

WWF Calls on U.S. Retailers to Demand Paper Giant APP Stop Unsustainable Logging

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Habitat of Endangered Sumatran Elephants, Tigers Being Logged by APP

Washington - World Wildlife Fund today called on U.S. retail customers of Asia Pulp and Paper, one of the world's largest paper companies, to demand that the company stop unsustainable logging operations. APP and its affiliates are clearcutting one of the world's most biodiverse and threatened forests in Indonesia, WWF said.

APP produces copier paper, student notebooks and other paper products sold in some of the world's largest retail stores. Some of that paper comes from APP's clearcutting of Sumatran rainforest, among the most species-rich forest in the world and vital habitat for Sumatran elephants and tigers. The Indonesian government recognized the importance of the forest last week by pledging to make part of it, known as Tesso Nilo, a national park.

In stark contrast to the progress represented by the government pledge, a six-month negotiation between WWF and APP ended yesterday without an agreement on a sustainability action plan to provide added forest protection. Some of APP's U.S. retail customers, including Office Depot (NYSE: ODP) and Staples Inc. (Nasdaq: SPLS), have supported WWF's negotiations with APP.

"The ongoing harvesting of Sumatra's rare and vulnerable natural forests and the resulting negative effects on endangered species are inconsistent with our corporate values and environmental policies," Office Depot Director of Environmental Affairs Tyler Elm said. "We communicated our concerns directly to APP; specifically, that as of January 19, 2004, Office Depot would no longer source product from APP until there was tangible evidence of a sustainable source."

WWF said it would begin approaching more of APP's retail customers and creditors and asking them to demand that the company immediately implement a sustainability action plan. WWF also called on APP to impose an immediate moratorium on harvesting natural forests while social and environmental impact studies are carried out.

"APP has failed to produce the kind of plan that the international community should expect from a responsible company. We're asking retail customers who buy from APP to consider how their purchasing affects the forest and the endangered Sumatran elephants and tigers that live there," said Tom Dillon, director of WWF's Species Conservation Program.

"APP's logging has wiped out habitat for Sumatran elephants, which are now often forced to raid crops for food. This results in clashes with farmers and local communities, and elephants are being captured and sometimes killed."

In August 2003, APP and its parent company, the Sinar Mas Group, signed a letter of intent agreeing to prepare an action plan for the next 12 years on the sustainability of APP's wood

supplies and the conservation of forests of high social and environmental significance. The companies own significant logging concessions in the forests of central Sumatra.

WWF said some progress had been made and is pleased that APP has agreed to set aside a portion of its holdings as a protected area. But the company's proposed plan failed to consider the crucial role of forests in watershed protection and climate regulation and as habitat for key species. And APP is still proposing to cut 445,000 acres of natural forest over the next two years. Sumatra has one of the highest rates of forest loss in the world. "APP needs to rethink its plans to ensure the company is part of the solution to Indonesia's social and environmental concerns, not a part of the problem," added Dillon. "We're confident that more of the company's corporate customers will join with us to reinforce that message."

Notes to Editors: Asia Pulp and Paper Company Ltd (APP), headquartered in Singapore, is the holding company for the pulp and paper interests of the Sinar Mas Group, one of Indonesia's largest business groups. APP is ranked 10th among the world's paper and packaging companies.

APP, owned by the Widjaja family, has been struggling for three years to reschedule a US\$13.9 billion debt divided among its companies in China and Indonesia. The Indonesian Bank Restructuring Agency (IBRA), who was APP's largest single creditor with US \$880 million owed, signed last year a restructuring plan for the debts owed by APP's four Indonesian units.

So far, only 40 percent of the creditors agreed to the scheme, which gives APP up to 22 years to repay its debts. To be effective, it needs 90 percent of creditors to sign up. IBRA later sold the debt to Orleans Investment of the U.S. for the heavily discounted price of \$213 million.

WWF first urged APP to develop and implement a sustainable wood supply plan following publication of a report by Friends of the Earth on the company's devastating effects on Sumatra's forests in 2001. APP subsequently hired a consultant to develop such a plan but refused to stop converting natural forests under its control. When APP failed to meet several agreed upon deadlines, WWF asked for a moratorium on clearing natural forests in sensitive peat swamp habitats. In August 2003, WWF, APP and the Sinar Mas Group signed a letter of intent under which APP and SMG agreed that "conservation value assessments should take place before forests are converted to acacia plantations so that identified values can be conserved"; "to fully comply with national laws"; and "to resolve land disputes with communities"; among others.

APP refuses to use HCVF (High Conservation Value Forest) assessment, which is internationally recognized, and refuses to impose temporary moratorium on natural forests under its control while the HCVF assessment is being conducted.