

TFT Progress Report on APP Forest Conservation Policy Commitments

Reporting period: mid-March to mid-April 2013

Date: 7 May 2013

Introduction

This is the second in a series of regular updates from TFT on APP's progress towards meeting its No Deforestation commitment, made on February 5th as part of its ['Sustainability Roadmap: Vision 2020' update report](#).

The company announced an immediate end to all natural forest clearing in its supply chains in Indonesia, effective 1 February 2013. TFT is working on the ground with APP to implement this commitment and monitor progress.

The first update reported activities from Feb 5th to mid-March 2013. This update covers the period from mid-March to mid-April 2013.

Overview of key activities

Ensuring suppliers comply with the FCP:

The moratorium on natural forest clearance implemented with effect on January 31st is holding. TFT has to date found no breaches of the moratorium in any direct APP supplier operation.

However, during this reporting period, APP delisted a tier two supplier to one of its tier one suppliers. This company was found to be operating in breach of APP's Forest Conservation Policy (FCP) commitments.

APP's FCP (Policy Commitment 1) requires that APP and its suppliers only develop areas that are not forested as identified through HCVF and HCS assessments. The FCP states that APP will withdraw from all purchase and other agreements with any supplier found to be in breach with this commitment. The tier two supplier, an Indonesian-based company, was a supplier of HTI plantation fibre to tier one supplier Chipdeco, which in turn supplies APP mills in Indonesia and China with chipwood. Chipdeco stopped sourcing mixed tropical hardwood fibre in 2012, but continued to source plantation fibre from this company. Our assessment found that this company continues to clear natural forest to develop pulpwood plantations and refused APP's request to immediately stop the practice. As such, APP asked Chipdeco to stop sourcing HTI plantation fibre from the company and Chipdeco has now disengaged from all supply agreements with the company.

Transparency and engagement:

During March, TFT and APP organized five FCP sharing sessions and two Focus Group Discussions (FGDs). The sessions were attended by over 50 participants from civil society, the academic community and NGOs. The FGDs were the first meetings with local civil society since the Feb 5th FCP announcement and the aim was to hear feedback from stakeholders, to explain the thinking behind the FCP, to seek active involvement from the participants in FCP implementation and monitoring, to discuss data sharing and to secure feedback on APP's DRAFT FCP implementation protocols. There was concern raised after the initial meetings

around inadequate data sharing. Local civil society representatives felt that more information should have been shared. For APP, TFT and the civil society representatives, this was a new process, the first open dialogue between APP and civil society around these critical issues. There was also concern raised around TFT's role in the meetings while others felt that the meetings needed stronger facilitation. TFT and APP sought to address these issues in subsequent meetings and feedback from the later meetings suggested that the improved approach and data sharing was appreciated. From TFT's perspective, the meetings were constructive and we will continue to work to find the right balance. There was active and vivid discussion and much learning on all sides. A framework has been established for enhanced dialogue and involvement going forward and TFT and APP have agreed to continue this open dialogue process. There will be a continued focus on ensuring that data and information sharing is enhanced.

Feedback on the implementation draft protocols in Bahasa Indonesia versions have been included in the documents and these have now been as released to FGD participants as Version 1. Input from FGD participants and other international NGOs are being incorporated into the draft protocols, which will then be available on the APP website. The protocols are designed to be "living" documents, so they are by no means final versions. They are open to constant improvement through discussion with all stakeholders.

Grievance procedure:

During March a detailed grievance was raised by the Kalimantan Forest Monitoring Volunteers (RPHK), a consortium of local NGOs in West Kalimantan. This alleged that two APP suppliers (ATP and DTK) were actively clearing forest in breach of the FCP moratorium. In response, TFT conducted a field verification study ([Click here to read the field verification report](#)) to check the situation on the ground. The verification study showed the allegations to be incorrect; forests were being cleared but not by APP or either of its two suppliers. TFT and APP continue to encourage broad NGO and civil society engagement in the grievance procedure and broader FCP monitoring.

It is noted that wider NGOs engagement and their active participation as an Independent Observer to monitor and improve SO process could avoid such a case in the future.

Rather, companies with concessions overlapping the APP suppliers' concessions were carrying out the forest clearance. APP has raised this issue with the respective companies and with the local and national government. TFT and APP are currently mapping all possible license or other landuse overlaps across APP's supply chain to define a strategy to discuss with relevant government authorities.

Protection of natural forest:

Also during March, analysis from Eyes on the Forest raised questions as to how much natural forest would be protected in Sumatra as a result of the APP FCP. TFT and APP technical teams are analysing up to date satellite data as part of the High Carbon Stock (HCS) study. This data was fully processed in March-April and we are conducting ground truthing exercises to match the data with forest types in the field. Once the ground truthing is complete, we will have a clear picture of the actual amount of forest that has been set aside and will report our findings. The HCS study is planned to be completed by Q4 2013.

Tracking progress online:

TFT, APP and its sustainability advisor, the Robertsbridge Group, are currently developing TFT's SURE Technology system to present an online dashboard. TFT has been developing its [SURE Technology](#) system since 2010 to enhance transparency. The system, which was launched in January 2013, allows TFT partners to respond to the EU Timber Regulation Due Diligence requirements, to enhance supply chain transparency and to help communicate product stories. Four major retailers have already adopted the system. The SURE Technology system can also provide user dashboards to enable interested parties to review and monitor progress on specific projects. TFT is developing a SURE dashboard for APP's Sustainability Roadmap and FCP implementation so that stakeholders can quickly track issues and challenges that have arisen and to see how they are being dealt with. APP's aim is to launch a pilot version of this SURE Technology dashboard on its website (www.asiapulp.com) in June 2013.

Policy commitment progress: Indonesia

Policy Commitment 1:

High Conservation Value Forests (HCVF) 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.

1. Moratorium on forest clearance: The monitoring undertaken to date confirms that the moratorium continues to be upheld by all parties, with TFT field teams, APP and its suppliers' staff working to support this.
2. To support the identification of High Carbon Stock (HCS) forest that must be protected, TFT and APP have completed satellite data stratification for all suppliers. TFT and APP formed a ground truthing field verification team to verify the findings in the field. As a priority, the ground team will first cover three Forest Management Units (FMUs) in East Kalimantan due to the sensitivity of the natural forest in the areas, as highlighted by several NGOs.
3. APP's newly improved wood tracking system had a successful trial. The system will ensure that only wood from log yards, recorded as having been harvested prior to February 1st, 2013, enters the supply chain. Stock Opname (SO/stock inventory) data is complete and the full SO report is now finalised. A flyover is set for early May and further ground checks will take place then as part of the periodic monitoring. APP invited Independent Observers to be part of the monitoring team along with APP and TFT.
4. Scorecard assessments and SO studies were conducted at SBSA and Chipdeco chip mills in East Kalimantan, as they supply APP mills in Indonesia and China. APP purchases chipwood from Chipdeco on a spot purchase basis. Chipdeco, which previously sourced both HTI fibre and mixed hardwood (MHW), stopped sourcing MHW in early 2012. HTI fibre mainly came from two suppliers, one of which is still converting natural forest, while the other is no longer supplying Chipdeco. APP has sent a letter about its FCP Moratorium commitments and its implications to Chipdeco, and at APP and TFT's request Chipdeco has disengaged with the supplier which does not wish to cease natural

forest conversion. Communications with Chipdeco are on-going to monitor its improvement on its wood traceability system and alternative HTI suppliers. No such issues have been found so far at SBSA.

Wood flow projections - Plantation growth and yield assessments

TFT is in the process of writing up a public document that will describe the methodologies used to review APP's wood flow projections from its plantation pulpwood suppliers. This report will cover APP's plantation growth and yield forecasts, from existing standing volumes of its suppliers' concession through to improvements in growth rates, harvesting efficiencies and pulp yields.

Implementation of Grievance Protocol on Moratorium

The grievance team was established to implement APP's grievance procedure. During March it handled complaints/reports from three NGOs based in Kalimantan, South Sumatra and in Riau. The South Sumatra based NGO received information from the local community that suggested natural forest clearance was taking place in land owned by Tripupa Jaya, an APP supplier in South Sumatra. TFT/APP carried out a spot check and found that the supplier was working in accordance with moratorium protocol by using wood felled before 1 February 2013. The Riau based NGO requested clarification about the number of APP suppliers in Riau. The NGO counted 33, but TFT/APP advised there are 17 suppliers currently supplying wood to APP, whilst the remaining 16 are a mix of a) those who are no longer suppliers of wood to APP, b) those who have never supplied wood to APP, c) those who work with APP on environmental projects. In April, the Grievance team received two further requests for clarifications from a UK-based NGO and an NGO coalition. TFT and APP are investigating these requests.

MTH Monitoring

TFT and APP have developed an inventory monitoring system called Stock Inventory (Stock Opname/SO) to ensure the moratorium remains intact. The SO process requires the ground teams to identify and catalogue in the blocks where cutting took place prior to the moratorium, the machinery that was there at the time, and the quantity of MTH logs on site. The same information is then also gathered at the main stages of transport along the supply chain – at log handling points, then the log yards, and finally at the mill gate. This data is recorded along with GPS co-ordinates. The SO monitors MTH movement through the chain, as well as ensuring that boundaries where clearance last took place remain intact. No MTH logs can be received by any of the mills unless they have been through the SO process.

APP has set the target for all MTH to have entered the mills by August 2013. SO system monitoring indicates that by mid April, 20% of MTH logs in the field have been transported to mills. The process is slower than anticipated due to variable ground conditions (access), weather, which has been a major factor due to rain, and logistics (lack of sufficient infrastructure).

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.

1. To complete the formation of the HCV peat expert team as agreed by APP and its NGO partners, APP's HCVF assessors - Asia Pacific Certification Solutions (APCS) and Ekologika -have engaged two peat experts and three field members. At this time APCS has 77 HCV practitioners in the field in the provinces of Riau, Jambi and West Kalimantan, and all work is continuing according to the schedule set out at the start of this process.

Ekologika, which started work after APCS, has completed the first stage of satellite data analysis. Eklogika is now increasing its activities in preparation for putting people on the ground to start the fieldwork phase of the HCV assessments of APP's pulpwood suppliers, which followed the moratorium deadline of February 1st 2013. Ekologika has organised HCV training, to be provided through April and May, related to the methodologies and protocols for the teams that will conduct the field data collection.

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.

1. Relevant feedback from the FGDs mentioned in the introduction have been incorporated into social procedures, particularly conflict resolution processes and Free, Prior and Informed Consent (FPIC) implementation. As noted above, there is an on-going process to continue dialogue with local civil society through further meetings, grievance protocols and FGDs. TFT and APP recognise that there will be continued learning as these procedures are implemented and so remain firmly committed to continued dialogue and engagement with all stakeholders. We are also seeking active involvement of local civil society in conflict resolution, on-going stakeholder engagement and FPIC processes.
2. TFT has completed the first round of training on conflict mapping for managers and operational staff in Jambi, Riau, West Kalimantan and East Kalimantan. As a follow up to conflict mapping training, conflict mapping has taken place in Jambi, Riau, and West and East Kalimantan.
3. To support FPIC among indigenous people and local communities, initial FPIC training for APP suppliers' staff has been completed in the regions of South Sumatra, Jambi, Riau, West Kalimantan and East Kalimantan.
4. TFT is supporting APP to resolve a number of on-going conflicts. The aim is to use each as a learning/capacity building opportunity for APP teams and to build up engagement with local communities and local civil society representatives.

- In Seinyerang (Jambi Province), TFT is continuously communicating with conflicting parties and other relevant stakeholders including government authorities and local NGOs to help move the conflict resolution process forward.
 - In PSPI (Riau Province), TFT is supporting PSPI and APP teams in communicating with the National Forestry Council (DKN) which comprises many organisations including government institutions, academic bodies and local civil society. DKN has proposed itself as the facilitator for conflict resolution between Datuk Rajo Melayu and PSPI. There has been a series of meetings between Arara Abadi, PSPI and DKN, as well as with local governments and Datuk Rajo Melayu.
 - In Riding village (South Sumatra Province), the plan is to use the conflict resolution process as a pilot for learning and to use new procedures.
 - In these on-going and all future conflict situations, TFT and APP will continue to seek active engagement from all stakeholders in the resolution process.
5. TFT has prepared conflict resolution training materials for senior managers and teams at APP/SMF headquarters.

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.

TFT and APP reviewed all global suppliers that received the FCP notification last month and we are in the process of identifying programs and visit schedules to ensure this fibre supports responsible forest management. We have drafted a Policy of Association to ensure procured fibre is not linked to deforestation undertaken by other parts of suppliers' operations.

We are continuing to review third party suppliers and are making solid progress in Vietnam. TFT is recruiting three new team members to support the APP work in relation to APP's global supply chain: a social specialist, a forester and a wood control specialist will join us shortly.

Progress in China

TFT is reviewing various standards, laws and regulations applicable to APP China Forestry (ACF) operations with a strong focus on Hainan, which will be the first province to trial the TFT scorecard system. TFT and ACF met with Greenpeace China to discuss their concerns in relation to plantation development in Hainan. A Hainan Plantation Restoration Proposal has been drafted and is now being reviewed by stakeholders.

TFT is currently preparing the general policy structure for ACF; integrating the FCP, RFPPP and other policies related to environmental, social and economical aspects of sustainable development.

The GAP assessment report (English version) has been completed, following the ACF Yunnan scoping visit. As per the request from ACF, a Mandarin version of the report is being prepared.

As TFT finalised the scoping phase for ACF, TFT reviewed findings from all the scoping visits conducted, revised the detailed activity plan for ACF and distributed them to ACF for comment.

We are also reviewing the scorecard (quick supplier assessment against RFPPP) developed by ACF, based on RFPPP. We will provide ACF with recommendations and revisions.

The existing program and group policies that relate to community and social engagement have been reviewed and we have drafted a Social and Human Resource Policy and distributed it to ACF for comment.

Finally, we are providing assistance and guidance to ACF regarding the preliminary SOP review and data collection, which is currently in progress.