as all requirements were being met and evidence demonstrated that agreed to forest within the HCVF boundaries in each concession was being protected.

The first verification audits of the HCVF areas occurred October 4-7, 2005. SmartWood found significant weaknesses with the company’s approach to management that resulted in a lack of protection or conservation of these forests. The results of these audits were the issuance of three (3) Major Corrective Action Requests (CARs) and one (1) Minor CAR – all with a 6 month timeframe to remedy the concerns.

The second verification audits were delayed until September 4-9, 2006, due to the transition in management and staffing at APP and also the Asia Pacific Region Office of SmartWood. SmartWood found equally unsettling concerns with the management and lack of protection of the HCVF areas. Specifically, none of the three (3) Major CARs from the previous audit had been completed, the one (1) Minor CAR from the previous audit was not completed and raised to a Major CAR, and there were four (4) new Major CARs issued due to continued deterioration and changes in the boundaries of the HCVF from those originally agreed upon.

After one complete year, involving two intensive field evaluations, the findings from the verification audits clearly indicate to Rainforest Alliance that the efforts made by APP are insufficient to manage and protect these HCVFs. The company has not demonstrated a comprehensive, consistent or dedicated approach toward conservation management necessary to maintain or enhance the forest ecosystems fundamental to the survival of the HCVs present there. Changes in HCVF boundaries, including some clearing of HCVFs identified for conservation, have occurred, which directly contravenes agreements between APP and the Rainforest Alliance. The company has also not addressed in a consistent or timely manner the Corrective Action Requests (CARs) raised by SmartWood. **As a result, the Rainforest**



Alliance submitted a formal letter terminating the contract with the Company, effective February 17, 2007.

This decision does not mean that the door is shut to APP in Indonesia receiving future Rainforest Alliance HCVF monitoring audits and statements. The Rainforest Alliance would consider re-engaging with the company and re-activating the program if there was commitment to achieve substantive and meaningful HCVF conservation on the part of the company. To do this, the following would need to be accomplished:

- All outstanding CARs have been completed and verified in the forest to the satisfaction of an independent SmartWood auditing team;
- APP has developed and trained an internal team capable of conducting HCVF assessments on all natural forest and plantation blocks using the definition and methodology utilized in prior HCVF assessments;
- APP has completed at least one HCVF assessment in a concession area slated for conversion of natural forest before harvesting takes place and an independent SmartWood audit has verified in the field and approves the assessment of HCVF existing within the concession; and,
- APP puts in place a harvesting moratorium on all company and joint venture concessions within which the conversion of natural forest to plantations are planned to occur until such time as a full HCVF assessment has been completed on that concession and been independently verified by SmartWood.

The Rainforest Alliance welcomes any questions relating to the HCVF verification for APP in Sumatra, Indonesia and the decisions by SmartWood. These can be brought to the attention of the following Rainforest Alliance staff:

- Richard Z. Donovan, Chief of Forestry (rdonovan@ra.org),
- Jeff Hayward, SmartWood Verification Services Manager (jhayward@ra.org), and/or,
- Loy Jones, SmartWood Asia Pacific Regional Manager (ljones@ra.org).

Copies of all SmartWood HCVF assessment and audit reports are made available as soon as they are finalized. These can be found at:

<http://www.rainforest-alliance.org/programs/forestry/smartwood/app.html>