SUSTAINING DEFORESTATION

APRIL’s Links with PT Adindo Hutani Lestari Undercut “No Deforestation” Pledge
Citation

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Executive Summary

In June 2015 APRIL Group, Indonesia’s second largest pulp and paper producer, and its parent conglomerate, Royal Golden Eagle (RGE) Group, adopted policies to have “no deforestation” in their supply chains. APRIL also committed to “no new development by APRIL and its suppliers on forested peatland.” Based on analysis using satellite imagery, this report documents extensive deforestation, including clearance of forests on peatlands, in the concession area of PT Adindo Hutani Lestari (Adindo), one of APRIL’s top five wood suppliers, during the period June 3, 2015 – August 31, 2020. These findings represent significant violations of both APRIL’s and RGE Group’s commitments to stop new development on forested peatlands — and more broadly, they challenge the integrity of the groups’ “no deforestation” pledge.

Deforestation was detected on 7,291 hectares (ha) of land (equivalent to 10,000 football pitches) during a period in which Adindo delivered over 2 million cubic meters of wood (nearly 80,000 truckloads) to APRIL’s pulp mill in Sumatra. The wood Adindo delivered to APRIL was reportedly all plantation-grown species. Yet APRIL’s stated policy is to not accept wood from a supplier that “has knowingly cleared [High Conservation Value] HCV or [High Carbon Stock] HCS forests or forested peatlands.” Over half of the area deforested (3,769 ha) was within areas determined to have High Conservation Value in a 2014 assessment by Tropenbos International, and apparently no HCS assessment has been shared publicly. Almost all of the deforestation that occurred in the HCV areas was in locations designated on the Tropenbos maps as “main planted crop with water management”. It appears that this terminology refers to peatland areas which have been determined to have High Conservation Value and that have been designated by the concession-holder for development of pulpwood plantations. Deforestation was detected on 3,790 ha of carbon-rich peatlands, and a significant portion of the peat areas cleared (2,141 ha) were designated by the Government as “protection function” in 2017.

APRIL describes PT Adindo Hutani Lestari as an “Open Market Supplier” and has publicly depicted Adindo as a third party entity with which APRIL has no legal ties beyond a supply chain relationship. This description is difficult to reconcile with numerous links between PT Adindo Hutani Lestari’s corporate structure and that of APRIL, RGE, and/or its beneficial owners, which are detailed in this report. Adindo’s complex corporate structure – with links to a web of offshore holding companies, many of which are domiciled in low-tax jurisdictions – has the effect of obscuring who ultimately is responsible for the company. The analysis presented in this report strongly suggests that Adindo is ultimately controlled by individuals who are beneficial owners of and/or closely affiliated with APRIL and the RGE Group.

APRIL has sought to assure stakeholders of its compliance with its Sustainable Forest Management Policy 2.0 by commissioning international auditing firm KPMG to produce “limited assurance reports”. Yet neither the latest KPMG “assurance report”, published in July 2019, nor any of the previous ones, indicated that extensive deforestation has occurred within the Adindo concession on HCV areas and peatlands. The apparent failure of the KPMG “assurance reports” to detect and report on this deforestation and peatland development raises concerns about the effectiveness of APRIL’s systems to ensure compliance with its own sustainability policy.

Collectively, these findings raise troubling questions about the manner in which APRIL and the RGE Group’s commitments to “no deforestation” and “no new development on forested peatlands” are being both implemented and monitored. This impacts the integrity of sustainability commitments by downstream users of APRIL’s pulp, including its sister company Sateri, a leading producer of viscose staple fiber (VSF). It is believed that Sateri’s customers, and, indirectly, APRIL’s, include many of the world’s largest fashion brands, “big box” clothing stores, and online retailers.

The organizations publishing this report do not claim or intend to suggest or imply that any individuals, companies, or other entities included in the report have violated the law.
**Recommendations in the report include calling on:**

**PT Adindo Hutani Lestari to:**

- Immediately halt all deforestation and development of peatlands within its HTI plantation concession;
- Release an accountable plan for protecting the 61,334 ha of natural forest that remain standing and for restoring all degraded HCV areas, potential HCS forests and peatland ecosystems (regardless of depth or legal classification) within its concession.

**APRIL Group to:**

- Investigate and publish a public report on deforestation in Adindo's concession during the period since APRIL's SFMP 2.0 took effect on June 3, 2015, with an explanation of how this has gone undetected by APRIL and its sustainability partners until now;
- Fully implement the “no-deforestation” and “no new development on forested peatlands” provisions of the RGE Sustainability Framework and APRIL SFMP 2.0 requiring compliance with the High Carbon Stock Approach and use of Assessor Licensing Scheme (ALS) licensed assessors, and participation in HCV Resource Network’s quality assurance processors to ensure robust identification of HCV areas, HCS forests and peatlands and the use of the Integrated HCV-HCS Approach Assessment Manual;
- Disclose ownership and management structures of Adindo and other “Open Market Suppliers” and publicly clarify all direct and indirect linkages to APRIL, the RGE Group and their beneficial owners.

**KPMG Performance Registrar Inc. to:**

- Conduct an accountable review of documented deforestation and peatland development in HTI concessions operated by PT Adindo Hutani Lestari, and assess apparent violations of APRIL’s SFMP 2.0 commitments.

**Forest Stewardship Council to:**

- Suspend activities related to APRIL’s roadmap for re-association with FSC, at least until independent investigations of documented deforestation in PT Adindo Hutani Lestari and PT Fajar Surya Swadaya are completed;
- Require APRIL Group to provide the same transparency in corporate structure for APRIL, its operating companies, its woods suppliers, and their shareholders and affiliates as FSC has required from APP.
I. Introduction

Among the world's largest pulp, paper and viscose producers, APRIL Group and its corporate parent, the Royal Golden Eagle (RGE) Group, have pledged to have "no deforestation" in their supply chains and to curb new development on forested peatlands from June 3, 2015. Despite these commitments, APRIL has continued to purchase large volumes of wood from a major supplier, PT Adindo Hutani Lestari, which has cut thousands of hectares of rainforest to develop pulpwood plantations on the island of Borneo. The findings in this report raise major concerns about the integrity of APRIL's sustainability commitments, in addition to those of downstream users of APRIL's pulp, including its sister company Sateri, a leading producer of viscose staple fiber (VSF). It is believed that Sateri's customers, and, indirectly, APRIL's, include many of the world's largest fashion brands, "big box" clothing stores, and online retailers.1

PT Adindo Hutani Lestari (henceforth Adindo) has since 2003 held a license to operate an industrial tree plantation (Hutan Tanaman Industri, or HTI) concession spanning 181,837 hectares (ha) in what is now Indonesia's North Kalimantan Province.2,3 Over the last five years, Adindo consistently has been one of the largest suppliers of pulpwood to APRIL's large mill complex at Pangkalan Kerinci in Riau Province, Sumatra. The wood from Adindo's HTI concession is shipped by sea to APRIL's Kerinci mill, which is operated by PT Riau Andalan Pulp & Paper and PT Intiguna Primatama.4

As the analysis in this report shows, from June 3, 2015 – the date on which APRIL's current "no deforestation" commitment came into effect5 – through August 31, 2020, an estimated 7,291 hectares of natural forest has been destroyed within Adindo's concession area. Of the total deforestation, 52% has occurred in areas designated as High Conservation Value (HCV) in an assessment commissioned by Adindo and shared by the APRIL Group.6 More than 50% of the deforestation was detected on carbon-rich peatlands, which are protected under Indonesian law depending on their depth and condition.

This report does not allege that either APRIL or its operating companies has purchased or utilized wood harvested from land clearing associated with the deforestation and peatland conversion documented in PT Adindo Hutani Lestari's concession during the period June 3, 2015 – August 31, 2020. The report also does not allege that the deforestation and peatland conversion documented in PT Adindo Hutani Lestari's concession during the period June 3, 2015 – August 31, 2020 represents a violation of Indonesia's laws or government regulations.

In response to a review of the preliminary findings from this study, APRIL's Head of Sustainability stated, "Based on our internal investigation, we have concluded that there have been no breach of our SFMP 2.0 commitments or any destruction of HCV areas in the plantations established between June 2015 and June 2020 in PT AHL [Adindo Hutani Lestari]." The full text of APRIL’s letter is provided in Appendix E. Similarly, PT Adindo Hutani Lestari’s response to the findings is provided in Appendix D.

1 According to Changing Markets, as of 2019, Sateri’s customers include the companies H&M, Tesco, Marks & Spencer, and others. Many other major clothing retailers do not disclose their viscose suppliers. For the list of Sateri customers and of brands that do not disclose sourcing, see https://dirtyfashion.info/brands.


3 Until 2012, the site where Adindo’s concession is located was part of East Kalimantan. However, in 2012 the province was divided into two provinces: East Kalimantan and North Kalimantan.


6 As discussed below, almost all of the HCV areas where deforestation occurred were labeled as “main planted crop with water management” on the Tropenbos maps, suggesting they refer to peatlands that had been designated for pulpwood plantation development.
II. Methods and data

This study first documents the area of deforestation that occurred in Adindo’s concession during the period June 3, 2015 – August 31, 2020. Deforestation is defined as loss of natural forest cover and is identified using satellite imagery and land-cover classification maps produced by the Government of Indonesia. The study then analyzes the ownership structures of Adindo and its corporate shareholders to identify links to companies and individuals associated with APRIL, the RGE Group, and their beneficial owners. The methods and data used for each part of these analyses are described below.

Analysis of deforestation in Adindo’s concession

Deforestation in Adindo’s concession area was detected using land-cover classification maps published by Indonesia’s Ministry of Environment and Forestry and global tree cover loss data published by the University of Maryland based on Landsat imagery from NASA satellites. To make a conservative estimate of the amount of deforestation that occurred, the Ministry of Environment and Forestry’s land-cover classification maps were overlaid with the University of Maryland’s global tree cover loss data. The Ministry of Environment and Forestry’s land-cover classifications for forest were combined into one indicator.

The University of Maryland’s global tree-cover loss data is published on an annual basis, and the methodology is publicly available and has been widely accepted by the scientific community. The University of Maryland’s GLAD alert system was used in this analysis, instead of the annual tree-cover loss maps, to split 2015 into pre- and post-commitment periods, as well as to extend the analysis into the first half of 2020. Sentinel imagery from satellites flown by the European Space Agency was cross-checked to substantiate the findings, in addition to publicly accessible websites Global Forest Watch, managed by the World Resources Institute (WRI), and the Borneo Deforestation Atlas, published by the Center for International Forestry Research (CIFOR).

Analysis of deforestation in areas determined to have High Conservation Value (HCV) was done by comparing the areas of natural forest clearance during the study period to all areas classified as HCV as shown in the executive summary of a High Conservation Value assessment report for Adindo conducted by Tropenbos International in 2014.

Analysis of deforestation on peatlands was done by comparing the areas of natural forest clearance during the study period to the boundaries of peatland structures as indicated on the Ministry of Environment and Forestry’s national peatlands map published in 2017.

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9 These classifications included: primary forest; secondary forest; primary swamp forest; secondary swamp forest; primary mangrove forest; secondary mangrove forest. In Indonesia, “secondary” forests are degraded forests that often have functioning ecosystems and ecological value.
Analysis of corporate linkages between APRIL and Adindo

The analysis of Adindo's corporate ownership structure is based on a review of the corporate profiles (profil perusahaan) of PT Adindo Hutani Lestari15 and its direct and indirect shareholders. These profiles include lists of shareholders, commissioners, and directors for each of the companies domiciled in Indonesia. The primary source documentation used for this analysis are official corporate registry profiles published by the Directorate General of Public Law Administration (Direktorat Jenderal Administrasi Hukum Umum, hereafter Ditjen AHU), in the Government of Indonesia’s Ministry of Law and Human Rights (Kementerian Hukum dan Hak Asasi Manusia).

For each corporate entity in Adindo’s direct and indirect ownership structure, the composition of majority and minority shareholders was analyzed to identify potential links to APRIL and/or the RGE Group. In cases where equity in one company is held by another corporate entity, the ownership of that holding company was then analyzed to identify such links. In some cases, several layers of holding companies were analyzed to identify the individuals who are the ultimate shareholders. In total, AHU corporate registry documents for 10 companies incorporated in Indonesia were analyzed, and these records are current as of June 30, 2020.

The analysis of connections between Adindo-linked holding companies based in jurisdictions outside of Indonesia and APRIL, RGE Group, and/or their beneficial owners is largely based on data published in the Offshore Leaks Database by the International Consortium of Investigative Journalists (ICIJ). This is composed of data extracted from corporate registries and other documents disclosed in the Offshore Leaks and Paradise Papers.16 Other sources include corporate registries from outside of Indonesia, company prospectuses, and annual reports of RGE-affiliated organizations such as the Tanoto Foundation.

Finally, the registered street address, past and present, for each company domiciled in Indonesia was cross-referenced with known APRIL and RGE Group office locations, such as the group’s corporate headquarters in Jakarta and other buildings in Jakarta and Medan where RGE-affiliated companies have had their offices.

It must be noted that the corporate structure charts included in this report do not include all the officers and shareholders – either current or former – reviewed in the analysis. Also, all claims of documented or apparent linkages among shareholders, commissioners, and/or directors of the companies analyzed in this report are based, at least in part, on the correspondence between the names of individuals listed in the AHU corporate registry documents and the names of individuals reported or alleged to be owners, officers, or employees (current or past) of entities affiliated with APRIL and/or the Royal Golden Eagle Group.

Multiple individuals could hypothetically have the same name, particularly in the case of common names. When possible, birthdates have been matched between corporate registry documents and other sources to minimize the chances of mixing up individuals who have the same names.


III. APRIL Group’s “no deforestation” commitment

At its Kerinci mill complex, APRIL operates one of the world’s largest pulp mills. The mill is able to produce two different grades of pulp: bleached hardwood kraft pulp (BHKP), used in the production of paper and paperboard; and dissolving pulp, used in the manufacture of VSF for synthetic textiles. The Kerinci mill reportedly has a pulp production capacity at least 3.0 million tons per year, and it consumes approximately 13.5 million cubic meters (m³) of wood fiber annually.

From the mid-1990s until the mid-2010s, much of the wood processed at APRIL’s Kerinci mill was ‘mixed tropical hardwoods’ (MTH) sourced from the clearing of natural forests. During this period, APRIL was widely criticized by environmental groups for driving the destruction of tropical rainforests. In August 2013, the Forest Stewardship Council disassociated from APRIL following a complaint “filed by Greenpeace, WWF-Indonesia and Rainforest Action Network . . . accusing APRIL of being involved in large-scale deforestation activities in Indonesia and bringing negative social and environmental impacts to areas with high conservation values.” In recent years, stakeholders have also criticized APRIL for developing plantations on large areas of carbon-rich peatlands, contributing to Indonesia’s fires and significant greenhouse gas emissions; and for engaging in conflicts with local communities living in and around the boundaries APRIL’s supplier concessions.

In June 2015, APRIL’s parent conglomerate, Royal Golden Eagle (RGE), adopted a group-wide “Forestry, Fiber, Pulp & Paper Sustainability Framework,” which prominently includes a commitment to “no deforestation.” This commitment, which was updated in October 2017, applies to all RGE companies worldwide and to all third-party fiber, wood, and pulp suppliers to RGE companies. On June 3, 2015, APRIL Group also adopted a “Sustainable Forest Management Policy (SFMP) 2.0” (hereafter SFMP 2.0).

Under this framework, APRIL pledged that “Effective immediately, APRIL and its suppliers will only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments [. . . and] APRIL will not acquire any new land, or forestry licenses; or receive wood from land licensed to third parties, where after 3 June 2015 the seller has knowingly cleared HCV or HCS forests or forested peatlands.”

In addition, APRIL pledged to “implement best practices on peatland management which support the Government of Indonesia’s target to reduce greenhouse gas emissions, and maintain other conservation values.” More specifically, APRIL committed to “No new development by APRIL and its suppliers on forested peatland.”

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Since 2014, APRIL has convened a Stakeholder Advisory Committee (SAC) to monitor implementation of its sustainability commitments. It has also commissioned KPMG Performance Registrar Inc (hereafter KPMG) to prepare a series of “limited assurance reports” covering “selected performance indicators relating to the implementation by APRIL Group of its Sustainable Forest Management Policy (SFMP) 2.0.”

Figure 1: Prior to APRIL’s SFMP 2.0 commitment, an excavator loads peat logs in PT Adindo Hutani Lestari’s concession area, January 2015

Source: Ulet Ifansasti/Greenpeace
IV. PT Adindo Hutani Lestari’s role as wood supplier to APRIL

Since 2015, when APRIL adopted its SFMP 2.0 commitment, Adindo has ranked among the five largest suppliers of pulpwood (out of over 30 companies) in terms of the volume of wood delivered to APRIL’s pulp mill operating company, PT Riau Andalan Pulp & Paper (RAPP). RAPP reported receiving over one-half million m³ of wood from Adindo in 2016, 2018, and 2019, and almost one-half million m³ of wood in 2017, according to official wood utilization reports submitted by the pulp producer to the Government of Indonesia.24

In total, APRIL’s Kerinci mill obtained over 2.3 million m³ of wood from Adindo during 2015–2019, equivalent to approximately 79,000 truckloads (see Table 1).25 According to the wood utilization reports filed by RAPP, all of the pulpwood that the mill sourced from Adindo during 2015–2019 was classified as plantation-grown wood.

Table 1. Supply of pulpwood from PT Adindo Hutani Lestari to APRIL’s Kerinci mill in Riau Province

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>207,247</td>
</tr>
<tr>
<td>2016</td>
<td>569,006</td>
</tr>
<tr>
<td>2017</td>
<td>474,276</td>
</tr>
<tr>
<td>2018</td>
<td>587,783</td>
</tr>
<tr>
<td>2019</td>
<td>538,041</td>
</tr>
<tr>
<td>Total</td>
<td>2,376,353</td>
</tr>
</tbody>
</table>


25 This estimation is based on the assumption that, on average, each truck delivering pulpwood to APRIL’s mill carries 30 m³ of wood.
V. Deforestation in Adindo's concession

Spatial analysis using satellite imagery indicates that significant forest loss has occurred inside the Adindo concession area after APRIL's SFMP 2.0 commitment went into effect on June 3, 2015. The analysis finds that an estimated 7,291 ha of natural forest (roughly the equivalent of 10,000 football/soccer fields) was cut down between June 3, 2015 and August 31, 2020 (see Figure 2 and Table 2). For three years during the period analyzed – in the second half of 2015, in 2017, and in 2018 – deforestation exceeded 1,500 ha each year. In 2016, 2019, and the first eight months of 2020, deforestation exceeded 500 ha each year. At the end of the period analyzed, as of August 31, 2020, the remaining area of natural forest in Adindo's concession is estimated to be 61,334 ha.

Significantly, this report finds no evidence that Adindo paid royalties on any natural forest timber harvested between 2016 and August 2020, despite the extensive deforestation documented. The Ministry of Environment and Forestry’s publicly accessible database on timber royalty payments indicates that Adindo reported harvesting only acacia, i.e. plantation-grown wood, during this period.26 The royalty fees on natural forest timber levied by the Government of Indonesia are significantly greater than those charged for plantation-grown wood.

For APRIL, not all of the deforestation within Adindo's concession is considered to be a violation of its sustainability policy. APRIL’s SFMP 2.0 commitment limits its prohibition on destroying forests only to areas that have been designated as High Conservation Value (HCV) or High Carbon Stock (HCS) (see section above on ‘APRIL Group’s “no deforestation” commitment’).27 To the best of our knowledge, no HCS assessment has been conducted for the Adindo concession. APRIL does not make one available on its website, nor is any HCS assessment for the Adindo concession readily available in the public domain.28

<table>
<thead>
<tr>
<th>Year</th>
<th>2015 (after June 3)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 (until Aug 31)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deforestation (ha)</td>
<td>1,914</td>
<td>704</td>
<td>1,941</td>
<td>1,519</td>
<td>644</td>
<td>570</td>
<td>7,291</td>
</tr>
<tr>
<td>Deforestation inside HCV areas (ha)</td>
<td>1,418</td>
<td>283</td>
<td>1,262</td>
<td>326</td>
<td>237</td>
<td>243</td>
<td>3,769</td>
</tr>
<tr>
<td>Deforestation on peat areas designated by KLHK in 2017 (ha)</td>
<td>1,444</td>
<td>302</td>
<td>1,325</td>
<td>261</td>
<td>226</td>
<td>232</td>
<td>3,790</td>
</tr>
<tr>
<td>Deforestation on peat designated as protected by KLHK in 2017 (ha)</td>
<td>956</td>
<td>128</td>
<td>911</td>
<td>24</td>
<td>30</td>
<td>93</td>
<td>2,141</td>
</tr>
</tbody>
</table>


Figure 2. Deforestation in PT Adindo Hutani Lestari’s concession during June 3, 2015 – August 31, 2020, and remaining forest as of August 31, 2020

APRIL’s website includes a link to the executive summary of a High Conservation Value assessment report for Adindo conducted by Tropenbos International in 2014 (see Appendix A). This assessment apparently has not been reviewed, nor is it in the process of being reviewed, by the High Conservation Value Resource Network, according to that organization’s website database. (In fact, apparently none of APRIL’s wood suppliers have submitted HCV assessments for review by the HCV Resource Network, despite APRIL being a member of the Network and currently serving on the Management Committee.)

The maps in the Tropenbos assessment were digitized to determine whether any of the deforestation in Adindo’s concession occurred within areas that Tropenbos determined to be HCV. This analysis found that 3,745 ha of deforestation – more than half of the total forest loss in Adindo’s concession – occurred inside HCV areas (see Figure 1 and Table 2). The deforestation inside HCV areas peaked in the second half of 2015 (right after the commitment took effect) and again in 2017. More than 230 ha of deforestation has occurred inside HCV areas in every year since the commitment was made, including the first half of 2020. Almost all of the deforestation detected in the HCV areas was in locations designated on the maps included in the Tropenbos assessment as “main planted crop with water management”. It appears that this terminology refers to peatland areas which have been determined to have High Conservation Value and that have been designated by the concession-holder for development of pulpwood plantations. Adindo’s clearing of natural forest from these areas apparently should have disqualified the company as an acceptable wood supplier for APRIL, as the group’s sustainability commitment states that APRIL will not receive wood “where after 3 June 2015 the seller has knowingly cleared HCV or HCS forests or forested peatlands.”

Some areas do appear to have been deforested to plant oil palm and/or cleared by smallholders. However, the expansion of industrial scale pulpwood plantations is evident from satellite imagery in many of the deforested areas. In some cases, like the northeastern area of land-clearing, the forest was degraded when canals were dug prior to the current commitment coming into effect, apparently to drain the peatlands. The forest loss detected in this area after the commitment began included the degraded forest being cleared of the remaining trees so pulpwood plantations could be developed (see Figure 3). In other cases, apparently healthy forest was cleared during the period after APRIL’s no-deforestation commitment took effect. This appears to be the case in a forested peatland in the northern part of the concession that was apparently cleared for plantation development (see Figure 4).

In its response to these findings, APRIL has claimed: “Between 3 June 2015 and 31 August 2020, 8,387 hectares of plantations were established in PT AHL (Adindo Hutani Lestari). None of these are located in [29 Tropenbos International. 2014. High Conservation Value Assessment summary 2014 of PT Adindo Hutani Lestari. Bogor, Indonesia. https://sustainability.aprilasia.com/en/pt-adindo-hutani-lestari/]
[32 Digitizing a map from a low quality pdf is not best practice for GIS analysis. Without a better option, this method was used and it is acknowledged that it could result in a degree of bias in the results. APRIL and its suppliers are encouraged to make available the maps of HCV areas within their concession boundaries in digital formats for GIS software so that future stakeholder analyses may avoid this bias.
[33 Shortly after APRIL adopted its SFMP 2.0 commitment in 2015, NGO coalition Eyes on the Forest (EoF) published an investigation showing deforestation in Adindo’s concession area after the commitment took effect (see Eyes on the Forest. “APRIL supplier violates new forest policy, peatland forests in Borneo cleared after moratorium issued.” June 22, 2015). APRIL responded at the time that the EoF investigation had mis-identified as deforestation trees that were cut prior to the deforestation cut-off, but not yet removed from the land. The current analysis ensures that areas on which trees were harvested before the cut-off date are not included in the deforestation estimate.
[34 In an interim report published in March 2016, KPMG documented an incident of non-conformance in which “development of forested peatland and associated mixed hardwood harvest occurred on PT Adindo Hutani Lestari’s concession in Kalimantan after the moratorium date imposed in APRIL’s SFMP 2.0.” According to KPMG, “The non-conformance was determined to be minor in nature as it related to a single isolated incident and the area affected was approximately 0.02% of the supplier’s concession area.”
[35 APRIL Group. 2015. Op cit.]}
identified HCV areas. . . . Land preparation for all of the 8,387 hectares of plantations were completed before 15 May 2015, as independently verified by PT Hatfield Indonesia, an environmental consultant with expertise in remote sensing. Hatfield’s analysis confirmed these areas were non-HCV areas and harvested prior to the 15 May cut-off date per APRIL’s SFMP 2.0" (see Appendix E).

**Figure 3. Time series of plantation development on forested peatlands during 2014–2019**

![Time series of plantation development on forested peatlands during 2014–2019](source: Imagery from Landsat)
Figure 4. High-resolution imagery showing forest clearance on peatlands in PT Adindo Hutani Lestari’s concession area between 2016 and 2017

Source: Imagery from SPOT
**VI. Forest clearance on peatlands in Adindo’s concession**

A majority of the forest loss that has occurred in Adindo’s concession since June 3, 2015 – covering 3,790 ha of the total deforestation of 7,291 ha – has been on peatlands, according to the Ministry of Environment and Forestry’s national peatlands map released in 2017 (Figure 5). This figure is striking given that Indonesia experienced catastrophic fires on drained peatlands through the second half of 2015, which produced a noxious haze that covered much of western Indonesia, Singapore, and Malaysia. Remarkably, Adindo’s clearing of forest on peat areas continued in 2016 and peaked in 2017 at over 1,000 ha. In 2018, 2019, and the first half of 2020, clearance of forests on peat areas inside Adindo’s concession remained over 200 ha for each of those years (see Figure 6 for an example of the clearance).

In response to the 2015 fires, the Government of Indonesia issued regulations restricting the development of new plantation areas on drained peatlands and, in some areas, requiring the protection and/or rehabilitation of peatlands depending on their depth and condition. On peat areas that the Government designated as “protection function” in 2017, 2,141 ha of deforestation was detected. Given the shifting nature of the Government’s regulations on peatlands in recent years, however, it is unclear whether any of these areas may have been cleared illegally and/or developed in violation of these regulations. The report does not allege that the deforestation and peatland conversion documented represents a violation of the laws or government regulations.

An additional finding of this analysis is that the HCV assessment conducted by

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**Figure 5. Peatlands and deforestation in PT Adindo Hutani Lestari’s concession during June 3, 2015 – August 31, 2020**

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36 Some of the deforestation recorded on peat “protection function” areas occurred in 2015 and 2016 prior to the Government designating those areas as such in 2017.
Tropenbos in 2014 failed to accurately identify the vast majority of the peatlands inside the Adindo concession (see Figure 5). The Ministry of Environment and Forestry’s national peatlands map published in 2017 identifies 55,492 ha of peatlands within Adindo’s concession boundaries. By contrast, the HCV assessment only identifies 7,693 ha of peatlands inside the same concession area, equivalent to only 14 percent of those documented by the Ministry. As noted above, the Tropenbos HCV maps apparently labeled large portions of the peatland areas as “main planted crop with water management,” without explicitly labeling them as peatlands.

Clearly, the failure to accurately identify such large areas of peatlands raises serious concerns about the validity of the HCV assessment conducted by Tropenbos. The gross under-identification of peatlands in the HCV assessment of Adindo’s concession – coupled with the apparent failure to conduct an HCS assessment for Adindo – raises fundamental concerns about the integrity with which APRIL’s SFMP 2.0 sustainability commitments are being implemented and monitored. After all, APRIL’s entire “no-deforestation” policy depends on identification of HCV and HCS forests. The underreporting of peatlands on Adindo’s HCV assessment and the clearance of peatland forest areas also raises serious questions about the role of APRIL’s Independent Peat Expert Working Group. This group was formed to advise APRIL on improving peatland management across its supply chain.37

More broadly, it is highly concerning that APRIL’s SFMP 2.0 commitments apparently allow the company and its suppliers to clear large areas of natural forest as long as they have not been specifically classified as HCV forest. It has been well documented that even degraded forests often have significant value supporting natural habitats and ecosystems, as well as important cultural values. The High Conservation Value Network highlights this point in its HCV Common Guide: “Note that the absence of HCV alone should not be used to justify the conversion of natural ecosystems; there may be other environmental and social values worthy of protection.”38

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VII. Corporate linkages between APRIL and Adindo

APRIL has claimed that Adindo is an independent company, which supplies wood to APRIL's pulp mill through sales on the open market. But a close examination of Adindo's corporate structure – as detailed in the following sections – shows that the company has significant links with the APRIL Group and its parent conglomerate, the RGE Group. These links are structured through a complex web of holding companies domiciled both in Indonesia and in offshore jurisdictions known to have low corporate tax rates.

**APRIL’s depiction of Adindo as an “Open Market Supplier”**

On maps and documents available at the group's sustainability website, APRIL describes Adindo as one of nine “Open Market Suppliers” (see Figure 7). The APRIL website states that “Open Market Suppliers are fiber suppliers that do not contribute to [APRIL's 1-for-1] commitment” and are contracted for open-market supply purchases. By contrast, APRIL's other wood suppliers, as Appendix B shows, are grouped into the following categories: “PT RAPP-own concessions” (defined as companies owned by “the operating arm of APRIL Group”); “Supply Partners” (defined as “fiber suppliers who are long term partners of APRIL and contribute to its 1-for-1 commitment”); and “Community Fiber Plantations” (defined as suppliers from “communities near and around [APRIL’s] operations”). APRIL describes the supplier list as “audited data as of 31 August 2020”.

Furthermore, the notes from APRIL’s Stakeholder Advisory Committee meeting in July 2018, which are publicly available on APRIL’s website, include the following statement: “Open Market Suppliers: APRIL is not affiliated with them, except ITCI Hutani Manunggal. PT Adindo Hutani Lestari is not part of APRIL Group.”

The full rationale for APRIL’s efforts to convey the impression that Adindo is an independent third-party supplier remains unclear. However, one way that APRIL has used this appearance of independence from Adindo is to distance itself from controversy. In response to a December 2015 investigation by the Eyes on the Forest coalition alleging deforestation and peatland destruction by Adindo, APRIL’s Corporate Affairs Director Agung Laksmana told Indonesia’s English daily *The Jakarta Post*, “PT AHL [Adindo Hutani Lestari] is a third party and short-term supplier of fibre to APRIL Group/RAPP. It is not part of the APRIL Group/RAPP and we do not have any legal relationship with PT AHL beyond a supply chain relationship.”

**Indications of Adindo’s linkages with APRIL and the RGE Group**

Despite APRIL’s efforts to depict Adindo as an unrelated third-party supplier, official corporate registry profiles, data from the International Consortium of Investigative Journalists (ICIJ) Offshore Leaks Database, and other

39 The APRIL sustainability dashboard explains that under APRIL’s 1-for-1 commitment, “the company aspires to conserve or restore one hectare of forest for every hectare of plantation.”
41 APRIL’s SAC stated in July 2018, “Supply Partners: APRIL is not affiliated with them. Investors of supply partner companies are neither employees nor members of APRIL management. As license holders, they manage social and license matters. APRIL provides working capital and plantation financing to suppliers to conduct joint forestry operations. This arrangement allows APRIL to have greater oversight of SFMP 2.0 implementation by supply partners.” SAC Meeting Notes 17-19 July, 2018. https://www.aprilasia.com/images/pdf_files/meeting_updates/13th-SAC-Meeting-Report-17-19-July-2018.pdf.
publicly available information indicate that PT Adindo Hutani Lestari is connected to the APRIL Group and Royal Golden Eagle, APRIL’s parent conglomerate. The indications of a closer relationship include holding companies within Adindo’s corporate ownership structure that were previously registered at RGE’s corporate headquarters in Jakarta and that of Asian Agri, an RGE-affiliated palm oil company based in Medan. They also include commissioners, directors, and shareholders of these holding companies, both current and former, who are identified to be current and former RGE shareholders or employees. These include the founder and Chairman of Royal Golden Eagle, Sukanto Tanoto, and one individual who was reportedly involved in funneling money to offshore accounts as part of the Asian Agri tax evasion scandal.

Holding companies in Adindo’s ownership structure include several registered in offshore jurisdictions, including the British Virgin Islands (BVI), that have been linked to RGE and its Chairman Sukanto Tanoto by legal documents exposed in the ICIJ Offshore Leaks Database. It must be emphasized that there are legitimate uses for offshore companies, and the organizations publishing this report do not claim or intend to suggest or imply that any individuals, companies, or other entities included in the ICIJ Offshore Leaks Database have broken the law in Indonesia or any other jurisdiction. In addition, it must be acknowledged that some information in the Offshore Leaks Database, such as the status of a company and its shareholders, might have changed over time.
**Adindo’s corporate ownership structure**

As of June 30, 2020, Adindo has two direct shareholders according to its corporate registry profile (see Figure 8). The majority shareholder, PT Kreasi Lestari Pratama, owns 60% of Adindo, and itself has three corporate shareholders. Two of PT Kreasi Lestari Pratama’s shareholders are incorporated in BVI and the third is an Indonesian company. Tempo, one of Indonesia’s leading weekly news magazines, described PT Kreasi Lestari Pratama in 2019 as “a subsidiary of Sukanto Tanoto’s APRIL Group.” In a letter sent to PT Riau Andalan Pulp & Paper, one of APRIL’s pulp mill operating companies, in response to the findings of this report, Adindo states that its current shareholders PT Kreasi Lestari Pratama and PT Anugrah Hijau Lestari “are not affiliated with RGE Group.” Adindo’s letter is presented in full in Appendix D.

Adindo’s minority shareholder is PT Anugrah Hijau Lestari, which in turn is owned by two Indonesian corporations. One of these companies – PT Wananugraha Bumi Lestari – has its own HTI concession license for growing pulpwood and is identified by APRIL as a “Supply Partner” for its mill in Riau.

**Figure 8. Partial ownership structure of PT Adindo Hutani Lestari**

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**Legend**

- Majority shareholder
- Minority shareholder
- Wood supplier to APRIL
- BVI companies
- Office was at RGE related address in Jakarta
- Office location was same as Asian Agri and Toba Pulp Lestari

Sources: Corporate registry documents, Ditjen AHU, Ministry of Law and Human Rights.


47 Adindo’s letter to PT Riau Andalan Pulp & Paper is dated September 30, 2020. APRIL provided the letter from Adindo to the civil society coalition publishing this report on October 2, 2020.

Offshore indirect shareholders

**EAST GLOBE LOGISTICS CORPORATION, BRITISH VIRGIN ISLANDS**

Adindo’s majority shareholder, PT Kreasi Lestari Pratama, is controlled by East Globe Logistics Corporation, a company registered in the British Virgin Islands (BVI) (see Figure 9).\(^{49}\) East Globe Logistics Corporation has been an intermediary of East Trade Limited incorporated in Hong Kong, according to the Offshore Leaks database.\(^{50}\) East Trade Limited is listed in an audited financial report as a related party to RGE entity, Sateri Holdings Limited.\(^{51}\) The same financial report declares Sukanto Tanoto to be Sateri Holdings Limited’s beneficial owner.\(^{52,53}\)

**Figure 9. East Globe Logistics Corporation (BVI) in relation to PT Adindo Hutani Lestari**


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49 Kementerian Hukum dan Hak Asasi Manusia. 2020. “PT Kreasi Lestari Pratama.” Corporate Profile. Government of Indonesia. Ministry of Law and Human Rights. Accessed on June 30, 2020. The corporate profile indicates that East Globe Logistics Corporation is based in Hong Kong, but a search of the Hong Kong company registry showed no results for a company under this name having ever existed. A search of public and proprietary databases of corporate information resulted in only one name match, for a company incorporated in BVI.

50 International Consortium of Investigative Journalists (ICIJ). 2020. “East Globe Logistics Corporation.” Offshore Leaks Database. Accessed on August 15, 2020. [https://offshoreleaks.icij.org/](https://offshoreleaks.icij.org/). ICIJ offers this description on its website: “This database contains information on more than 785,000 offshore entities that are part of the Paradise Papers, the Panama Papers, the Offshore Leaks and the Bahamas Leaks investigations. The data links to people and companies in more than 200 countries and territories.”


53 Indonesian Presidential Regulation 13/2018 defines the term “beneficial owner” as “an individual who can appoint or dismiss directors, board of commissioners, managers, supervisors or officers of the Corporation, has the ability to control the Corporation, holds rights to and/or receives benefits from the Corporation, whether directly or indirectly, represents the actual owner of funds or shares of the Corporation and/or fulfills the criteria set forth in this Presidential Regulation.” See President of the Republic of Indonesia, Presidential Regulation 13/2018 on the Application of Principles to Introduce Beneficial Ownership of Corporations in the Framework for the Prevention and Eradication of the Crimes of Money Laundering and the Financing of Terrorism.
The Offshore Leaks Database indicates, as well, that East Trade Limited was an intermediary for 52 other corporate entities as of 2010, at least a handful of which are linked to APRIL Group and/or Royal Golden Eagle (see Appendix C). These companies include those related to APRIL Group like APRIL Fine Paper (Hong Kong) Limited and others related to Sateri Group like Sateri Fujian (Hong Kong) Limited. In addition to this corporate connection, founding Chairman of RGE Sukanto Tanoto and his wife Tinah Bingei are listed as shareholders and directors of Goldwin Assets Limited, which was as of 2010 an intermediary of East Trade Limited, according to the Offshore Leaks Database.

**PACIFIC FIBER LIMITED, BRITISH VIRGIN ISLANDS**

PT Kreasi Lestari Pratama’s second-largest shareholder is Pacific Fiber Limited, a holding company incorporated in BVI, which has also been an intermediary of East Trade Limited (see Figure 10). The Offshore Leaks Database indicates that as of 2010 Pacific Fiber Limited’s shareholder was United Plantations Limited. United Plantations Limited is, in turn, connected to the same group of companies related to APRIL Group and/or Royal Golden Eagle as that of East Globe Logistics Corporation.

**Figure 10. Pacific Fiber Limited (BVI) in the Adindo ownership structure**


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Pacific Fiber Limited is the majority shareholder of PT Pacific Fiber Indonesia, which is incorporated in Indonesia. PT Pacific Fiber Indonesia was registered at the same RGE-linked address in Jakarta as were Adindo's two direct shareholders, PT Kreasi Lestari Utama and PT Anugrah Hijau Lestari (see section below on office locations). Significantly, a report published by researchers at the Center for International Forestry Research (CIFOR) in 2006 states, “Pacific Fiber, a company whose ownership structure is very similar to that of APRIL, purchased the PT ITCI and Adindo [Hutani Lestari] plantations in East Kalimantan in early to mid-2005, according to APRIL officials interviewed for this study.” Currently, PT ITCI Hutani Manunggal is reportedly owned by APRIL Group's beneficial owner, Sukanto Tanoto, through Equerry Company Ltd., an entity incorporated in Seychelles.

**Individuals associated with Royal Golden Eagle**

**SUKANTO TANOTO AND TINAH BINGEI**

The direct majority shareholder of Adindo, PT Kreasi Lestari Pratama, was previously owned, beginning in 1997, by Sukanto Tanoto (see Figure 11), the founder and Chairman of Royal Golden Eagle and APRIL Group, and his wife, Tinah Bingei (see Figure 12). Tanoto is also a former shareholder to two other holding companies in the Adindo ownership structure, and Tinah Bingei is a former shareholder in one of those holding companies as well. Tanoto was a shareholder of Goldwin Assets Limited, which has been an intermediary of East Trade Limited, as of 2010 per the Offshore Leaks.

APRIL's website states, “Asia Pacific Resources International Holdings Ltd (APRIL), is a member of RGE Group which was founded by Sukanto Tanoto in 1973. Under his leadership, RGE Group has grown into a global group employing more than 60,000 people, with assets totaling more than US$20 billion and worldwide sales reach.”

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57 Tanoto reportedly gained control over ITCI Hutani Manunggal between 2004 and 2006 by purchasing 90% of its shares through PT Kreasi Lestari Pratama, which Tempo describes as "a subsidiary of Sukanto Tanoto’s APRIL Group.” In information attributed to ITCI Hutani Manunggal’s Chief Commissioner Sri Widodo, Tempo states that "Equerry is a finance company which is also affiliated with the APRIL Group.” See Adityowati, Putri. 2019. “Tanoto Forest in the Capital.” Tempo English. September 17, 2019. https://magz,tempo.co/read/35927/tanoto-forest-in-the-capital.

58 PT Kreasi Lestari Pratama became a shareholder of Adindo in 2010, after Sukanto Tanoto and Tinah Bingei’s ownership of PT Kreasi Lestari Pratama was transferred to other parties.

59 Sukanto Tanoto and Tinah Bingei’s shares in PT Firdaus Mitra Utama and Sukanto Tanoto’s shares in PT Super Mitra Nusantara Abadi were transferred to other parties prior to those companies controlling, indirectly, shares of Adindo.

Figure 12. Sukanto Tanoto and Tinah Bingei in relation to PT Adindo Hutani Lestari

[Diagram of company relations and ownership structures involving Sukanto Tanoto, Tinah Bingei, PT Adindo Hutani Lestari, and other entities in Singapore, Hong Kong, BVI, and Samoa.]

Legend:
- Majority shareholder
- Minority shareholder
- Former shareholder
- Shareholder (as of 2010)
- Director (as of 2010)
- Intermediary (as of 2010)
- Wood supplier to APRIL
- Offshore companies connected to RGE
- Office was at RGE related address in Jakarta
- Office location was same as RGE and APRIL in Jakarta
- Office location was same as Asian Agri and Toba Pulp Lestari in Medan

Source: Corporate registry documents, Government of Indonesia, ICJ Offshore Leaks.
PT Adindo Hutani Lestari’s minority shareholder, PT Anugrah Hijau Lestari, is controlled indirectly (through PT Wananugraha Bimalestari) by a holding company named PT Asiaraya Panelindo Hutani Lestari. The current Director of PT Asiaraya Panelindo Hutani Lestari is Protasius Daritan (see Figure 14), who is described in the Tanoto Foundation’s 2015 Annual report as, “one of the senior leaders of RGE Indonesia” (see Figure 13). The report explains, “Protasius Daritan was instrumental in leading the early stage of RGE’s community development programs. He advocates collaboration between Tanoto Foundation and RGE companies to leverage impact for the community.” He is a former Director or Commissioner of two other companies in Adindo’s ownership structure, and he is also a former Commissioner of PT Pacific Fiber Indonesia (see above). Protasius Daritan has been connected to other offshore RGE companies and Sukanto Tanoto, according to the Offshore Leaks Database.

Figure 13. Board of Governance of Tanoto Foundation from Tanoto Foundation 2015 report

Figure 14. Protasius Daritan in relation to PT Adindo Hutani Lestari

Source: Corporate registry documents, Government of Indonesia, ICI Offshore Leaks.
HARYANTO WISASTRA

Haryanto Wisasta was the Commissioner of both PT Kreasi Lestari Pratama, Adindo’s direct majority shareholder, and PT Anugrah Hijau Lestari, Adindo’s minority shareholder (see Figure 16). He is the current Commissioner for two other companies in Adindo’s ownership structure, PT Firdaus Mitra Utama and PT Indograha Mandiri. Wisasta was reportedly involved in the tax evasion case of Asian Agri, a palm oil company under the RGE Group which in 2012 was fined Rp 2.5 trillion (approximately $205 million) for carrying out a sophisticated transfer-pricing scheme to evade taxes during 2002–2005 (see Figure 15).

One of the accounts used in Asian Agri’s transfer-pricing scheme was in Haryanto Wisasta’s name, according to court documents.63

Figure 15. Excerpt from the Supreme Court of Indonesia’s verdict in the trial of the tax manager of Asian Agri.


Figure 16. Haryanto Wisasta in relation to PT Adindo Hutani Lestari


DEDY SUTANTO

Dedy Sutanto is the majority shareholder of PT Asiaraya Panelindo Hutani Lestari, through both direct and indirect holdings, which gives him indirect control over a 4% share in Adindo (see Figure 18). Sutanto previously was the President Commissioner of PT Toba Pulp Lestari from February 2008 until October 2009 (see Figure 17). PT Toba Pulp Lestari owns a pulp mill and industrial forest plantation concession licenses in North Sumatra. The company’s ultimate controlling shareholder, according to the financial reports of another RGE company, is Sukanto Tanoto and certain Tanoto family members.

Figure 17. Excerpt from the 2009 Annual Report of PT Toba Pulp Lestari Tbk.

PT TOBA PULP LESTARI Tbk.
CATATAN ATAS LAPORAN KEUANGAN (Lanjutan)
31 Desember 2009 dan 2008
(Dalam Ribuan Dollar Amerika, kecuali Data Saham)

1. U M U M (Lanjutan)

b. Karyawan, Direksi dan Komisaris

Susunan Pengurus Perusahaan pada 2009 dan 2008 adalah sebagai berikut:

<table>
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</tr>
<tr>
<td>Komisaris</td>
<td>: Drs. Sabam Leo Batubara</td>
</tr>
<tr>
<td>Komisaris Independen</td>
<td>: Lundu Panjaitan, S.H, M.A</td>
</tr>
<tr>
<td></td>
<td>: Lennardi Anggijono</td>
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<td>Direktur Utama</td>
<td>: Subhash Chander Paruthi</td>
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<tr>
<td>Direktur</td>
<td>: Juanda Panjaitan, S.E</td>
</tr>
<tr>
<td></td>
<td>: Ir. Firman Purba</td>
</tr>
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<td></td>
<td>: Wilim</td>
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<td></td>
<td>: Anwar Lawden, S.H</td>
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</table>

Komisaris Utama: Dedy Sutanto, S.H, M.Hum
Komisaris: Drs. Sabam Leo Batubara
Komisaris Independen: Lundu Panjaitan, S.H, M.A
Lennardi Anggijono
Direktur Utama: Subhash Chander Paruthi
Juanda Panjaitan, S.E
Ir. Firman Purba
Wilim
Anwar Lawden, S.H


Source: PT Toba Pulp Lestari Tbk. 2010.

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Figure 18. Dedy Sutanto in relation to PT Adindo Hutani Lestari

FERDINAND FLORES

A majority portion of PT Anugrah Hijau Lestari’s shares are owned by a holding company named PT Sumatraprima Perkasasejati. Ferdinand Flores is a minority shareholder of PT Sumatraprima Perkasasejati, giving him indirect control over a 6% share of Adindo (see Figure 19). Flores has been listed as a Director of Enerventure Limited, a holding company incorporated in the British Virgin Islands, according to the Offshore Leaks Database. Enerventure Limited reportedly has been an intermediary of RGM International Pte Ltd., an RGE company incorporated in Singapore that is now named RGE Pte. Ltd.67

The current Director of RGE Pte. Ltd. is Lee Chong, and he is also the Director of RGE Pte. Ltd’s sole shareholder, Peregrine Holdings Limited incorporated in Bermuda.68 According to his LinkedIn profile, Chong has worked at RGE since 2003 and is currently a Business Controller with the Group. Previously he worked for RGE as a General Manager of Human Resources and before that as a Senior Manager on RGE’s Strategic Planning and Corporate Finance team.69 The other Director of RGE Pte. Ltd. in Singapore and Pregerine Holdings Limited in Bermuda is Suwandi Lim. Lim, according to his LinkedIn profile, has worked for RGE Pte. Ltd. for 15 years, having begun as a Corporate Human Resources (HR) Manager, and is currently Head of HR.70

Figure 19. Ferdinand Flores in relation to PT Adindo Hutani Lestari


Addresses associated with Royal Golden Eagle

JALAN TELUK BETUNG NO. 31

Three companies in Adindo’s corporate structure listed, until recently, their address as the corporate headquarters of APRIL Group and Royal Golden Eagle Group at Jalan Teluk Betung No. 31 (see Figure 21) in central Jakarta near the iconic Hotel Indonesia Circle (see Figure 22). This address serves as the head offices of PT Riau Andalan Pulp & Paper, which operates APRIL’s pulp mill in Riau (see Figure 20), as well as the head Jakarta office for Royal Golden Eagle. It is significant that APRIL’s competitor Asia Pulp & Paper was exposed in an Associated Press investigation in 2018 as having a similar practice of incorporating corporate shareholders of its supposedly independent suppliers at the address of its corporate headquarters in Jakarta.

Figure 20. APRIL Group website with address of PT Riau Andalan Pulp and Paper

Source. APRIL. 2020.

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71 It is acknowledged that companies unrelated to the APRIL Group and Royal Golden Eagle Group could, in theory, rent office space at these locations. However, the correspondence of the registered addresses of the companies analyzed and known APRIL and Royal Golden Eagle locations is an important indicator of potential linkages to these groups. When considered together with apparent connections among offshore and Indonesian shareholders, commissioners, and/or directors, the correspondence of registered addresses adds to the likelihood that such linkages exist.


Figure 21. Jl. Teluk Betung No. 31, headquarters for RGE, APRIL Group, and PT Riau Andalan Pulp & Paper in Jakarta

Source: Google Street View, 2020.

Figure 22. Holding companies in Adindo ownership structure that had offices at the headquarters of RGE, APRIL Group, and PT Riau Andalan Pulp & Paper in Jakarta

Legend
- Majority shareholder
- Minority shareholder
- Wood supplier of APRIL
- Office location was same as RGE and APRIL in Jakarta
- Office was at RGE related address in Jakarta
- Office location was same as Asian Agri and Toba Pulp Lestari in Medan

Source: Corporate registry documents, Government of Indonesia.
JALAN TELUK BETUNG NO. 36

Jalan Teluk Betung No. 36 in central Jakarta was, until 2018, the address of Adindo’s two direct corporate shareholders (see Figure 24). The property is located less than a stone’s throw away from the building in which the Royal Golden Eagle Group and APRIL Group have their corporate headquarters (see Figure 23). Several companies known to be affiliated with RGE, APRIL, and/or those groups’ beneficial owners have had their offices at this same address. Some of these companies report their address as Jalan Teluk Belitung No. 31-36, suggesting a connection between the two addresses.

Figure 24. Holding companies in Adindo ownership structure that had offices at Jl. Teluk Betung No. 36, an RGE-related address in Jakarta

Source: Corporate registry documents, Government of Indonesia.

Figure 23. An RGE-related office building at Jl. Teluk Betung No. 36

Several of the companies in Adindo’s ownership structure had, until recently, offices located at the same building as the offices of RGE oil palm producer PT Asian Agri (see Figure 25) and Tanoto-owned PT Toba Pulp Lestari in Medan, North Sumatra (see Figures 25 and 26).

**Figure 25. Asian Agri website with contact information**

**Figure 26. Uniplaza Building in Medan, North Sumatra where the offices of Asian Agri and Toba Pulp Lestari are located**

**Figure 27. Holding companies in Adindo ownership structure that had offices at Uniplaza Building in Medan, North Sumatra (Jl. Letjen Haryono MT No. A-1)**


Source: Corporate registry documents, Government of Indonesia.
Adindo as part of a complex corporate web linked to APRIL and RGE Group

When the corporate ownership data and linkages outlined above are pulled together, it becomes clear that Adindo is part of a complex web linking the company to corporate entities and individuals associated with the APRIL Group and its parent conglomerate, the RGE Group (see Figure 28).

This web involves at least ten companies domiciled in Indonesia and, either currently or previously, registered at addresses associated with RGE and its affiliates. Most of these Indonesian companies are, in turn, owned directly or indirectly by holding companies registered in offshore jurisdictions. At least five individuals who are prominently associated with APRIL and RGE, including Sukanto Tanoto and his wife, are either currently or previously linked to the holding companies with direct and indirect control over Adindo. Viewed in its entirety, this web of interlocking corporate entities and directorates strongly indicates that Adindo is much more closely related to APRIL and RGE than its classification as an “Open Market Supplier” would suggest.

Figure 28. Adindo’s corporate structure

Legend
- Majority shareholder
- Minority shareholder
- Current Director or Commissioner
- Former shareholder
- Former Director or Commissioner
- Shareholder (as of 2010)
- Director (as of 2010)
- Intermediary (as of 2010)
- Wood supplier of APRIL
- Offshore companies connected to RGE
- Office was at RGE related address in Jakarta
- Office location was same as Asian Agri and Toba Pulp Lestari in Medan
- Office location was same as RGE and APRIL in Jakarta
- Pulp mill owned by Sukanto Tanoto

Sources: Corporate registry documents, Government of Indonesia. ICIJ Offshore Leaks.
VIII. KPMG failure to detect violations in Adindo’s concession in “assurance reports”

KPMG reported visiting Adindo’s concession in April 2018, prior to publishing a Report on APRIL Group’s Implementation of Sustainable Forest Management Policy 2.0. KPMG defined its reporting mandate as: “to undertake a limited assurance engagement over the data for 45 performance indicators presented by APRIL in relation to its SFMP 2.0 for the period from January 1, 2017 to December 31, 2017.”

Much of the deforestation inside Adindo that is documented in this report, nearly 2,000 hectares, occurred in 2017. But KPMG’s report, published in July 2018, does not indicate that this deforestation happened. Instead, KPMG appears to indicate that it could not make a determination about whether plantation development in concessions operated by “Open Market Suppliers” occurred on forest areas or those designated as HCV or HCS. KPMG states, “While significant progress has been achieved in acquiring Open Market Supplier data to support performance monitoring under SFMP 2.0, there remain gaps in data availability with respect to: Indicator I.b # of Ha developed by category” (see Figure 29).

Figure 29. Excerpt from KPMG report on implementation of APRIL’s sustainability policy (2018) about Open Market Suppliers

<table>
<thead>
<tr>
<th>Open Market Suppliers</th>
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<tbody>
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<td>While significant progress has been achieved in acquiring Open Market Supplier data to support performance monitoring under SFMP 2.0, there remain gaps in data availability with respect to:</td>
</tr>
<tr>
<td>• Indicator I.b # of Ha developed by category</td>
</tr>
<tr>
<td>• Indicator III.a # of Ha of plantation, conservation and ecosystem restoration on peatland</td>
</tr>
<tr>
<td>• Indicator VI.b # of Ha of APRIL and supplier concessions currently inactive due to unresolved conflicts</td>
</tr>
<tr>
<td>• Indicator VII.a # of fatalities</td>
</tr>
<tr>
<td>• Indicator VIII.a # of instances of fire on concessions by cause – 8 of 10 Open Market Suppliers did not provide the data.</td>
</tr>
</tbody>
</table>

Source: KPMG 2018.

In KPMG’s report, Indicator I.b is described as “# of Ha developed by category (Forested, Non-Forested and HCV/HCS and non-HCV/HCS)” (see Figure 30). It appears that reporting on this indicator would include plantation development that involved deforestation and/or was on HCV or HCS forests. This goes to the core of APRIL’s SFMP 2.0 commitments to engage in “no deforestation” and “no new development on forested peatlands”. So it is concerning that an “assurance report” meant to address APRIL’s implementation of its Sustainable Forest Management Policy would not assess whether suppliers that collectively deliver 29% of APRIL’s overall wood supply complied with these key commitments.

KPMG’s explanation that lack of data availability hampered its ability to assess whether deforestation had occurred on the Open Market Suppliers’ concession areas is unsatisfactory in this context, given the public

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76 In its 2016 report on APRIL’s SFMP 2.0 implementation, KPMG did note a small amount of deforestation having occurred on Adindo’s concession area in 2015: “Development of 39 ha of forested peatland and associated mixed hardwood harvest occurred on PT. Adindo Hutani Lestari’s concession in Kalimantan after the moratorium date imposed in APRIL’s SFMP 2.0 and was subsequently rehabilitated.” (See https://sustainability.aprilasia.com/en/sustainable-forestry-management-policy-2-0/2016-sfmp-2-0-full-assurance-report/).
availability of satellite imagery data, such as Landsat and Sentinel, covering the time period covered in the report. From either APRIL or Adindo, KPMG needed only the concession area boundaries and could source the rest of the data from free, publicly available sources, as coalition publishing this report has done. In fact, members of APRIL’s Stakeholder Advisory Committee, for which the KPMG “assurance report” was apparently prepared, could have seen the deforestation for themselves on the publicly available and user-friendly platforms, such as Global Forest Watch and Borneo Deforestation Atlas.

Figure 30. Excerpt from KPMG report on implementation of APRIL’s sustainability policy (2018) about performance indicators relating to long term sustainability

<table>
<thead>
<tr>
<th>Eight Long Term Sustainability performance indicators were assessed as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I</strong></td>
</tr>
<tr>
<td><strong>Overall objective:</strong> By increasing the productivity of our own plantations and those of our suppliers on our existing plantation footprint and eliminating mixed hardwood from natural forest from our supply chain.</td>
</tr>
<tr>
<td>a.</td>
</tr>
<tr>
<td>b.</td>
</tr>
<tr>
<td>c.</td>
</tr>
<tr>
<td>d.</td>
</tr>
<tr>
<td>e.</td>
</tr>
<tr>
<td>f.</td>
</tr>
<tr>
<td>g.</td>
</tr>
<tr>
<td>h.</td>
</tr>
</tbody>
</table>

\(^1\)High Conservation Value  
\(^2\)High Carbon Stock

Source: KPMG 2018
IX. Conclusion

This report has documented that 7,291 ha of natural forest were destroyed within the HTI concession of PT Adindo Hutani Lestari during the period between June 3, 2015 and August 31, 2020. Over 50% of this deforestation (3,769 ha) occurred in areas designated as High Conservation Value in a 2014 HCV assessment conducted by Tropenbos. Indeed, over 50% of the deforestation (3,790 ha) occurred on peatlands. Almost all of the deforestation in HCV areas occurred on lands classified as “main planted crop with water management”, apparently referring to peatland areas which have been determined to have High Conservation Value and that have been designated by the concession-holder for development of pulpwood plantations. During the period 2015–2019, APRIL’s operating company PT Riau Andalan Pulp & Paper purchased over 2.3 million m$^3$ of pulpwood from Adindo, making the HTI concession-holder one of APRIL’s five largest wood suppliers.

As noted above, this report does not allege that the deforestation and peatland conversion documented in PT Adindo Hutani Lestari’s concession during the period June 3, 2015 – August 31, 2020 represents a violation of Indonesia’s laws or government regulations. However, APRIL’s purchases of wood from Adindo during the period covered by this report appears to be a major violation of the group’s commitment to curb “new development on forested peatlands.” The extensive deforestation documented within Adindo’s concession also challenges the integrity of the “no deforestation” pledge that lies at the heart of the RGE’s Group’s enterprise-wide “Forestry, Fiber, Pulp & Paper Sustainability Framework,” which was adopted in June 2015.

These findings demonstrate that APRIL has failed to meet key components of its pledge that “APRIL and its suppliers will only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments”; and its commitment that “APRIL will not . . . receive wood from land licensed to third parties, where after 3 June 2015 the seller has knowingly cleared HCV or HCS forests or forested peatland.” The findings also undercut APRIL’s pledge that the group will “implement best practices on peatland management which support the Government of Indonesia’s target to reduce greenhouse gas emissions, and maintain other conservation values.”

Furthermore, APRIL’s description of Adindo as an “Open Market Supplier” is difficult to reconcile with the multiple layers of linkages to companies and individuals associated with APRIL and its parent conglomerate, the RGE Group. Significantly, the study was unable to find evidence to indicate that PT Adindo Hutani Lestari has filed a report of its beneficial ownership with the Directorate General of Public Law Administration, as required under Indonesian law.77 Adindo’s complex corporate structure – with links to a web of offshore holding companies, many of which are domiciled in low-tax jurisdictions – has the effect of obscuring who ultimately is responsible for the company. The analysis presented in this report strongly suggests, however, that Adindo is ultimately controlled by individuals who are beneficial owners of and/or closely affiliated with APRIL and the RGE Group.

Collectively, these findings raise troubling questions about the manner in which APRIL and the RGE Group’s commitments to “no deforestation” and “no new development on forested peatlands” are being both

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77 In March 2018, President Joko Widodo issued Presidential Regulation 13/2018, requiring that all companies in Indonesia declare their beneficial owners within one year, i.e. March 2019. As indicated earlier in this report, Presidential Regulation 13/2018 defines the terms “beneficial owner” as “an individual who can appoint or dismiss directors, board of commissioners, managers, supervisors or officers of the Corporation, has the ability to control the Corporation, holds rights to and/or receives benefits from the Corporation, whether directly or indirectly, represents the actual owner of funds or shares of the Corporation and/or fulfills the criteria set forth in this Presidential Regulation.” See President of the Republic of Indonesia, Presidential Regulation 13/2018 on the Application of Principles to Introduce Beneficial Ownership of Corporations in the Framework for the Prevention and Eradication of the Crimes of Money Laundering and the Financing of Terrorism.
implemented and monitored. APRIL has sought to assure stakeholders of its compliance with its sustainability policy by commissioning the international auditing firm KPMG to produce “assurance reports”. Yet neither the latest KPMG “assurance report”, published in July 2019, nor any of the previous ones, indicated that extensive deforestation has occurred within the Adindo concession on forested peatlands. The “assurance reports” also did not indicate that deforestation has occurred in the HTI concession of another supplier, PT Fajar Surya Swadaya in East Kalimantan, which was the subject of a previous deforestation report by the Koalisi Anti Mafia Hutan. The deforestation case has since become the subject of a complaint to the Forest Stewardship Council that was deemed credible and accepted by FSC for further investigation. APRIL has continued sourcing from PT Fajar Surya Swadaya, according to its list of wood suppliers as of August 31, 2020.

The apparent failure of the KPMG “assurance reports” to detect and report on this deforestation and peatland development raises serious concerns about the integrity of APRIL’s systems to ensure compliance with its own sustainability policy. It is striking, for example, that KPMG reported it was not able to obtain adequate data on the number of hectares developed by category (“Forested, Non-Forested and HCV/HCS and non-HCV/HCS”) for APRIL’s “Open Market Suppliers”, which comprise nearly a third of APRIL’s overall fiber supply. Given the importance of these indicators to APRIL’s SFMP 2.0, it is equally striking that KPMG would not seek other sources of data that are independent of the companies being monitored and/or analyze remote imagery of the companies’ forestry concessions, which is widely available in the public domain. In any future reports, KPMG should make a full accounting of deforestation and peatlands degradation in the concessions operated by APRIL’s wood suppliers. As this and past studies show, its work is being independently checked.

For the Forest Stewardship Council, this report should raise concerns about whether some of the same lack of transparency in corporate structure that halted progress with APRIL’s competitor Asia Pulp & Paper (APP) may stymie its increasing efforts to re-engage with APRIL. The FSC’s ongoing baseline assessment of APRIL’s operations to determine the company’s readiness for a roadmap process to end disassociation apparently does not currently include Adindo. If the FSC is using APRIL-defined categories of suppliers to determine its scope of responsibility, this report should set off major alarm bells.

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X. Recommendations

Based on the findings presented in this report, the Koalisi Anti Mafia Hutan makes the following recommendations, calling on:

PT Adindo Hutani Lestari to:

- Immediately halt all deforestation and development of peatlands within its HTI plantation concession;
- Release an accountable plan for protecting the 61,334 ha of natural forest that remain standing and for restoring all degraded HCV areas, potential HCS forests and peatland ecosystems (regardless of depth or legal classification) within its concession;
- File a beneficial ownership report with the Government of Indonesia, as required by Presidential Regulation 13/2018.

APRIL Group to:

- Investigate and publish a public report on deforestation in Adindo’s concession during the period since APRIL’s SFMP 2.0 took effect on June 3, 2015, with an explanation of how this has gone undetected by APRIL and its sustainability partners until now;
- Fully implement the “no-deforestation” and “no new development on forested peatlands” provisions of the RGE Sustainability Framework and APRIL SFMP 2.0 requiring compliance with the High Carbon Stock Approach and use of Assessor Licensing Scheme (ALS) licensed assessors, and participation in HCV Resource Network’s quality assurance processors to ensure robust identification of HCV areas, HCS forests and peatlands and the use of the Integrated HCV-HCS Approach Assessment Manual;
- Disclose ownership and management structures of Adindo and other “Open Market Suppliers” and publicly clarify all direct and indirect linkages to APRIL, the RGE Group and the Tanoto family;
- Comply with Indonesia’s laws on beneficial ownership by declaring the ownership structures, including the ultimate controlling shareholders, of all companies under the APRIL Group, its “Supply Partners”, and any related “Open Market Suppliers.”

KPMG Performance Registrar Inc. to:

- Conduct an accountable review of documented deforestation and peatland development in HTI concessions operated by PT Adindo Hutani Lestari and PT Fajar Surya Swadaya, and assess apparent violations of APRIL’s SFMP 2.0 commitments;
- Review the methodologies used in preparing its “assurance reports” for APRIL and ensure that all future reports include credible assessments, using independent data, to determine whether deforestation and new peatland development have occurred in APRIL’s supplier concessions;
- Review APRIL’s ownership and management links to PT Adindo Hutani Lestari and potential connections to other “Open Market Suppliers”, and assess whether these have been represented in an accurate and transparent manner to APRIL’s stakeholders.

Forest Stewardship Council to:

- Suspend activities related to APRIL’s roadmap for re-association with FSC, at least until independent investigations of documented deforestation in PT Adindo Hutani Lestari and PT Fajar Surya Swadaya are completed;
• Require the APRIL Group to provide the same transparency in corporate structure for APRIL, its operating companies, its woods suppliers, and their shareholders and affiliates as FSC has required from APP;

• Conduct due diligence on how APRIL’s complex corporate structure may pose risks to FSC’s core mission and standards for sustainable forest management.

**Directorate General of Sustainable Forest Production, Ministry of Environment and Forestry, Government of Indonesia to:**

• Review timber production reports and non-tax forest royalty payments submitted by PT Adindo Hutani Lestari to determine whether wood harvested from the natural forest has been properly reported and whether required forest royalties have been fully paid.

**Directorate General of Public Law Administration, Ministry of Law and Human Rights, Government of Indonesia to:**

• Require that PT Adindo Hutani Lestari and its corporate shareholders comply with Presidential Regulation 13/2018, which mandates all companies incorporated in Indonesia to declare their beneficial ownership by March 2019.

**Directorate General of Tax, Ministry of Finance, Government of Indonesia to:**

• Review whether PT Riau Andalan Pulp & Paper’s wood purchases from PT Adindo Hutani Lestari or any of APRIL’s other “Open Market Suppliers” and “Supply Partners” were appropriately reported as related-party or third-party transactions.

The organizations publishing this report do not claim or intend to suggest or imply that any individuals, companies, or other entities included in the report have violated the law in Indonesia or other jurisdictions.
Appendix A. Maps included in Tropenbos International’s 2014 High Conservation Value assessment of PT Adindo Hutani Lestari, as posted on APRIL’s website

Appendix B. “List of APRIL’s Fiber Supply Sources as of 31 August 2020”, as published on APRIL’s website

Appendix C. East Trade Limited’s connections, as shown on the ICIJ Offshore Leaks Database

<table>
<thead>
<tr>
<th>Entity</th>
<th>Role</th>
<th>Incorporation</th>
<th>Jurisdiction</th>
<th>Status</th>
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</thead>
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<td>08-JAN-2004</td>
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<td>EAST ASIA OIL &amp; GAS LIMITED</td>
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<td>Fiber Supply (Hong Kong) Limited</td>
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<td>22-MAY-2008</td>
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<td>Fiber Supply-Furno (HK) Limited</td>
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<td>12-NOV-2007</td>
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<td>FESTIVAL INTERNATIONAL (HONG KONG) LIMITED</td>
<td>Intermediary</td>
<td>25-SEP-2002</td>
<td>British Virgin Islands</td>
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<td>STRONG ELEGANT INVESTMENT LIMITED</td>
<td>Intermediary</td>
<td>18-MAR-2003</td>
<td>British Virgin Islands</td>
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<td>SUPER FIELD HOLDINGS LIMITED</td>
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<td>04-SEP-2005</td>
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<td>Safeco (China) Holding Limited</td>
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<td>03-JUL-2007</td>
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<td>Safeco (China) Holding Limited</td>
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<td>Hong Kong</td>
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<td>UNION ADVANCE LIMITED</td>
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<td>UPCOM LIMITED</td>
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<td>Vestas Holding Limited</td>
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<tr>
<td>INTELLECTUAL FOSTER LIMITED</td>
<td>Intermediary</td>
<td>23-AUG-1997</td>
<td>British Virgin Islands</td>
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<td>INVESTMENT TRUST LIMITED</td>
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<td>Intermediary</td>
<td>23-MAR-2004</td>
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<td>SUPER FIELD HOLDINGS LIMITED</td>
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<td>24-MAR-2005</td>
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</tbody>
</table>

Source: ICU 2020
Appendix D. PT Adindo Hutani Lestari’s letter to PT Riau Andalan Pulp & Paper regarding this report’s findings

PT ADINDO HUTANI LESTARI
Pusat: Menara Batavia Lt 11, Jl. KH Mas Mansyur Kav 126
Jakarta Pusat 10250
Operasional: Jl. Raja Pandita No. 88 B. RT V.Malinau Hulu,
Kec. Malinau Koto, Kab.Malinau-Kalimantan Utara,77554
Tlp. 0553-2022463 Fax. 0553-2022464

Jakarta, 30 September 2020

Nomor : 118/AHL-Dir/IX/2020
Lampiran :
Perihal : Surat Tanggapan

Kepada Yth,
Direksi PT Riau Andalan Pulp And Paper
Di –
Pangkalalan Kerinci.

Dengan hormat,

Menanggapi Surat PT Riau Andalan Pulp And Paper Nomor 103/EXT/LGL-RAPP/IX/2020
tanggal 29 September 2020, dengan ini kami sampaikan tanggapan atau penjelasan
sebagai berikut:

Pertanyaan No. 1:
Kepemilikan sebelumnya oleh Sukanto Tanoto dan Tinah Bingei di dalam struktur
kepemilikan Adindo.

Tanggapan No. 1:
Bahwa struktur kepemilikan saham PT Adindo Hutani Lestari ("Adindo") tidak pernah
dimiliki oleh Sukanto Tanoto dan Tinah Bingei.

Pertanyaan No. 2:
Komisaris, direktur, dan pemegang saham di dalam struktur kepemilikan Adindo saat ini
dilaporkan memiliki hubungan dengan RGE, APRIL dan/atau perusahaan terkait RGE:
Protasius Daritan, Hartanto Wisastra, Dedy Sutanto dan Ferdinand Flores.

Tanggapan No. 2:
Bahwa Protasius Daritan, Hartanto Wisastra, Dedy Sutanto dan Ferdinand Flores saat ini
tidak pernah menjadi komisaris, direktur dan pemegang saham dalam Adindo.

Pertanyaan No. 3
Struktur kepemilikan Adindo mencakup perusahaan dengan alamat yang sama dengan
kantor pusat RGE dan APRIL di Jakarta serta PT Asian Agri dan PT Toba Pulp Lestari Tbk.
di Medan, Sumatera Utara. Selain itu, sebuah kantor yang beralamat di Jalan Teluk Betung
No. 36 di Jakarta tampaknya terkait dengan RGE dan/atau perusahaan afiliasinya.
Tanggapan No. 3:
Bahwa alamat resmi kantor Adindo adalah di Menara Batavia, Jalan KH Mas Mansyur Kav 126, Karet Tengsin, Jakarta Pusat. Oleh karena itu, Adindo tidak pernah berkantor di Jalan Teluk Betung No. 36 Jakarta Pusat.

Pertanyaan No. 4
Pemegang saham tidak langsung Adindo termasuk perusahaan yang didirikan di British Virgin Island (BVI) sebuah kawasan yurisdiksi yang terkenal dengan tarif pajak perusahaan rendah dan persyaratan transparansi yang terbatas untuk kepemilikan dan struktur manajemen perusahaan.

Tanggapan No. 4:
Bahwa kepemilikan saham Adindo oleh perusahaan yang berdomisili di British Virgin Island adalah legal dan sah menurut hukum di Indonesia dan dilakukan semata-mata untuk strategi bisnis dan efisiensi perusahaan nasional maupun internasional.

Pertanyaan No. 5
Data dari Offshore Leaks and Paradise Paper yang diterbitkan oleh Konsorsium Jurnalistik Investigasi internasional (ICI) menunjukkan bahwa pemegang saham perusahaan tidak langsung Adindo pernah terkait dengan perusahaan yang diketahui berafiliasi dengan Group RGE dan/atau perusahaan afiliasinya, serta ketua pendiri dan yang diduga sebagai pemilik manfaat Sukanto Tanoto.

Tanggapan No. 5:
Bahwa pemegang saham Adindo sekarang ini adalah PT Kreasi Lestari Pratama sebanyak 60%, dan PT Anugrah Hijau Lestari sebanyak 40%, dan kedua pemegang saham tersebut tidak berafiliasi dengan Group RGE.

Demikian surat tanggapan ini disampaikan, atas perhatiannya kami ucapkan terima kasih.

Hormat kami,
PT Adindo Hutani Lestari

Amien Mohamad
Direktur
Appendix E. APRIL Group’s response to this report’s main findings

02 October 2020

Mr. Syahrul Fitra
Auriga Nusantara
Bukit Cimanggu City, Greenland Residence
Blok HH.17, No. 16, Bogor, Java Barat

RE: Clarifications on PT Adindo Hutani Lestari

Dear Syahrul,

Thank you for the opportunity to offer clarifications regarding allegations of deforestation or loss of natural forest in PT. Adindo Hutani Lestari (PT. AHL) concessions between June 2015 and June 2020, the ownership structure of PT. AHL, and the KPMG assurance audit process as it relates to PT. AHL.

Based on our internal investigation, we have concluded that there have been no breach of our SFMP 2.0 commitments or any destruction of HCV areas in the plantations established between June 2015 and June 2020 in PT AHL, and we offer comprehensive evidence below to support this.

Deforestation and SFMP Violation Claims

APRIL’s Sustainable Forest Management Policy (SFMP) 2.0 specifically commits to “only develop areas that are not forested, as identified through independent peer-reviewed HCV and HCSA assessments”, and this commitment extends to all of APRIL’s fiber supply chain.

As you note in your letter, PT. AHL completed the requirements of a HCV assessment in February 2014 and an Executive Summary, including maps as shown below (Maps 1 – 4), is available on our Sustainability Dashboard (AHL HCV).

Map 1. AHL Sebakis HCV mapping (2014)
Appendix E (continued)

Map 4. AHL Sesayap Bengara HCV Mapping (2014)

It is important to note that based on these HCV results, PT AHL now conserves 89,181 hectares or 47% of its total concession area. This is almost double the area developed into plantations which total 50,388 hectares or 26% of the concession area. This translates to a very high conservation to plantation ratio of 1.8:1.

We take any claims of deforestation seriously, and after investigation, including ground-truthing, we can confirm that no deforestation or breach of our SFMP 2.0 policy commitment has occurred. The facts are:

- Between 3 June 2015 and 31 August 2020, 8,387 hectares of plantations were established in PT. AHL. None of these are located in identified HCV areas. This is proven by an analysis of the original HCV maps and a comparison of the maps showing the HCV and conservation areas in 2015 and in 2020 based on remote sensing analysis (see Map 5 Comparative Forest Cover 2015 – 2020).
- Land preparation activities for all of the 8,387 hectares of plantations were completed before 15 May 2015, as independently verified by PT. Hatfield Indonesia, an environmental consultant with expertise in remote sensing. Hatfield’s analysis confirmed these areas were non-HCV areas and harvested prior to the 15 May cut-off date per APRIL’s SFMP 2.0. Please refer to Pictures 1 – 4 below for reference.
- Of the 8,387 hectares 6,058 hectares is classified as peat and none of these are on a protected Peat Dome Peak Area (MOEF FEG Map SK.130/2017).
- As with all of our fiber suppliers, PT. AHL is subject to an annual internal due diligence process and independent assurance by KPMG as part of our SFMP commitments. The KPMG audit reports are publicly available (KPMG). PT AHL is also subject to APRIL’s Land Cover Change monitoring system which analyzes monthly Land Sat data for any changes in forest cover.
- As noted in your letter, the plantation establishment activities during the period from 3 June 2015 to 31 August 2020 are in compliance with Indonesian laws and regulations and in line with APRIL’s SFMP 2.0 commitments and HCV guidance.
Appendix E (continued)

Map 5. Comparative Forest Cover 2015 to 2020

Legend
- Bistak Konesai
- LC HCV
- Forest
- Non Forest

Natural Forest Cover, June 2015
Natural Forest Cover, August 2020

Picture 1 - Aerial Survey AHL 30 September 2020
Ownership and Organisation Structure
PT. AHL is a key supplier to APRIL (Supplier Maps), including in the period from 2015 to 2019. We have referred your questions to PT AHL with regards to ownership structure and we attach PT AHL’s direct reply.

KPMG Assurance
We understand that KPMG has also been contacted in relation to this issue and as an independent assurance provider, KPMG will respond independently.
Appendix E (continued)

In the meantime, we offer our clarifications below:

- KPMG undertakes an annual audit under the guidance of the Stakeholder Advisory Committee of APRIL's implementation of its SFMP commitments. The audit is completed against agreed indicators developed with a range of stakeholders.
- KPMG visited PT. AHL as part of its assurance process between April 9 and 12 2018, preceded by a comprehensive desktop review.
- KPMG’s report notes that “For Open Market Suppliers, no new development has been identified to date but not all information has yet been received from the suppliers.” This resulted in an Opportunity for Improvement (OFI#1).
- OFI#1 relates to APRIL’s Land Cover Change (LCC) monitoring procedure which is used to identify new development. KPMG noted that there were still 511 hectares of LCC from Open Market suppliers that had not been verified and that the majority (82%) related to one supplier (not PT. AHL).
- OFI#1 has since been closed with improvements to the procedure and better reporting from our suppliers.
- This assurance report is publicly available [2017 Report] with all the annual reports also available [All Reports].

Given limited evidence provided to APRIL by Auriga, we have compiled our responses based on our internal records and published sources. Should you be able to share any of your supporting documentation for the claims you noted, we would request an opportunity to review these and provide further clarifications. We also invite you to visit PT AHL's operations and ground-truth the data we have provided. Finally, we welcome Auriga’s assurance per your letter that our full response will be included in your final report.

Kind Regards

Craig Tribolet
Head of Sustainability - Operations

Luchia Jasmin
Director of Sustainability & External Affairs
APRIL Group
Appendix F. KPMG Performance Registrar Inc.’s response to this report’s main findings

From: "Ridley-Thomas, Christopher I" <cridleythomas@kpmg.ca>
To: info@auriga.or.id
Cc: "Supin - A28" <supin@auriga.or.id>, "Syahrul" <syahrul@auriga.or.id>
Sent: Friday, October 2, 2020 7:47:25 AM
Subject: RE: Request for clarifying on APRIL Group’s links to PT Adindo Hutani Lestari

Dear Supintri,

thank you for your letter. Our reports are issued to the independent Stakeholder Advisory Committee (SAC) of APRIL and we have therefore forwarded your letter to the SAC’s attention.

We would be happy to forward any additional information you can provide as we note that no specific evidence of new development was attached with your letter.

Regards

Chris Ridley-Thomas
Partner, Sustainability
KPMG LLP