



## ASSOCIATION PROCEDURE

### For implementing a No-Deforestation commitment in APP's Supply Chains

**These criteria apply to all APP pulpwood fibre suppliers, including, without limitation, all suppliers with which APP has any ownership, management, financial or any other pulpwood business relationship.**

Any existing or potential supplier to APP is required to meet our Responsible Fibre Procurement and Processing Policy (RFPPP<sup>1</sup>) and Forest Conservation Policy (FCP<sup>2</sup>). Under this Association Procedure, any activity by a supplier that violates these policies, whether directly or indirectly<sup>3</sup>, is defined as an Unacceptable Activity<sup>4</sup>.

Existing suppliers who engage in Unacceptable Activities are subject to a procedure that may lead to the termination of the contract.

#### **Procedure for assessing potential suppliers and excluding those engaged in Unacceptable Activities**

APP Procurement Officers<sup>5</sup> will use the procedures described below to assess and validate the compliance of potential suppliers with the above criteria:

1. Send the potential supplier the **Request For Information (RFI)** form. This includes, legal license, Sustainable Forest Management certifications and verifications, year and reasoning for natural forest conversion, analysis of social risks, as well as specific questions on any operations that fall outside of direct fibre supply to APP that might include conversion of natural forests, including peatland. In the event that the potential supplier has been involved, directly or indirectly, in conversion of natural forests after the effective date of APP's FCP (1 February 2013), the circumstances of such conversion will be reviewed and evaluated on a case-by-case basis.
2. Review the potential **supplier's feedback**. Determine if its operations have the potential to involve Unacceptable Activities as defined above.
3. **Gap analysis**. Identify what information is missing, inadequate or unclear and request the additional information from the potential supplier.

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<sup>1</sup> See APP Responsible Fibre Procurement & Processing Policy (RFPPP) for more detail in Annex I

<sup>2</sup> See APP Forest Conservation Policy (FCP) for more detail in Annex II

<sup>3</sup> Adapted from FSC Policy for Association:

Direct involvement: Situations in which the associated organization or individual is first-hand responsible for the Unacceptable Activities.  
Indirect involvement: Situations in which the associated organization or individual, with any level of ownership or voting power regardless of stake, is currently involved as a parent or sister company, subsidiary, shareholder or member of the Board of Directors to an organization directly involved in Unacceptable Activities. Indirect involvement also includes activities performed by subcontractors when acting on behalf of the associated organization or individual.

<sup>4</sup> In considering acquisitions of pulpwood fibre suppliers or establishing contracts with potential new pulpwood fibre suppliers, APP will apply the criteria in its Forest Conservation Policy. In particular, it will examine if the potential supplier has since 1 February 2013 taken any action that conflicts with the standards of APP's HCV and HCS policies. If such conflicts exist, APP will consider what remedial action is required and who would be responsible for its implementation.

<sup>5</sup> This includes acquisition officers.

4. **Fact-check claims.** Seek publicly available information including information lodged with government agencies and information available online.
5. Conduct a **face-to-face meeting with potential supplier** to obtain outstanding and/or additional data and clarification.
6. **Internal review and risk assessment.** The Procurement Officer provides a summary of key findings, a risk assessment and recommendations to the relevant FCP Joint Steering Committee (JSC).
7. Arrange **an audit** if necessary. Depending on the level of risks, the audit can be conducted by APP internal team and/or an independent auditor. Audit findings are to be reported to JSC.
8. JSC, in consultation with stakeholders, decides on outcome for potential supplier.
9. The outcomes referred to in clause 8 above might include, among other possible outcomes:
  - i. APP's acceptance of the supplier, which will be conditioned on the supplier's compliance with the RFPPP criteria and the terms of this Association Procedure;
  - ii. APP's rejection of the potential supplier and refusal to enter into a contract or other business relationship with the potential supplier; or
  - iii. Within thirty days, the development of a workable time-bound action plan with the potential supplier to remedy any violations, Corrective Action Requests (CARs). The implementation of corrective action(s) may be monitored by an independent verifier. If the potential supplier takes no action, fails to agree to the action plan or fails to implement the provisions of the CAR, then APP will not enter into a business relationship with the supplier and will terminate any existing business relationship that might exist. If the potential supplier agrees with the provisions of the CAR, as determined by the JSC in consultation with stakeholders, APP, in its sole discretion, may enter into a contractual and/or other business relationship with the potential supplier, such that the potential supplier becomes an existing supplier that has agreed to comply with the RFPPP criteria and to continue to be subject to the terms of this Association Procedure.

**Procedure for addressing Unacceptable Activities by existing suppliers (including potential suppliers that have become existing suppliers)**

If APP obtains evidence of any existing supplier's involvement in Unacceptable Activities, the case will be reviewed against APP's current FCP and RFPPP and, if necessary, will be referred to the JSC and, in consultation with stakeholders, the following actions will be taken:

- A. Advise the supplier of the specific concerns in writing and request its formal response to the claims within thirty days.
- B. Develop a workable time-bound action plan with the supplier to remedy any violations. The implementation of this CAR may be monitored by an independent verifier.
- C. If the supplier takes no action, fails to agree to the action plan or fails to implement the provisions of the CAR, then the contractual and/or other business relationship with the supplier will be terminated.



## **APP RESPONSIBLE FIBRE PROCUREMENT & PROCESSING POLICY**

APP puts the responsible management of its fibre supply as a priority in its commitment to sustainable operation and environmental protection. The types of fibre that we use to manufacture our paper products are virgin wood fibre and fibre from recycled paper waste, from imported and local sources.

The foundation of our supply chain is wood legality. To be a responsible consumer of wood fibre we have to go a step further to secure a sustainable source of wood. Therefore, we shall continue to drive processes to ensure that we only accept:

- Wood that is properly checked and verified as to **legal origin and chain of custody**
- Wood harvested that does not violate **traditional and civil rights**
- Wood harvested in forests in which **high conservation values** are protected by forest management activities
- **Waste and wood residues**, as set out by Government regulations, that are not listed under CR IUCN & CITES Appendix I
- Wood from forest management units free from **genetically modified trees**, unless assessed under best practice standards
- Wood harvested in compliance with the **ILO Core Conventions**

To implement this commitment, we will:

- Maintain systems and procedures to reasonably ensure that wood from illegal sources shall be rejected before it enters the mill. These systems and procedures will be regularly verified and certified to the highest standards by independent and certified 3<sup>rd</sup> party auditors.
- Ensure that a multi-stage environmental assessment process is conducted prior to forest plantation development. In addition to government regulated assessments, we will also pursue the High Conservation Value Forest assessment in accordance with HCV Resources Network methodology and tools.
- Expect that wood suppliers comply with our commitment above.
- Ensure that wood suppliers who are found in breach of relevant legal requirements and the provisions of this policy shall be immediately warned and, for repeated violations, have their contracts reviewed for termination.

For our imported pulp consumption, we are committed to purchasing only legal and environmentally sound pulp, which has been produced from sustainably-managed forestry sources and achieved relevant environmental certifications. To implement this commitment, we will ensure that the pulp is properly checked and verified as to legal origin and chain of custody before it enters the mill.

This policy is to replace APP's Fibre Procurement Policy which was developed in 2004 and last updated in 2007.

If you need additional information or clarification, please contact us at [environment@app.co.id](mailto:environment@app.co.id)

Asia Pulp & Paper group (APP) is a trade name for a group of pulp and paper manufacturing companies in Indonesia and China. The APP group of companies is one of the world's leading pulp and paper manufacturer and is ranked as one of the largest vertically integrated pulp & paper producer in the world.

APP  
Jakarta, July 2012



### APP's Forest Conservation Policy

Effective February 1st 2013 this policy applies to:

1. APP and all its suppliers in Indonesia.
2. Any Indonesian fibre utilised by APP's mills elsewhere, including China
3. All future expansion.

#### High Conservation Value (HCV) and High Carbon Stock (HCS) Forests:

**Policy commitment 1:** APP and its suppliers will only develop areas that are not forested, as identified through independent HCV and HCS assessments:

- From 1st February 2013 all natural forest clearance has been suspended whilst HCV and HCS assessments are completed. No further clearance of areas identified as forest will take place.
- APP has conducted an initial assessment of all of its supply chain. It has prioritised HCV and HCS assessments in those concessions that up to now have been supplying the company with natural forest fibre. HCV and HCS areas will be protected.
- On HCS work has started to identify the area and quality of forest cover. Satellite analysis, backed up by field work, will identify areas that will be protected as well as low carbon areas that can be developed as plantations.
- The HCS approach distinguishes natural forest from degraded lands with only small trees, scrub, or grass remaining. It separates vegetation into 6 different classes (stratification) through the combination of analysing satellite images and field plots. These thresholds are known in Indonesia as: High Density Forest (HK3), Medium Density Forest (HK2), Low Density/older regenerating Forest (HK1), Old Scrub/regenerating forest (BT), Young Scrub (BM), and Cleared/Open Land (LT). APP's threshold for HCS will be defined, following field analysis, within the category referred to as old scrub (BT).
- Any existing natural forest logs within APP's supply chain cut before 1st February 2013, such as stocks in log yards, will be utilised by its mills. Any fibre cleared from land which is not forest, such as scrub land, will also be utilised by its pulp mills.
- APP will withdraw from all purchase and other agreements with any supplier who is found not to be in compliance with these commitments.
- These commitments are being monitored by The Forest Trust. APP will welcome independent 3rd party observers to verify the implementation.

#### Peatland management

**Policy commitment 2:** APP will support the Government of Indonesia's low emission development goal and its target to reduce greenhouse gas emissions. This will be achieved by:

- Ensuring that forested peatland is protected as part of its commitment to maintain HCV and HCS forests.
- Best practice management to reduce and avoid GHG emissions within the peatland landscape. As part of achieving this, no further canal or other infrastructure activities will take place within



undeveloped suppliers' concessions on non-forested peatland until independent HCV assessments including input from peat experts has been completed.

#### **Social and community engagement**

**Policy commitment 3:** In order to avoid and resolve social conflicts across its supply chain APP will actively seek and incorporate input and feedback from a wide range of stakeholders, including civil society, as it implements the following set of principles:

- Free, Prior and Informed Consent of indigenous people and local communities
- Responsible handling of complaints
- Responsible resolution of conflicts
- Open and constructive dialogue with local, national and international stakeholders
- Empowering community development programs
- Respecting human rights
- Recognising and respecting the rights of its workers
- Compliance with all relevant laws and internationally accepted certification principles and criteria

Where new plantations are proposed, APP will respect the rights of indigenous peoples and local communities, including recognition of customary land rights. APP has committed to independent HCV assessments as part of this commitment and will, in consultation with stakeholders, develop further measures to implement FPIC.

APP will consult with NGOs and other stakeholders to ensure that its protocols and procedures for FPIC and conflict resolution are in accordance with international best practice.

#### **Third party suppliers**

**Policy commitment 4:** APP sources fibre from all around the world and is developing measures to ensure that this sourcing supports responsible forest management.

If you need additional information or clarification, please contact us at [environment@app.co.id](mailto:environment@app.co.id) or go to our website – [www.asiapulppaper.com](http://www.asiapulppaper.com).

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