

Fepco International's responses to Earthsight and Auriga Nusantara's findings in *Risky Business*

First response, 4 August 2025

Thank you for your letter dated 21 July 2025. We appreciate the opportunity to respond to the concerns raised in your research, and we welcome the dialogue ahead of your forthcoming publication.

Below, we address your key findings and questions, and clarify Fepco's sourcing policies, due diligence procedures, and actions taken:

1. Knowledge of Timber Origin (by Concession)

Fepco sources timber exclusively from suppliers whose products meet the requirements of the EU Timber Regulation (EUTR). All our Indonesian plywood imports are covered by validated FLEGT licenses under the so-called "greenlane" regime.

In addition, Fepco uses third-party verification services for EUTR purposes to assess supply chain integrity, verify documentation, and strengthen risk mitigation across high-risk sourcing countries. The scope of the services to Fepco has been extended to include EUDR compliance.

As we are actively preparing for the EU Deforestation Regulation (EUDR) we decided in 2024 to switch completely to 100% PEFC certified plywood from PT Korindo Ariabima Sari and to gradually transition our purchases from PT Kayu Multiguna Indonesia to 100% FSC certified plywood. Our Indonesian suppliers are now required to provide identifying information on the forest management unit (FMU) of origin, as well as harvesting licenses.

In line with EUTR and EUDR principles, we maintain this information in our internal due diligence system developed in line with a framework setup by an official monitoring organization.

- PT Korindo Ariabima Sari: According to Korindo's statement (28 July 2025), all logs used for plywood supplied to Fepco were sourced from two PEFC-certified concessions in South Papua (e.g., 6,755 m3 in 2024), with no material originating from PT Indosubur Sukses Makmur.
- PT Kayu Multiguna Indonesia: Since September 2024, Fepco has sourced a steadily increasing volume of 100% FSC-certified plywood from Kayu Multiguna. It's our firm intention to transition to a fully FSC-certified supply chain with this supplier. The traceability of all FSC-certified materials is directly linked to certified forest concessions with strict segregation from non-certified inputs.
- PT Basirih Industrial: The cooperation with this supplier has been fully terminated.

2. Certified vs. Non-Certified Imports

All imports of timber from Korindo and Multiguna under FSC or PEFC claims were based on valid certificates. For Multiguna, this includes FSC-certified plywood under strict separation protocols.

We have not marketed or declared any non-certified imports as FSC/PEFC-certified.

3. Confidence in Supply Chain Integrity

Based on the information received:

- We recognize that Korindo unknowingly received logs from a trader sourcing from PT ISM. Korindo has initiated a grievance investigation and has committed to transparency and

corrective action if non-compliance is confirmed.

- Kayu Multiguna has rebutted claims of on-site observation in November 2024, citing a verified factory fire that precluded all access. They also clarified that any material from PT Indosubur Sukses Makmur referenced in your report was part of third-party commission work for India, handled separately from EU trade, with no mixing involved.

Given these clarifications, we believe there is no basis to conclude that the uncertified and certified products Fepco imported from these companies were contaminated with deforestation-linked wood.

4. EUDR Compliance Systems

Fepco is actively working toward full compliance with the EUDR by 30 December 2025. Our measures include:

- Mapping suppliers and harvest plots at the geolocation level.
- Utilizing third-party verification tools such as Global Forest Watch.
- Documenting legality, sustainability, and non-deforestation status for all imports.
- Supporting suppliers in developing grievance mechanisms, transparency policies, and internal traceability systems aligned with EUDR standards.

5. Deforestation-Free Sourcing Policy

Our updated sourcing policy, in line with EUDR, prohibits sourcing from any supplier involved in deforestation or forest conversion, irrespective of legality. The policy will require:

- Supplier declarations of zero deforestation.
- Verified segregation of certified and non-certified materials.
- Termination clauses for any breach of these principles.

6. Follow-Up Actions

Following your letter:

- We have requested updates from Korindo on the status of their grievance process.
[redacted]
- We will expand our supplier assessment procedures to include scrutiny of non-Fepco-related activities and apply termination clauses in the event of non-compliance.

Independent Third-Party Verification

To strengthen our risk assessment and due diligence processes beyond legal compliance, Fepco engages an independent third-party verification partner. They support us by:

- Verifying supply chain documentation and timber origin data,
- Flagging inconsistencies or risks in declared sourcing pathways,
- Assisting with supplier engagement and corrective action where needed.

This partnership enables us to assess not only legality and certification status, but also the credibility and consistency of supplier claims.

We are committed to continuously improving the robustness and transparency of our supply chains, and see third-party verification as an essential element of responsible timber sourcing under both EUTR and the upcoming EUDR.

Email from Earthsight and Auriga Nusantara to Fepco International, 12 August 2025

Many thanks for your response to our letter. We would like to follow up with a few further questions and points of clarification.

- We note that Fepco has fully terminated its cooperation with PT Basirih Industrial. Could you clarify when the contract was terminated and the reason for termination?*
- We note your comment about PT Korindo Ariabima Sari unknowingly receiving logs from a trader sourcing from PT ISM. However, we would question this given that PT Korindo Ariabima Sari explicitly declared PT ISM as a source of logs in its RPBBi documents (Rencana Pemenuhan Bahan Baku Industri, or Industrial Raw Material Fulfilment Plan) in 2022, 2023 and 2024.*

An RPBBi is a mandatory document required by the Indonesian Ministry of Environment and Forestry for wood-processing industries outlining how a company sources its raw materials. These documents offer detailed insights into each company's raw material supply, including the names of suppliers, the types of supplier, and the volume of wood supplied in cubic metres. Crucially, they disclose the volume of timber obtained from land clearing (as opposed to selective logging) and identify the specific concessions from which this timber originated.

Please find attached an annotated copy of PT Korindo Ariabima Sari's 2024 RPBBi, which informed our analysis. I have also attached PT Korindo Ariabima Sari's 2023 and 2022 RPBBi documents for your reference. These documents indicate that PT Korindo Ariabima Sari has knowingly bought logs from PT ISM since 2022.

- Thank you for sharing information on your updated sourcing policy. Is the full policy available to read? Could you please clarify how your policy defines a company as being "involved in" deforestation? Would this include any supplier buying deforestation timber?*

Thank you for your attention to this matter. I look forward to your response and would appreciate updates on any decisions you may take, so we can accurately reflect these in our report.

Second response, 13 August 2025

Thank you for your response and for your additional questions and comments. Given the complexity of the matter, we kindly ask for some time to further discuss this with Korindo.

Regarding PT Basirih Industrial, there is no specific contract that has been terminated. In early 2024, we made a strategic decision to work with factories that can supply us with FSC- or PEFC-certified materials. Accordingly, we also do business with PT Mujur (PEFC) and PT Kayu Lapis (FSC).

We will get back to you on the remaining questions.

Third response, 29 August 2025

We would like to keep you informed that we are continuing to work on the matter you raised.

Regarding our internal procedures, these are aligned with the model provided by GD Holz, one of the federations of which Fepco is a member. In addition, Fepco has for several years engaged the services of Track Record Global, a specialist in supporting companies with EUTR compliance and, shortly, EUDR as well.

Taken together, we believe this provides us with a solid framework for due diligence. Our due diligence is primarily based on gathering information in relation to Fepco's purchases. At the same time, based on the information you have shared, we fully recognize your ability to conduct in-depth, local research in Indonesia. We therefore wonder whether it might be possible to draw on your expertise in some form in the future.

In this regard, we would particularly welcome potential support from Earthsight or Auriga with respect to matters not directly related to Fepco's own purchases but of course related to the specific suppliers we have. Could you let us know what forms of collaboration might be possible from your side, and under what conditions you might be open to engagement?

Email from Earthsight and Auriga Nusantara to Fepco International, 26 September 2025

Regarding our upcoming report on high-risk supply chains of Indonesian timber, which we plan to release in October, I'd like to once again give you an opportunity to comment on the following points, which we plan to include in the report.

We understand that PT Korindo Ariabima Sari has stated that all wood products sent to Europe, including to Fepco International, were produced using wood from PEFC-certified concessions in South Papua, not from PT Indosubur Sukses Makmur. However, it appears that in 2024, Fepco purchased non-certified wood products from two other Indonesian suppliers, PT Kayu Multiguna Indonesia and PT Basirih Industrial. Do you know in which concessions the wood in these shipments was harvested?

We understand your timber sourcing policy prohibits sourcing from a supplier "involved in deforestation or forest conversion, irrespective of illegality." Can you confirm how you define a company being 'involved in' deforestation? We would argue that a timber supplier that sources a proportion of its logs from deforestation is 'involved in' deforestation, and should therefore be excluded on this basis.

We would very much like to include your company's response on these points in our report, along with any further actions you may be taking in response to our research findings.

Fourth response, 6 October 2025

Thank you for your message and for the opportunity to comment on the draft findings. We appreciate the chance to clarify a number of points.

1. Wood sourcing and suppliers

We can confirm that all wood products supplied by PT Korindo Ariabima Sari to Fepco International are sourced from PEFC-certified concessions in South Papua. Regarding your reference to PT Kayu Multiguna Indonesia (KMGI), for 2024 and before, we relied on the legality documentation made available to us by the Government of Indonesia, in

close cooperation with the European Union, under the SVLK/FLEGT licensing system. Over time, and despite the slow and uncertain progress of the EU in implementing the EUDR framework, we have nonetheless evolved towards purchasing exclusively from independently certified sources. We now purchase FSC-certified material from PT Kayu Multiguna Indonesia and PEFC-certified material from PT Korindo Ariabima Sari.

2. Timber sourcing policy

Our timber sourcing policy prohibits sourcing timber originating from deforestation, or from suppliers involved in deforestation or forest conversion, irrespective of legality. In our definition, “involved in” refers to direct responsibility for such activities through ownership or active management of concessions where deforestation is taking place. We note your broader interpretation of the term and will take this into account in our ongoing policy reviews.

3. Next steps

We continuously evaluate our supply chain to identify risks and strengthen safeguards. As part of this, we are reviewing our due diligence procedures, including concession-level traceability, to ensure alignment with international best practices and to go beyond upcoming regulatory requirements.

We would also like to highlight that, in our recent exchanges, we have asked whether we may draw on your expertise in the future to further strengthen our due diligence processes. We believe constructive dialogue with stakeholders such as Earthsight and Auriga can play a valuable role in continuously improving our safeguards.

Finally, we would appreciate it if you could share with us the relevant sections of your upcoming publication prior to release, so that we are aware of how our company and responses will be represented. We understand that this may not include an opportunity for further comment, but we would nonetheless value the transparency.