

**TFT Progress Report on Asia Pulp & Paper Group (APP)
Forest Conservation Policy Commitments
Reporting period: April, May, June 2014
Date: 16 September 2014**

This is the seventh 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 April, May, and June 2014. Earlier progress reports can be viewed [here](#) (6th report), [here](#) (5th report), [here](#) (4th report), [here](#) (3rd report), [here](#) (2nd report), and [here](#) (1st report).

Section 1: Overview of key activities in the reporting period

- **One million hectares commitment**
Following input from NGOs and other stakeholders, APP announced a corporate commitment to support the restoration and protection of one million hectares of tropical forest in Indonesia. APP is now consulting with stakeholders to develop plans, and an approach, to landscape-scale conservation across 10 priority landscapes in Indonesia.
- **Rainforest Alliance Evaluation**
Following the development of indicators to evaluate APP's FCP implementation, RA field evaluations commenced in May in Jambi and South Sumatra. Field assessments will cover at least 20 of the 38 concessions from which APP sources fibre for its Indonesian mills. More details of the evaluation can be accessed via the Rainforest Alliance [website](#) or via APP's FCP [monitoring dashboard](#).
- **Association Procedure**
Following consultation with NGOs, APP developed and published an Association Procedure to ensure that all new suppliers and any acquisitions made by the company will be assessed for their compliance with APP's FCP. The procedure is currently being applied to two new potential pulpwood suppliers.
- **OKI Mill Development – Free, Prior and Informed Consent (FPIC)**
The implementation of FPIC at APP's new OKI mill development continued. In March, NGO WBH wrote to APP on behalf of communities impacted by the development, with a grievance. The letter cited issues with the application of FPIC and AMDAL (Environmental Impact Assessment) and in particular, the lack of clarity on mill location and inadequate stakeholder involvement. WBH was directly engaged and collaborative discussions were held between APP/TFT/WBH and Econusa (APP's AMDAL consultants). A mutually agreeable solution was reached with all parties, by which WBH would continue to independently observe the implementation of FPIC for OKI mill and would be able to input to the process. WBH is also planning to train the community about FPIC and is open to having APP review and discuss their training material to ensure that

both organisations can align their understanding of the FPIC process. FPIC socialisation has almost been brought to completion within the reporting period.

Section 2: Moratorium Status

APP's moratorium on natural forest clearance remains intact and no breaches were identified during the reporting period.

PT. Suntura Gajapati (SGP)

TFT has been working with APP to resolve a land conflict at APP pulpwood supplier PT. Suntura Gajapati (SGP), in Dumai, Riau. The background to this conflict was communicated in the 6th TFT [report](#). The objective of the conflict resolution is to prevent 700 hectares of natural forest from being cleared by the local community.

During the last reporting period, a small team comprising external NGOs, APP/Sinar Mas Forestry (SMF) and TFT was established to help explore solutions to the land conflict. The team met in June and appointed TFT and Scale Up, a local civil society organisation focusing on responsible, accountable and sustainable social development in Indonesia, to develop an action plan for resolution of the conflict. TFT prepared a first draft of the action plan and this will now be discussed with Scale Up prior to negotiation with the Khalifah.

Greenomics

Allegations of a moratorium breach at PTs DTK, ATP, AAU, and KWL in Kalimantan were made by Indonesia NGO Greenomics. The allegations were based on payments made by APP to the Government of Indonesia's restoration fund in Q4 2013. The allegations were reviewed and no breach was identified. The penalties were paid for natural forest clearing activities undertaken prior to the moratorium on 1st February 2013. A clarification report was sent to Greenomics.

Section 3: APP one million hectare commitment

In April 2014, APP announced a commitment to support the conservation of one million hectares of tropical forest in Indonesia through protection and restoration. As part of this commitment, APP will focus protection and restoration efforts across 10 key landscapes in Indonesia within which APP pulpwood supplier concessions sit.

Planning and Inputs

- APP is currently in a planning phase of activity. As part of this early phase, APP has begun to map stakeholders and to identify threats and potential partners across the 10 landscapes.
- APP also held initial consultations with a number of the NGOs and conservation groups active in those landscapes via a Focus Group Discussion (FGD) held in Jakarta, in June. Over 20 organisations attended the discussion, during which APP introduced its one million hectare commitment and sought early feedback from attendees.

Pilot landscapes

- Five pilot landscapes have been prioritised by APP for the development of landscape-scale conservation activities. The pilot landscapes include Kubu (East Kalimantan province), Giam Siak Kecil – Bukit Batu (Riau province), Bukit Tigapuluh (Jambi province), Berbak Sembilang (South Sumatra province) and; Dangku (South Sumatra province).

Funding

- APP has been exploring a number of potential models and mechanisms designed to secure sustainable, long-term funding to finance programmes and initiatives across the 10 landscapes. Meetings have been held with a number of different stakeholders from the Government of Indonesia, multi-lateral funding institutions and government development agencies.

Section 4: HCV and HCS Commitment Progress

Policy Commitment one

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' concessions are being undertaken by Asia Pacific Consulting Solutions (APCS) and Ekologika Consulting.

- *APCS assessments on 11 suppliers' concessions:*
 - All reports have been completed and draft reports shared with members of the Solutions Working Group.
- *Ekologika assessments on 27 suppliers' concessions:*
 - Field assessments have been completed for all 27 suppliers' concessions.
 - Reports are currently being finalised or going through the peer review process.
 - Target completion end of July 2014.

High Carbon Stock (HCS) assessments

TFT has worked with key stakeholders, including its delivery partner, Ata Marie, to finalise the patch analysis methodology. This is the final step in the HCS process and the point at which decisions are reached on whether a patch of natural forest is viable for conservation. Given the criticality of this step, consultation has been thorough and wide-ranging. It has inevitably led to some delays with implementation, although good progress has still been made:

- Stage 01: South Sumatra (OKI and Muba) and Jambi province
 - Inventory data analysis and stratification finalised.
 - All draft reports to be submitted before the end of August 2014.
- Stage 02: Riau province
 - Inventory data processing to be finalised by mid-August 2014.
 - Stratification due to be finalised by end of August 2014.
 - Draft report due to be submitted by mid-September 2014.
- Stage 03: East Kalimantan province (Kaltim)
 - Field inventory has been finalised.
 - Inventory data processing will follow completion in Riau province.
 - Draft report due to be submitted by late September 2014.
- Stage 04: West Kalimantan (Kalbar)
 - Field inventory and stratification are due to begin in August 2014.
 - Draft report due to be submitted by mid-October 2014.

Plantation Growth & Yield

Following feedback from APP and Sinar Mas Forestry on the first draft of the Growth & Yield report, Ata Marie Group were contracted to complete an additional external review and to provide recommendations on improvements to APP suppliers' plantation production practices. Recommendations were incorporated into the draft which was reviewed by APP and subsequently finalised. Findings from the report will be communicated by APP in September.

Integrated Sustainable Forest Management Plans (ISFMPs)

- ISFMP pilot project development got underway with all three APP suppliers in the Jambi region: WKS, RHM and TMA
- Two development workshops were held with experts from APP's Peat, HCV, HCS and G&Y teams. The objective of these workshops was to overlay and integrate the various assessment findings into an action plan that seeks to balance social, economic and environmental considerations.
- Guidelines describing how stakeholder input will be incorporated into the ISFMP process were also developed and shared with APP's Solutions Working Group (SWG).

Section 5: Peatland Commitment Progress

Policy Commitment two

Peatland Management

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

APP's peat expert team – led by Wageningen University and Research centre, Alterra, in collaboration with Euroconsult Mott MacDonald and Deltares – completed its three-month inception

phase of work. A project plan for a second phase of activity is now being developed. The aim of the second phase is to fill any data gaps and define best management practices on peat lands. Recommendations from this team, along with the results of the HCV and HCS assessments, will be used to develop APP's Integrated Sustainable Forest Management Plans (ISFMP).

Section 6: Social Commitment Progress

Policy Commitment three

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 – Indonesia

TFT continues to support APP in resolving a number of ongoing conflicts with local communities within APP's Forest Management Units. We can report the following updates since our last progress update was published in May 2014.

- **Senyerang village, Jambi:** TFT has been working with SMF to monitor implementation of the MoU work plan as agreed and developed by all parties. Land compensation between the parties was agreed in January and a co-op has been established and handed over as the means by which the terms of the settlement will be delivered. TFT continues to monitor the delivery of the terms of the settlement.
- **Sorek district, Riau:** following the collection of data in Q1 of this year, TFT prepared an action plan for the resolution of conflict in Lubuk Raja village. Dates for socialisation of the action plan are currently being sought.
- **PT PSPI, Riau:** two rounds of further mediation were held in Q2 and, following agreement on boundaries and land mapping, both parties (PSPI and Datuk Rajo Melayu) agreed to formulate a Memorandum of Understanding for the resolution of conflict. The MoU will be prepared and discussed in early Q3.

Free, Prior and Informed Consent (FPIC)

- **FPIC implementation – OKI, South Sumatra:** Eight villages in total, identified through the AMDAL process (Environmental Impact Assessment), were included in the scope of FPIC. After socialisation of the mill development plan and field verification of the land tenure system and rights in the eight villages, TFT and APP found that only two villages (Jadi Mulya and Bukit Batu) have land rights in the designated area for mill development. FPIC is currently being implemented in these two villages.

- **FPIC Implementation – PT Bumi Mekar Hijau (BMH):** FPIC negotiations were postponed for five villages impacted by development in BMH due to conflict between them and a palm oil company. The first step in land verification will be to conduct participatory mapping training (facilitated by BMH and TFT) for villagers. Training for villagers of Srigading, Gajah Mati and Sungai Ceper has completed, while training for vilagers of Sungai Menang and Karang Sia will be complete by mid-October.

Conflict mapping – Indonesia

The conflict mapping completed across all 38 suppliers' concessions was taken to a more detailed level to allow specific action plans to be developed for each type of conflict category. TFT continued facilitating SMF staff to improve the draft action plans. Action plans have been finalised for conflicts that have been prioritised for resolution.

Conflict mapping – China

- **RRI review of historical land acquisition / social performance study:** Preliminary findings of the RRI (Rights and Resources Initiative) commissioned social performance study, undertaken by land rights NGO Landesa at APP plantations in Guangxi and Yunnan provinces, were shared with APP in a draft report at the end of February for APP's review and comments.

Acting on both TFT and preliminary Landesa findings, APP-China Forestry teams, supported by TFT, began the process of better understanding the issues and developing preliminary action plans to tackle the challenges. Landesa is in the process of agreeing a final version of the report with RRI, now due for formal delivery to APP no earlier than August 2014. On receipt of the final report, APP-China intends to make a formal response which APP understands will be published as an annex to the final public report. APP-China welcomes the report. It is comprehensive, and provides a good platform for extending the work the company began in June 2012 when it published its 'Sustainability Roadmap Vision 2020'.

- **Social conflict management:** TFT delivered new draft Standard Operating (SOP) on land acquisition to APP-China. TFT and APP-China continue to work on new SOPs on social conflict management. The action plan to commence trial implementation on new KPIs and organisation structure is on hold until new social experts are in place.
- **Pilot community projects:** Implementation of the trial community relationship improvement project for Hainan was put on hold, as was commencement of the feasibility study for a trial in Guangxi province. The two projects will resume once recruitment of social experts in TFT and APP-China Forestry (ACF) is completed. Both TFT and APP-China have discussed the need for more robust support for social-related work, and a number of options are being evaluated.
- **Social conflict database:** In Q1, we reported that TFT and APP-China had agreed and finalised the database template for social conflict mapping. Data collection is now proceeding for Yunnan and Hainan provinces. Once complete, the mapping database will allow APP-China and TFT to

understand the full scope of social issues across its circa 13,000 compartments and to provide the foundation for further social engagement and conflict management activities.

Section 7: Third-Party Suppliers Commitment Progress

Policy Commitment four

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: TFT and APP have refined the Responsible Fibre Procurement and Purchasing Policy (RFPPP) scorecard to improve pulpwood supplier assessment. The scorecard is also being extended to include assessment of internal mill operations: including product tracking and supply chain mapping systems.

Supplier Evaluation and Risk Assessment (SERA): all APP suppliers that supply wood materials, including raw materials (logs and chips) and processed materials (pulp) have to go through a risk assessment. To determine this risk, APP and TFT revised the current SERA (supplier evaluation and risk assessment) procedures to align with the new RFPPP and FCP. References used include: DDS (Due Diligence System) PEFC, FSC-Controlled Wood, and APP Policy (RFPPP and FCP). Under this procedure each supplier to an APP Mill is required to undertake a risk assessment before validation as a supplier. The risk assessment is undertaken annually.

The SERA (Supplier Evaluation and Risk Assessment) questionnaire for community forest suppliers has been completed and socialised in the relevant mills. The version for pulpwood and pulp suppliers has recently been revised and the new version is now used in assessments of global suppliers.

China Mills: TFT's work has focussed on risk assessing third-party wood chip / and pulpwood log suppliers for APP-China's Jinhai and Jingui pulp and paper mills against APP's RFPPP, using a tailored scorecard system.

- **Jinhai pulp and paper mill**

- RFPPP implementation training for the procurement staff at the Jinhai mill was conducted in April.
- Based on findings from the training and inspection, TFT and Jinhai made a number of adjustments to Jinhai's inspection checklist and form for domestic third-party chip suppliers, as well as the labour and safety elements in the scorecard assessing domestic third-party chip suppliers.
- TFT finalised the progress report on Jinhai's RFPPP Implementation (Nov 2013 to April 2014), incorporating the latest developments on training and third party inspection
- TFT conducted on-site training and inspection for Jinhai's third-party chip suppliers and conducted preliminary research on Jinhai's readiness and prospects for FSC CoC (Chain of Custody).

- **Jingui pulp and paper mill**

- TFT visited a total of seven chip mill processing sites that are affiliated with three of Jingui's six largest chip suppliers (in terms of supply volume), as part of ongoing RFPPP assessment. TFT began finalising the RFPPP assessment report.
- Finalisation of the report was temporarily put on hold to take account of personnel changes in the procurement department at the Jingui mill. Subject to this, TFT will coordinate with Jingui to analyse the results, and discuss key actions, from this first round of RFPPP assessment.

- **Gold East and Ningbo Zhonghua**

- TFT conducted an on-site RFPPP inspection and assessed current CoC status in Ningbo Zhonghua and Gold East during visits in June. TFT is scheduled to deliver the findings report and remedy plan to APP in July.

Vietnam supply to APP-China mills

- A meeting was held between APP and TFT in Vietnam to discuss ways forward to assessing the Vietnamese supply chain, in light of resource changes within APP. TFT also created a base sourcing risk maps, which will be further refined as supply chain information is gathered through ongoing site visits.
- TFT has also been looking at the implications of FSC re-association on the Vietnamese supply chain and how it can be incorporated into the wider RFPPP strategy.

APP-China Forestry Scorecard

- Further improvement work on the scorecard was shared between TFT and ACF staff and is ongoing.
- TFT and ACF held an on-site kick-off workshop for the trial use of the APP-China Forestry Scorecard at the Guangdong business unit.
- The intention of the trials is to train key staff by completing the ground assessments with input of field staff (ACF and TFT), and use this to improve the application of the scorecard. A wider deployment of the scorecard is then expected.

Association Procedure

- APP's draft Association Procedure was finalised following feedback from NGO members of the Solutions Working Group (SWG). The procedure has been published via APP's FCP monitoring dashboard.

Section 8: China, Forest Restoration

Hainan Ecological Restoration Programme (HERP)

- Planning continued for the first round of stakeholder workshops designed to gather ideas on an ecological exploration strategy and on resolution mechanisms for the restoration of APP's plantation land by the government. Invitations were sent out and logistics for the workshops – planned for early July - were finalised.

- TFT and APP also finalised an open letter aiming to mobilise support among stakeholders for the ecological restoration initiative and general conservation efforts in Hainan. The open letter is to be signed by participants attending the stakeholder workshop and released to the public.

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