Foreword

February 5th 2016 marks the third year anniversary of the implementation of APP’s Forest Conservation Policy (FCP) and it is over a year since an independent evaluation of our FCP implementation was completed by Rainforest Alliance. That evaluation, published in February 2015, concluded that we had made moderate progress in implementing our FCP and it drew attention both to progress and ongoing challenges. We subsequently published an FCP Implementation Plan for 2015 and beyond, highlighting action we would be taking as part of our commitment to continual improvement.

Twelve months on, and despite a challenging year for the company, I am pleased to report back on our progress in delivering upon that Action Plan. Progress highlights include the acceleration of our Peatland Best Practice Management (PBMP) Project which culminated, in late 2015, with an intensive concession canal blocking programme to protect critically important peatland landscapes within and around our concession areas. This investment will help to protect forests and reduce peat loss, carbon emissions and fire risk.

As part of our new forest protection security strategy, in December, we also announced the development of a pilot agroforestry programme designed to address the root causes of the unsustainable practices which lead to forest degradation and deforestation in the supply chain. We hope to extend the programme to 500 villages within our supply chain and have earmarked an investment of up to $2million per year for the next 5 years for its development.

We continue to invest in our landscape conservation initiative, and, this month, we were delighted to announce the formation of an Advisory Board for Belantara, the independent Foundation established by APP to fund conservation projects in Indonesia. Advisory Board members include widely respected individuals drawn from the governmental, non-profit and corporate sectors and they will volunteer their time to offer independent advice to the Foundation and its projects. APP is hugely grateful to them for their involvement.

More information on Belantara and other FCP progress areas can be found in the pages that follow.

2015 finally ended in Paris on a high when the world’s nations came together to adopt the world’s first legally binding agreement on climate change. The importance of forests to global climate change, was, for the first time, officially recognised within the agreement, presenting a huge opportunity for their future protection and restoration.

Aida Greenbury
Managing Director
Sustainability & Stakeholder Engagement
Forest encroachment and illegal logging by third-parties continue to challenge APP’s Forest Conservation Policy, just as they affect forest conservation and management across Indonesia. In February 2015, APP highlighted a number of strategic measures it was developing to help prevent unauthorised third-party clearance within its suppliers’ concessions. Over the last twelve months, APP has developed and implemented a number of those measures with a focus on improved internal security systems, as well as enhanced stakeholder and local community engagement. Measures include:

- Improved stakeholder engagement
- Improving internal security systems

**Improved stakeholder engagement**

APP established internal field teams to improve coordination with local stakeholders and government enforcement agencies. Joint forest patrols with BKSDA & the local police were strengthened and APP engaged with regional forestry agencies and local government to conduct community socialization activities focused on improving understanding around concession boundaries as well as regulations prohibiting illegal logging and clearance of protected forest area. APP also began to strengthen its suppliers’ community empowerment programme – see section Agroforestry – in order to target the root causes of forest degradation and deforestation.

In early 2015, following an incident between the outsourced security personnel of APP’s pulpwood supplier (PT WKS) and a local community member in Jambi – APP and its supplier have been implementing structural and management improvements to their security practices to avoid such incidents in the future. A global security outsourcing company with experience and expertise in managing security in high conflict areas in Indonesia has also been engaged to support this program starting in the final quarter of 2015.

A new division called Social and Security Division was recently established in Jakarta to improve coordination and strengthen the forest security and the social engagement and management initiatives of APP’s pulpwood suppliers’ concessions across the 5 provinces.

**Improving internal security systems**

Over the last year, APP has taken steps to improve internal security. As part of this, APP completed a forest threat mapping exercise the results of which were used to enhance strategy and planning around forest protection. A high level strategy for Forest Protection was developed and disseminated to all APP suppliers’ concessions who are now developing their own tailored plans to improve local forest protection and security. Guidance to suppliers was also provided in the form of a new Forest Protection Manual which included new standard operating procedures (SOPs) for suppliers to follow.

**Alternative livelihoods – Agroforestry programme**

As part of its new security strategy, APP announced the development of a pilot agroforestry programme designed to support alternative local livelihoods in order to reduce community pressure on natural forest in the company’s suppliers’ concession areas.

APP has learnt that the root cause of the unsustainable practices which lead to forest degradation and deforestation in the supply chain – including social conflict – are linked to the low income and welfare of communities surrounding forest areas. The company has therefore been reviewing and refocusing its community development strategy to better address forest protection challenges. The program will involve capacity building for the community, and provision of planting and/or farming materials, equipment and/or facilities to develop the agroforestry programs.

As a start, APP is aiming to develop programmes across 500 villages over a 5 year period. A Monitoring, Reporting and Verification (MRV) system will be developed in order to measure community welfare improvements and to correlate those with forest threat reduction. Up to $2 million per year is being allocated to the agroforestry programme.

Moving forward, APP believes a new and more inclusive business model is required whereby communities become a partner of the company in managing and protecting the forest. This will be achieved through empowerment programs that align community economic needs with the sustainable management of the forest.
Due to the El Nino phenomenon, Indonesia’s 2015 fire season was one of the most severe in decades. The size of the challenge was unprecedented, and the cost to the economy, society and environment was both enormous and unacceptable. APP’s pulpwood suppliers also suffered major financial losses due to the destruction of plantation wood across it suppliers’ concessions, notably in South Sumatra, where the fires were most prevalent.

As part of its commitment to continual improvement – and to ensure the company is well prepared for the next extended dry season in March – APP and its pulpwood suppliers have been taking steps to further enhance their capacity to prevent, prepare for and respond to forest fires. This has included the adoption of a new Integrated Fire Management (IFM) strategy.

APP and its pulpwood suppliers have been undertaking the following steps as part of their new IFM strategy:

- Peat rewetting, improved water level management and perimeter canal blocking. For more information on APP’s intensive canal blocking programme, see page 8.
- Deployment of two aircraft with state-of-the-art thermal imaging cameras to improve hotspot data collection. The level of data accuracy is far greater than satellite imaging hotspots and information can be distributed in near real time to APP’s in house Geographic Information System (GIS) and distributed to field staff within 1.5 minutes.
- Preparation of new fire patrol route maps based on past fire occurrence and local risk factors.
- Supplementation of APP pulpwood suppliers’ existing firefighting resource with two rapid response medium lift helicopters capable of carrying up to 3,500 litres of water.
- The roll out of the first Incident Command System (ICS) fire training programme to 400 field, district and regional fire commanders of APP pulpwood suppliers. The programme will train the fire commanders on the practical application of ICS including early detection and rapid response.
- Engaged fire management experts from Australia, United States and Spain in improving the fire-fighting teams’ structure and capacity.
- Ongoing implementation of APP’s Agroforestry programme to work with communities to find alternate means of land management and development without fire (see page 4).
In 2015, APP completed all High Conservation Value (HCV) assessments in its suppliers’ concessions. Public summaries, including maps and data, are available on APP’s FCP monitoring dashboard. Work to develop HCV management recommendations and to embed these in APP suppliers’ operations and procedures continued. All spatial recommendations (recommendations affecting the zoning of concession areas) are being addressed through APP’s ongoing integrated sustainable forest management planning process which is being undertaken in each of the five wood fibre regions supplying APP: Riau, Jambi, South Sumatra, West Kalimantan and East Kalimantan. As of February 2016, spatial planning had been completed in South Sumatra, while in the other provinces field verification and stakeholder analysis for the spatial plans have been completed and their revision is targeted to be completed by Q1 2016.

Non-spatial HCV recommendations continue to be implemented on the ground. New procedures have been developed to support implementation and others are undergoing development and revision. Staff training on HCV management is ongoing.

APP made significant progress in the implementation of its Peatland Best Practices Management Project (PBPMP) in 2015. Working with partner organisation Deltares, a Dutch research institute with expertise in peat and water management, APP completed LiDar mapping of 4.5 million hectares of peatland in Sumatra (around 25% of Indonesia’s total peatland area) and, in August, announced an industry first commitment to retire five peatland plantation areas totalling 7,000 hectares, for conservation purposes, in two of APP’s supplier concessions.

Canal blocking: protecting the peatland landscape

In late November 2015, as part of the Peatland Best Practice Management initiative, APP made further progress when it announced an intensive perimeter canal blocking programme. The perimeter canal blocking program is a first step towards the implementation of wider buffer zones between forest and plantations in and around all APP suppliers’ concessions. Buffer zones will allow near-natural water levels at the forest edge to be maintained, which is required for forest survival as well as for the reduction of peat loss, carbon emissions and fire risk. Canal blocking is critically important as it can help to protect peat forests from forest fires by raising water levels and rewetting peat.

By the end of November, 400 dams had been constructed in APP pulpwood suppliers’ concessions, on peatland in Riau and South Sumatra. A further 2,379 blocks had been built in Riau by January 2016. The goal is to construct over 7,000 blocks in Riau, South Sumatra, Jambi and West Kalimantan provinces in total.
Policy Commitment 3.
SOCIAL COMMITMENTS

5. Free Prior and Informed Consent (FPIC) & Social Conflict Resolution

In 2015, as part of a process of continual improvement, APP implemented a number of measures designed to strengthen its implementation of FPIC and the resolution of social conflict in the supply chain. This included a commitment to implement FPIC in areas where new developments and/or conservations is proposed, as well as revisions to the FPIC protocol to expand its scope to include high impact activities on developed plantation area. Over the last year, the FPIC process has been completed for both the new OKI mill development and PT KEN, an APP Ecosystem Restoration forest concession. FPIC has also been piloted in 2 pulpwood suppliers’ locations in South Sumatra.

Improvements were made to both APP’s FPIC and social conflict resolution standard operating procedures (SOPs). The revised SOPs for conflict resolution were disseminated to suppliers, and field teams were trained in the new procedures. A new social conflict resolution monitoring system was also introduced to help accelerate the conflict resolution process. APP continues to make progress in resolving conflicts in its supply chain with a significant number of conflicts having reached an agreement phase, by the end of 2015.

6. Workers’ Rights and Welfare

Over the last twelve months, APP has undertaken a number of measures designed to address worker rights and welfare gaps identified in a 2014 Rainforest Alliance evaluation of our Forest Conservation Policy implementation.

In August 2015, APP established an internal guideline to set up minimum requirement for workers’ facilities by contractor and sub-contractor companies. APP also began developing a new Contractor Management System to ensure that APP’s contractor management is in alignment with APP’s FCP. Once complete, the system will provide improved guidelines to assess contractors’ compliance with APP’s health, safety and workers’ rights requirement including implementation monitoring and enforcement.

APP and its pulpwood suppliers have been reviewing the contracts of suppliers’ contractors and sub-contractors to include clauses that will strengthen the implementation of good working and living conditions for their staff. Based on internal assessments, APP’s pulpwood suppliers are preparing budgets for the work that is needed to renovate and/or build new staff facilities in the field.

FCP SUPPORTING INITIATIVES

7. Sustainable Wood Supply

Ensuring a long-term sustainable wood supply for its pulp mills is one of APP’s biggest commercial priorities. This is why, in 2014, APP began implementation of a plantation productivity and wood supply efficiency action plan designed to optimise tree growth, reduce wood losses and address threats to plantations. The implementation of this action plan continues throughout 2015 and it has included the ongoing delivery of a nursery improvement programme to develop more robust and faster growing trees, improvements to plantation silviculture practices such as deployment of site specific varieties and/or species, as well as measures to improve harvesting and transportation of wood. APP has also been introducing a new Integrated Fire Management (IFM) strategy (see page 5) which will help to address one of the major threats to plantation losses by APP suppliers.

In 2015, we have seen improvements in quality of seedlings and the survival rates of the planted trees. Furthermore wood losses from harvesting and transporting have been reduced due to improvement in wood handling technique and procedure.
8. Landscape Conservation Initiative

In October 2015, a Landscape Conservation Masterplan was finalised, providing a reference framework for all stakeholders wishing to participate in landscape conservation efforts across the ten landscapes identified in APP’s commitment to protect and restore up to 1 million hectares of tropical forest in Indonesia. The Masterplan was a collaborative effort that was built with multi-stakeholder input from each landscape. Local working groups were formalised in each landscape in order to develop conservation and restoration action plans and to identify willing local partners capable of delivering those projects on the ground. A number of initial, multi-year projects were identified and are expected to begin in 2016.

- **Belantara Foundation**

  APP also established a Foundation, Belantara, a coordination and funding mechanism to channel public and private sector finance into landscape conservation activities in Indonesia. Belantara will work to support APP to protect and restore one million hectares of forest as well as developing more widespread conservation projects of its own. Projects will focus on natural forest restoration and endangered species protection, conflict mitigation between the community and endangered animals, studies to strengthen sustainable landscape management, and community empowerment and local economic development, especially for those that rely heavily on natural resources.

  APP is providing seed funding to cover Belantara’s initial operations and will contribute in-kind or financial support of up to USD 10 million per year.

  In February 2016, APP was particularly pleased to announce – on behalf of Belantara – the formation of an Advisory Board to provide independent expertise to the Foundation and its projects. Advisory Board members include a group of respected and experienced individuals, selected from a broad range of stakeholder groups, who are passionate about the vision and mission of the Belantara Foundation. They will voluntarily contribute time and advice to ensure its success.

  More information on Belantara can be accessed via the website: [http://belantarafoundation.org/](http://belantarafoundation.org/)

9. Internal Engagement on FCP Values

APP has always recognised that integrating its Forest Conservation Policy into the core business requires ongoing and sustained internal engagement. Consequently, throughout 2015, APP has continued to engage supplier staff through a variety of FCP training and socialisation programmes. In addition, in 2015, APP made a number of changes to ensure that FCP implementation objectives were embedded into staff key performance indicators (KPIs).