

**TFT Progress Report on Asia Pulp & Paper Group (APP)
Forest Conservation Policy Commitments
Reporting period: Mid April to end June 2013
Date: 26 July 2013**

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

This report covers activities undertaken between mid-April and the end of June 2013. Earlier progress reports can be viewed [here](#) (2nd report) and [here](#) (1st report).

Section 1: Overview of key activities (see Section 2 for more details on each activity)

Moratorium on natural forest clearance

A breach of the moratorium was confirmed in PT Riau Indo Agropalma's (RIA) natural forest concession following a decision made in the field to honour an agreement, pre-dating the moratorium, with the local community. Sign-off procedures are now being strengthened to ensure no other such incidents taken place. APP's Joint Steering Committee (JSC), consisting of Sinarmas Forestry's CEO, APP's Sustainability MD and TFT's Executive Director, has been established to directly address any such issues.

Tracking progress online

In order to transparently report on the activities being undertaken, APP appointed TFT to develop an online monitoring dashboard as part of TFT's SURE Technology™ platform. The dashboard provides social and environmental performance data, enabling key stakeholders to monitor APP's progress towards meeting its FCP commitments. The monitoring tool was launched as a pilot version on 4 June 2013 and it will now be subject to an internal and external review process. A formal external consultation will allow NGOs and other stakeholders to provide their feedback on the tool and its content.

Protection of High Conservation Value (HCV) and High Carbon Stock (HCS) forests

Initial HCV and HCS pre-assessments are complete across all of APP's 38 suppliers. Independent HCV ground studies are being conducted by Asia Pacific Consulting Solutions (APCS) and Ekologika. These are taking place in phased stages across all suppliers, with the first eleven HCV assessments due to be completed by the end of September. HCV Stakeholder Consultation is being conducted as part of this process by both APCS and Ekologika at provincial and national level.

HCS field verifications, conducted by TFT in consultation with external experts, are ongoing. Three forest management units (FMUs) in East Kalimantan and three FMUs in South Sumatra were completed at the end of June. Eighteen first priority suppliers will be complete by October.

Conflict resolution

TFT continues to support APP in a number of ongoing conflicts with local communities, with good progress being made.

Section 2: Policy commitment progress

Policy Commitment 1:

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

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

In order to implement Policy Commitment 1, forested areas that are to be protected must be identified. This is being done by HCV and HCS assessments to identify areas which have a high carbon storage and/or a conservation value that must be protected. The amount of above ground carbon stored is directly related to the biomass of an area, i.e. the number and density of trees. The conservation value of an area does not necessarily relate to the amount of carbon storage, but rather the biodiversity and cultural significance of an area.

Ground-based HCV field studies are being conducted across all 38 suppliers. This work is being undertaken by two independent HCV assessors, APCS and Ekologika. APCS is conducting the first eleven supplier assessments, which will be complete by the end of September. Ekologika is conducting 27 HCV assessments, 16 of which will be complete in February 2014.

HCS assessments conducted by TFT continue to progress. Eighteen first priority suppliers will be complete in October. Field verifications in three forest management units (FMUs) in East Kalimantan and three FMUs in South Sumatra were completed at the end of June 2013. The field verification of an additional six FMUs in Riau, two in South Sumatra, three in West Kalimantan and one in Jambi are still ongoing. The carbon stock data generated by the field verification will then be analysed by APP and TFT in consultation with experts to strengthen the management of areas containing HCS. The results will be collated, together with the outcomes from the HCV assessments, to create management recommendations.

Moratorium areas

The moratorium on natural forest clearance, implemented with effect from 31 January 2013, has been found to have been breached in one concession.

On 16 May 2013, Eyes on the Forest (EoF) reported the felling of natural forest in PT Riau Indo Agropalma's (RIA) concession. The report was discussed during a meeting between APP, TFT, Sinar Mas Forestry (SMF) and a group of NGOs. One of the NGOs involved confirmed that its representatives would join the field verification team, and a full technical study was conducted on 29-30 May. Field verification revealed that natural forest clearance of 70 hectares took place between February and mid-April 2013 on land allocated for community use as regulated by the Indonesian government. This clearance was halted in mid-April.

The 70 hectares was cleared because on 28 February 2013, the APP and TFT FCP Implementation Team met in the field with RIA and approved the continued development of the community livelihood area. The FCP Implementation Team made this decision based on a prior agreement to develop the area that was signed between RIA and the communities on 13 January 2011.

The FCP Implementation Team took this decision in the field and did not seek approval from APP and TFT Senior Management. This approval should not have been granted because all natural forest areas, even those under community livelihood licenses, are covered by APP's moratorium and its FCP.

The FCP Implementation Team, APP and TFT Senior Management are now reviewing sign-off procedures to ensure that all decisions relating to FCP implementation are taken only by APP Senior Management.

APP's Joint Steering Committee (JSC) , consisting of SMF's CEO, APP's Sustainability MD and TFT's Executive Director, has been established to directly address high-level issues, such as the case in RIA.

TFT has produced a [verification report](#) which explains the findings and what actions are being taken.

During the period from April until May 2013, twelve NGOs who joined the Independent Observer program accompanied APP and TFT field teams to monitor compliance with the moratorium across seven suppliers in Riau, two suppliers in South Sumatra, three in West Kalimantan and three in East Kalimantan. Results from the joint monitoring indicate that, to date, the moratorium remains intact in these areas.

Wood flow projections - plantation Growth and Yield Assessment

TFT and APP are currently implementing a Growth and Yield Assessment to follow up on yield projection work undertaken earlier this year. The initial evaluation covering seven forests, one pulp mill and one paper mill was completed at the end of June. The study will be extended to all 38 concession areas. So far, over 3,500 sample plots have been measured to verify species type (*Acacia crassicarpa*, *Eucalyptus sp*, *Acacia mangium*), site type (wet land-peat, dry land), and age class (1 – 6 years). Data will be used to verify current data sets on stocks, yields and conversion rates. Once completed, stock projections can be re-run and system-wide improvements can be carried out.

The work includes reviewing baseline data and verification of data via field visits. This data will then be used to run updated system-wide projections on fibre supply and demand analysis. Data will include growth and yield studies as well as wood conversion rates from harvesting through to the production process at the mills. This assessment is intended improve company-wide data collection, data management and silviculture and forest planning. A key component of this is to strengthen APP's existing forest architecture planning to allow for an upgrade to a more integrated Plantation Yield Regulation System (PYRS).

TFT is continuing to work on a report that will describe the methodologies used to review APP's wood flow projections from its plantation pulpwood suppliers. The report will cover APP's plantation growth and yield forecasts, from existing standing volumes of its suppliers' concessions through to improvements in growth rates, harvesting efficiencies and pulp yields.

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.

The HCV team of peat experts is now in place. They are currently providing inputs for the HCV draft report and recommendations to management.

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 input and feedback from a wide range of stakeholders, including civil society, and implement principles including Free, Prior and Informed Consent (FPIC) of indigenous people and local communities, respecting human rights.

Policies and protocols

APP has socialised and consulted on its protocols/procedures related to the moratorium, new planting areas, grievances, FPIC and conflict resolution in Jakarta, Riau, Jambi, South Sumatra, West Kalimantan and East Kalimantan. To help make the process transparent, the protocols are now available on TFT's SURE monitoring dashboard.

SMF has signed off APP's Social Community Engagement Policy, which addresses compliance with all relevant laws and internationally-accepted certification principles and criteria.

In the last update report (7 May 2013), TFT reported that it was preparing a general policy structure for APP China that integrated the FCP, Responsible Fibre Procurement and Processing Policy (RFPPP) and other policies related to environmental, social and economic aspects of sustainable development. APP China, with the support of TFT, has been working to ensure this policy structure is aligned across APP China and APP mill operations. APP has sought input from key stakeholders on the documents developed and will continue doing so as part of a review of all key policies.

Free, prior and informed consent (FPIC) refers to the principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use. To implement the principles of FPIC, APP has sought input from a coalition of NGOs and revised the FPIC protocols accordingly. To help make the process transparent, the protocols are now available on the SURE monitoring dashboard. Staff training on the principles of FPIC has been completed in the regions of South Sumatra, Jambi, West Kalimantan and Riau.

TFT reviewed APP China's social and community-related policies, identified gaps and provided feedback. A draft Social and Human Resources Policy, which incorporates FPIC values, was prepared and distributed to APP China for comment.

Conflict resolution

TFT is supporting APP in resolving a number of ongoing conflicts. The aim is to use each as a learning and capacity building opportunity for APP teams and to build up engagement with local communities and local civil society representatives.

TFT continues to communicate with conflicting parties and other relevant stakeholders in the village of Seinyerang, Jambi Province. In mid-May, there was a request from a representative from Seinyerang and Perkumpulan Petani Jambi (PPJ), a local farmers' association, for TFT to support directly, with a view to speeding up the conflict resolution process. Shortly thereafter, TFT visited Seinyerang to meet with the community and observe the village conditions. TFT has also worked closely with the SMF team in order to accelerate the conflict resolution process.

In the third week of June, TFT facilitated a meeting between SMF and representatives of Seinyerang community. At the end of the meeting both parties reached major points of agreement as solution to the conflict. A follow-up meeting will be conducted in July in order to detail and formulate a Memorandum of Understanding.

There are other ongoing land tenure conflicts between PPJ members and PT Wira Karya Sakti (PT WKS) (APP) across five local administrative districts in Jambi. TFT is continuously communicating with PPJ, PT WKS and Dinas Kehutanan Jambi, a provincial forestry department assisting with conflict resolution. TFT facilitated a meeting with Dinas Kehutanan Jambi, PPJ and WKS, the outcome of which was a schedule for field verification visits and a team consisting of representatives from PPJ, PT WKS, Dinas Kehutanan Jambi (Provincial and District level) and TFT, being agreed upon. TFT was tasked with developing the Terms of Reference for the field verification and APP/ PT WKS agreed to provide financial support. The field team began work on 1 July.

Conflict resolution proceedings are continuing in the province of Riau between PT Perawang Sukses Perkasa Industri (PSPI) and Datuk Rajo Melayu. As detailed in the last report, the National Forestry Council (DKN) has been appointed as the facilitator for mediation between the parties. Since this time, TFT has supported APP (Arara Abadi and PSPI) with communication with DKN. The Terms of Reference for Mediation has now been agreed by all parties. The first meeting took place in mid-June and went positively. The second meeting will take place in mid-July.

In South Sumatra, conflict resolution between Riding village and PT Bumi Mekar Hijau (BMH) is ongoing. The aim is to use this conflict resolution process as a pilot for learning and the use of new procedures. As such, preparations for negotiation at Riding village are ongoing, and this includes providing training to the villagers and their representatives. The first meeting between BMH and Riding community will be conducted in the first week of July 2013.

Conflict mapping

In Indonesia, all regions have been working continuously on conflict mapping within their respective concessions. Progress on conflict mapping is ongoing across all APP's supply chain, with the mapping phase now completed in Jambi.

An improved conflict mapping methodology has been introduced to strengthen the data collection and recording process. This was delivered through training sessions for managers and operational staff and has been completed in Jambi, Riau, West Kalimantan and East Kalimantan. In addition to this, 19 managers and 27 operational staff in South Sumatra (from PT Bumi Mekar Hijau, PT Bumi Andalas Permai, and PT Sebangun Bumi Andalas) participated in conflict mapping training delivered by TFT.

In China, TFT is also reviewing existing areas of social conflict based on data provided by APP China. The social conflict data collection system and monitoring system to track the progress of any conflict resolution measures across APP China's managed plantations has been reviewed. APP China is in the process of recruiting a qualified social specialist to work on the ground with TFT to drive operational changes.

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.

Supply chain mapping

APP's supply chain for tier 1 pulpwood suppliers has been mapped for Indonesia. TFT China is working on supply chain mapping for APP China's third party fibre supply. An Initial set of data has been provided by APP China, and the TFT team is working with APP to increase supply chain visibility, with a focus on supply chain nodes prior to purchase.

TFT has also identified areas of high risk within APP China's supply chain where a supplier's policy could be in contradiction to APP's FCP and Responsible Fibre Procurement and Processing Policy (RFPPP). To date, this has been predominately desk-based research focusing on chip suppliers in Vietnam. This has included reviewing satellite imagery of forest land cover change in Vietnam, Laos, Cambodia, as well as reviewing scientific and government reports. TFT has conducted several supply chain visits, including two forest field visits, and further visits are planned from mid-July.

RFPPP Assessment

There continues to be good progress towards APP's RFPPP, a set of social and environmental principles relating to the way in which raw materials are procured and processed at each stage of the paper-making process, from the growing of trees to finished products leaving paper mills. Suppliers are assessed using a scorecard whereby a supplier's adherence and progress towards RFPPP (including HCV and HCS) are measured.

Following the completion of stage 1 scorecard assessments for APP Indonesia (completed in Q4 of 2012), which focused on legality, chain of custody, traceability and the exclusion of MTH in each supplier, TFT and APP Indonesia have been working to identify any gaps in the performance of suppliers and have begun stage 2 of the process, developing a tiered action plan tailored to each supplier.

Monitoring of suppliers will be continual, and actions plans based on this will be an ongoing and iterative process.

TFT's previous report gave details of a situation whereby a second tier supplier of plantation fibre to Chipdeco (first tier) was found to be clearing natural forest, and that Chipdeco ended its relationship with the supplier at APP's request. Since the last report was published, an activity plan for Chipdeco is being finalised by APP and TFT. This includes a supplier validation process to ensure that all suppliers to Chipdeco comply with APP's No Deforestation commitments.

Since the last update report, TFT is now reviewing the rapid assessment tool developed by APP China for assessing legality requirements of the RFPPP, and is preparing recommendations and revisions. TFT and APP China will develop this tool into a scorecard for full RFPPP compliance assessment. In conjunction with this, TFT is currently reviewing APP China's third party supplier standard operating procedures and purchase contracts to identify areas that need to be aligned with the RFPPP.

TFT has met with APP China's procurement team to discuss current progress. Discussions have also been held with two of APP China's pulp mills, Jinhai and Jingui, on existing activities and further plans. During these meeting and discussions, TFT introduced a set of tools to help improve supply chain management, including a legality checklist, chain of custody guidance and a third party supplier questionnaire. These tools will be used to guide suppliers to understand supply chain-related legality requirements and collect relevant data and documentation. The third party supplier questionnaire will be distributed to all third party log and chip suppliers and collected for data analysis by the end of August. TFT and APP China are planning further visits to Jinhai and Jingui mills to present the initial supply chain map, discuss key next steps and formulate an action plan.

The same activities will also be carried out for Gold East, the paper mill of APP China that began its pulp production after Jinhai and Jingui. Initial scoping to Gold East took place in Q4 of 2012 and focused on its paper production. TFT is now conducting initial supply chain mapping for its pulp production to prepare the roll-out of further activities. TFT will assess a set of applicable tools and activities to be used for Gold East, following Jinhai and Jingui.

Please note that progress reports will be published every two months from now on.