

**TFT Progress Report on Asia Pulp & Paper Group (APP)
Forest Conservation Policy Commitments
Reporting period: July, August and September 2013
Date: 18 October 2013**

This is the fourth update report by TFT on APP's progress toward meeting its Forest Conservation Policy (FCP) commitments made on February 5th 2013 as part of its [Sustainability Roadmap Vision 2020](#).

This report covers activities undertaken throughout July, August and September 2013. Earlier progress reports can be viewed [here](#) (3rd report), [here](#) (2nd report), and [here](#) (1st report).

Section 1: Overview of key activities in the reporting period

➤ **Moratorium on natural forest clearance**

Following a moratorium breach within PT. Riau Indo Agropalma (RIA), an urgent review (and subsequent TFT investigation) identified a potential moratorium breach within PT. Bina Duta Laksana (BDL) in Riau. Both the PT. RIA and BDL cases involved agreements with the local communities to develop the areas that pre-dated the moratorium. A breach of APP's no new peatland development policy was confirmed in the BDL concession. Ongoing FCP monitoring by TFT and APP identified a further moratorium breach in South Sumatra with the concession of PT. Bumi Andalas Permai (BAP), PT. Sebangun Bumi Andalas (SBA), and PT. Bumi Mekar Hijau (BMH). APP self-reported this moratorium breach on September 2013, and the full report is available via APP's FCP Monitoring Dashboard [here](#).

➤ **Focus Group Discussion – PT RIA moratorium breach**

On July 18th, TFT facilitated an APP Focus Group Discussion (FGD) to enable relevant stakeholders to provide input on the recommendations and action points put forward in the TFT RIA Verification Report. APP's FCP and natural forest clearance moratorium were discussed, including the future of the RIA land allocated to community-use. Participants included APP, SMF, TFT, RIA, NGOs, local community representatives, the Village Head and District and Provincial Forestry Officers. The participants agreed to meet again once the HCV/peat and HCS assessment are completed.

➤ **Natural Forest Wood (NFW) – also known as Mixed Tropical Hardwood (MTH) monitoring:**

As of 1st September 2013, APP's pulp mills were no longer accepting NFW cut prior the February 1st moratorium. NFW processing and stock inventory figures show the following;

- The final volume of pre-February 1st NFW was 1,606,911.61 m³ after all NFW from the field had been extracted, stacked and measured, as well as estimate variations used in the February Stock Inventory (SO) analysis were assessed.
- Of a total 1,606,911.61 m³ of NFW verified through the SO, 899,663.12 m³ had been received by APP's pulp mill mills by the August 31st 2013 deadline.
- Of the remaining NFW, APP suppliers have sold 46,493.94 m³ to 3rd parties, 56,347.27 m³ has been allocated for internal use (e.g. infrastructure used with concession areas),

handling losses within the concession areas account for 60,826.13 m³ (e.g. losses due to log breakage, decomposition); and

- 543,581.15 m³ of NFW still remains stockpiled at APP's supplier concessions and did not meet the August 31st deadline to be received by APP's pulp mills.

APP has asked NGOs and stakeholders for their input on alternative uses for the 543,581.15 m³ of NFW stockpiled at APP's supplier concessions (i.e uses that don't involve APP pulping this NFW at its pulp mills). Updates on the final resolution of this remaining NFW will be provided via the [dashboard](#).

NFW that is already in APP pulp mills' log yards will be processed, and the details of it will also be provided via the dashboard.

➤ **FCP online monitoring**

An updated version of APP's online FCP dashboard monitoring tool was developed and went live in the first week of September. It is now the subject of stakeholder input and feedback until late-October 2013. Input and feedback will inform the development of a version 2, to be launched in early 2014. The monitoring tool allows stakeholders to monitor APP's progress in implementing the FCP commitments. It was developed with the support of TFT as part of TFT's SURE Technology™ platform.

➤ **Third-party monitoring and stakeholder engagement**

APP's Independent Observer (IO) programme continued in the second half of September with a monitoring check of APP's natural forest moratorium boundaries. The check confirmed that the moratorium is holding, with the exception of the minor contraventions already publicly reported (above and below). During the monitoring, Observers provided input on how APP can better ensure the moratorium remains intact; most notably through improved APP communication with local communities.

➤ **Policy integration – China**

In previous TFT reports, we drew attention to the preparation of the general policy structure at APP-China. This involved integrating the FCP and the Responsible Fibre Procurement and Purchasing Policy (RFPPP) into other APP-China social and environmental policies. TFT and APP-China have now finalised the policy structure and APP-China has distributed all policies to its business units and forest concessions for integration into their daily operations.

Section 2: Moratorium Status

APP pulpwood suppliers' concession area covers more than 2.6 million hectares across Indonesia. The natural forest clearance moratorium is in place across all of APP suppliers' concessions. In this reporting period, there were 2 moratorium breaches found, both of which were self-reported by APP/TFT in September 2013.

Moratorium areas – PT BDL and PT SPM

Following the confirmation of a moratorium breach at PT Riau Indo Agropalma (RIA) – reported in TFT’s 3rd Progress Update – APP’s Joint Steering Committee (JSC) ordered an urgent review to determine whether other similar cases related to previous agreements with local communities that could threaten APP’s moratorium or implementation of its FCP. As a result of that review process, two pulpwood suppliers of APP – PT. Sekato Pratama Makmur (SPM) and PT. Bina Duta Laksana (BDL) in Riau – were identified as having agreements with local communities.

A subsequent TFT and APP investigation confirmed that no breach of the moratorium had taken place at PT SPM. At PT BDL, an area of 27.8 hectares had been cleared after the February 1st moratorium – however the investigation was not able to determine whether the area was previously HCS forest due to the fact that HCS (and HCV) assessments were ongoing in this area.¹ The area cleared was however on peatland thereby making it a breach of APP’s FCP policy on new peatland development.

The 27.8 hectares of peatland was developed because, like in the RIA case, the FCP Implementation Team has wrongly approved the continuation of development for community use under the government’s community livelihood area programme (TK) without prior consultation with the JSC. As in the RIA case, the FCP Implementation Team mistakenly assumed that if all the criteria for TK development were met, including the legal obligation to develop the area, it could therefore be cleared.

Moratorium areas – South Sumatra region

In addition to the specific audit resulting from the RIA case, ongoing monitoring of FCP implementation by TFT and APP identified a moratorium breach in one of its supply regions in South Sumatra: PT. Bumi Andalas Permai (BAP), PT. Sebangun Bumi Andalas (SBA), and PT. Bumi Mekar Hijau (BMH).

A total area of 69.45 hectares of High Carbon Stock (HCS) forest was wrongly cleared in BMH, BAP and SBA after 1st February 2013, a result of land clearance in an area marked as a “No Go” zone during a pre-assessment phase of activity. APP requested that this pre-assessment be done in South Sumatra to identify ‘low risk’ areas for ongoing plantation development in order to meet future pulpwood demand. Areas identified as “No Go” were awaiting full HCV, HCS and peatland assessments. A total land clearance of 431 hectares (of which 69.45 hectares was HCS) occurred due to inadequate sign off and company supervision processes. None of the area was peatland. The detailed report is available on [APP’s website](#).

The TFT/APP investigation indicated that this breach could have been avoided if operational teams had: a) been provided with a robust checklist of actions and documents for formal signoff; b) implemented more stringent supervision and monitoring process before any land

¹ Given that 195.39 m3 of wood was produced from a total area of 27.8 Ha, it can be assumed that the average yield per Ha would level out at only 7m3/ Ha. It is therefore unlikely that this area was HCS.

development had occurred. No other land development operations across APP's supply base were subjected to any pre-assessments.

As a result of both the BDL/SPM and South Sumatra cases, new procedures have been introduced by APP/TFT to prevent any such issues from occurring again.

Section 3: HCV and HCS Commitment Progress

Policy Commitment 1

High Conservation Value (HCV) and High Carbon Stock (HCS)

APP and its suppliers will only develop areas that are not forested, as identified through independent HCV and HCS assessments.

High Conservation Value (HCV) assessments

HCV assessments for all 38 HTI suppliers are being undertaken by Asia Pacific Consulting Solutions (APCS) and Ekologika Consulting.

- *APCS assessments on 11 supplier concessions:*
 - Full assessments have been completed. APCS is now finalising its draft report before delivery to APP.
- *Ekologika assessments on 27 supplier concessions:*
 - Field assessments are ongoing in Riau, East Kalimantan, West Kalimantan, and South Sumatra. Ekologika aims to submit all reports to APP by end of March 2014.

High Carbon Stock (HCS) assessments

The first wave of vegetation stratification and field assessments for the priority 20 HTI concessions is now complete. Following a team review and additional analysis and backstopping from external consultants, Ata Marie, a stage of refinement and supplementary fieldwork is now required to improve the correlation between the GIS overlays (forest strata) and plot data. The HCS team will initially test this process of refinement in a small pilot area before deploying across all other concessions areas.

Section 4: Peatland Commitment Progress

Policy Commitment 2

Peatland Management

APP will support the Government of Indonesia's low emission development goal and its target to reduce greenhouse gas emissions.

Peat experts are currently identifying the distribution, depth and quality of peatland across all of APP suppliers' concessions in Indonesia, as part of the HCV assessments. Results will be submitted to APP management as part of the HCV reporting process. Findings will inform the development of APP's long-term peatland management plans which will be created in consultation with an independent team of peat experts. APP is identifying options for the peat expert team in consultation with its partners and stakeholders.

Section 5: Social Commitment Progress

Policy Commitment 3

Social and Community Engagement

In order to avoid and resolve social conflicts across its supply chain, APP will actively seek and incorporate the input and feedback of a wide range of stakeholders, including civil society, as well as implementing principles including Free, Prior and Informed Consent (FPIC) of indigenous people and local communities and respecting human rights.

Conflict resolution

In the last TFT Progress Update, we reported on TFT's role in supporting APP to resolve a number of ongoing conflicts between APP's Forest Management Units and local communities. These pilot projects are being used to test APP's conflict resolution approaches and methods and they will be used as learning and capacity building opportunities for APP teams as well as to build up engagement with local communities and civil society representatives.

- **Senyerang village, Jambi** – TFT was requested to provide support and mediation in a land tenure conflict between Sinar Mas Forestry (SMF) and stakeholders from the Senyerang village community. TFT facilitated a meeting in June in which both parties reached important points of agreement as a solution to the conflict. A follow-up meeting was then held in July and a Memorandum of Understanding (MOU) was signed. Both parties will now implement the points of agreement agreed in the MOU.
- **Riding village, South Sumatra** – TFT is supporting a conflict resolution between Riding village and PT. Bumi Mekar Hijau (BMH). Preparations are being made for negotiations. TFT is currently in discussion with a potential local NGO partner who can provide mediation and facilitation support once negotiations are underway.
- **Riau** – TFT is supporting conflict resolution proceedings in the province of Riau between PT Perawang Sukses Perkasa Industri (PSPI) and Datuk Rajo Melayu facilitated by the National Forestry Council (DKN). The DKN is now in the process of determining a legitimate 'Datuk' (or Community Head) to represent the local community.

Conflict mapping, Indonesia

As a first step, TFT has completed conflict mapping training for 245 and 144 SMF staff and managers in all five regions to familiarise them with APP's new conflict mapping approach and methodology and to strengthen their ability to carry out the mapping. Those trained were then requested to carry out conflict mapping using the new approach and methodology. Mapping was completed across all 38 APP suppliers.

TFT has reviewed the mapping results. Results indicated that the quality of the mapping varies depending on the region. TFT provided direct technical support to those regions to align the quality of the conflict mapping and SMF staff understanding of the methodology and approach.

TFT and APP are now in the process of developing action plans for all APP suppliers, which will determine whether any follow-up staff training is needed. The aim is for a process of continual improvement as SMF staff become more familiar with the methodology and approach for conflict resolution. TFT will support SMF to implement the action plans.

In parallel with the conflict mapping training, TFT invited selected APP staff from Indonesia and China to attend FPIC training between the 9th and 13th of September 2013. The training was supported by the Rights Resources Initiative (RRI) and the objective was to train APP staff on FPIC concept and its implementation and land tenure issues in various regions of APP operations.

Conflict mapping, China

TFT and APP-China have now reviewed APP-China's social conflict management system and conducted interviews and site-visits to a number of villages in North East Hainan selected from existing social conflict mapping documentation prepared by APP-China. TFT has prepared and presented to APP-China a draft action plan for social engagement and conflict management across APP-China operations.

Following TFT's recommendation, APP-China added an additional staff member to the team to focus specifically on social engagement issues. This marked the first step in strengthening APP-China social engagement team. APP-China and TFT will now provide capacity development and on-site training to all team members. APP-China staff also joined the FPIC training in Indonesia.

APP-China, APP-HQ and TFT also held discussions with Landesa, who in collaboration with The Rights and Resources Initiative (RRI) conducted a study of APP's social performance in its plantation operations in China. Landesa presented their preliminary findings to APP-China, APP and TFT and these were incorporated into the aforementioned draft social engagement action plan for APP-China operations. The official report will be provided to APP-China for review and comment before the end of the year.

Free, Prior and Informed Consent (FPIC)

TFT has been supporting APP in the application of FPIC at its new mill development in Ogan Komiring Ilir in Palembang, South Sumatra. In the last two months, TFT has completed an initial data analysis to map all communities likely to be impacted by the new mill development. FPIC training for the new mill managers is now underway.

Section 6: Third Party Suppliers Commitment Progress

Policy Commitment 4

Third party suppliers

APP sources fibre from all around the world and is developing measures to ensure that this sourcing supports responsible forest management

Global suppliers

- **Indonesia mills** - APP's FCP applies to all global suppliers. All tier 1² global suppliers have been mapped and are being updated over time. TFT is now in the process of reviewing and improving APP's supplier evaluation and risk assessment tool (SERA). SERA is the assessment tool that APP uses to evaluate the level of risk presented by new global pulp and pulpwood suppliers and it was not originally designed with the FCP and Responsible Fibre Procurement and Processing Policy (RFPPP) in mind. TFT is helping APP to align SERA with both the FCP and RFPPP to ensure that existing global suppliers are aligned with the FCP. Once the review process is complete, TFT will evaluate all global suppliers to identify levels of supply chain risk. If required, action plans will be developed to ensure compliance with the FCP.
- **China mills** - in China, TFT continues the risk assessments of APP's 3rd party suppliers. This is being done through interviews and meetings with APP pulp and paper mills as well as through a series of on-site visits.
 - **Jinhai pulp mill** - a supply chain map has been presented to APP-China's Jinhai mill and a detailed activity plan designed to improve 3rd party chip/log supplier management, control and assessment has been prepared by TFT and agreed by Jinhai mill. Following the activity plan, TFT and Jinhai mill have carried out 3rd party supplier training on the introduction of APP's RFPPP in China, and both are now collecting 3rd party supplier data through supplier questionnaires that have been distributed to all 3rd party suppliers of the mill.
 - **Jingui pulp mill** - TFT has held further meetings with APP-China's Jingui mill to discuss and agree on a detailed activity plan. Similar to APP Jinhai mill, a 3rd party log/chip supplier questionnaire has now been distributed to all 3rd party suppliers of Jingui mill.
 - **Gold East paper mill** - at Gold East mill, an APP-China paper mill, TFT is still in the process of supply chain mapping. Once completed, Gold East and TFT will begin preparing activity plans similar to those developed for Jinhai and Jingui.

TFT undertook internal training for Jinhai, Jingui and Gold East mills to present the RFPPP and FCP concepts to a much broader group, including all key personnel from the procurement and quality control teams of all three mills (approximately 30 people). By going through the key steps of the 3rd party chip/log supplier detailed activity plan, TFT aims to better prepare APP for RFPPP implementation.

Association procedure

Following stakeholder consultations earlier in the year, TFT has been working with APP to develop a Association Procedure, which aims to ensure that all new global suppliers or

² Supplier that directly supplies fibre materials to APP mill. Tier 2 suppliers are suppliers of tier 1 suppliers and so forth. The last tier is the forest.

concessions acquired by APP are aligned with APP's FCP commitments. APP will shortly be seeking stakeholder feedback on the draft association procedure before it is then aligned with APP's SERA and operationalised for all new global suppliers and concessions.

RFPPP and supplier scorecard

As reported in TFT's 3rd Progress Update, scorecard assessments for all Indonesian suppliers were completed in 2012 as part of a phase 1 of Responsible Fibre Procurement and Purchasing Policy (RFPPP) activity. A phase 2 of activity began in Q2 2013 and involves the development of action plans for each supplier based on the findings of the initial scorecard assessments. This will continue until December 2013 at which point action plans will be implemented as part of a phase 3.

It is important to note that the assessment of APP's Indonesian suppliers against the RFPPP is an ongoing process using the Sustainable Forest Management supplier scorecard developed by TFT and APP earlier in the year. The objective is to ensure that all APP's Indonesian fibre suppliers support responsible forest management and to ensure they operate in alignment with international forest management best-practices.

In China, TFT has been working with APP on the development of a scorecard system; a tool for monitoring both APP-China operations and 3rd party log/chip suppliers against APP's RFPPP. The scorecard places special focus on the assessment of management practices of mills and their associated wood origins. A first draft of the scorecard on chip mill and wood origin for 3rd party chip/log supplier is being developed. A second version of the scorecard for APP-China operations has been developed and is now under discussion with APP-China.
