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# FOREST CONSERVATION POLICY

4<sup>TH</sup> ANNIVERSARY REPORT  
FEBRUARY 2017



USE OUR PAPER, WE PLANT MORE TREES.

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# FOREWORD:

## MANAGING DIRECTOR OF SUSTAINABILITY & STAKEHOLDER ENGAGEMENT

The implementation of APP's landmark Forest Conservation Policy (FCP) which halted natural forest clearances in all of our pulpwood suppliers, marked its fourth anniversary on 5<sup>th</sup> February 2017. Four years into the programme, I am pleased to report back on both the progress and the challenges we have faced.

Our commitment to the FCP remains strong and has been verified by independent parties. We continue to remain vigilant in monitoring comprehensive adherence to our policy and are pleased to report that APP's Independent Observer (IO) programme, carried out with TFT in the second half of 2016, indicated positive progress and no breaches of the FCP across our different activities.

Our work in 2016 was focused primarily on the implementation phase of key projects we launched in 2015 which are integral components of the FCP, including our Integrated Fire Management Programme (IFM) and Integrated Forestry & Farming System (IFFS) programme, as we want to embrace forest communities as an essential part of our journey towards truly sustainable practices.

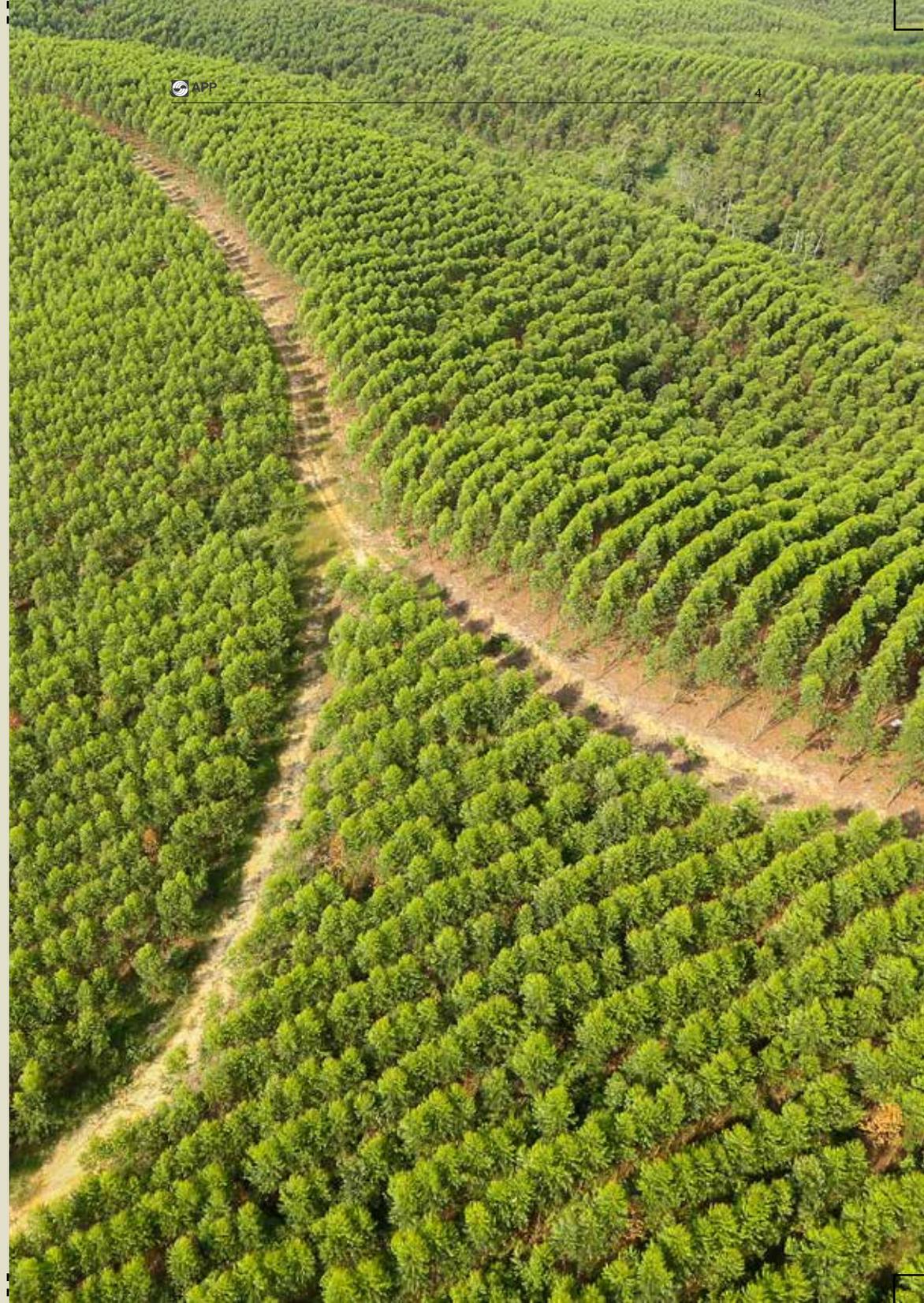
Though we continue to face challenges including social conflict, illegal encroachment and the need for further collaboration from stakeholders in the landscape, we have made tangible progress in all four of our policy commitment areas under the FCP. Highlights from our last twelve months include:

- Identified areas and completed HCV, HCS and Social Impact Assessments (SIA) for new development; completed updated spatial planning for all 38 pulpwood suppliers' concessions as part of the Integrated Sustainable Forest Management Plan (ISFMP)
- Implemented the IFFS programmes in 60 villages.
- Commenced a second round of LiDAR mapping exercises to further improve our understanding of peat ecosystems and thus support peatland best practice management implementation; alternative species and mycorrhiza development programmes entered into next stage of trials.
- Organised conflict resolution pilots in Riau, Jambi, and South Sumatra to strengthen earlier training sessions provided to field teams.
- Successfully avoided uncontrollable fires in all APP pulpwood suppliers' concessions as a result of improved fire prevention strategies
- Collaborating with the Belantara Foundation to establish a jurisdictional approach with the Governor of South Sumatra and Governor of West Kalimantan, as well as attract foreign donor funding for landscape conservation activities in some of our ten priority landscapes.

Beyond the FCP but very much correlated, we also saw in November 2016 the launch of the Forest Law Enforcement Governance and Trade (FLEGT) licensing system for legal timber trade between Indonesia and the EU, a significant milestone in the global fight to end illegal logging. APP was honoured to be the first pulp and paper group to obtain FLEGT licensing, which highlights our commitment to complying with international best practice standards on traceability and transparency in supply chains and improves the ease with which APP products can be exported to the EU. We participated in the IUCN's World Conservation Congress in September and COP22 in November which provided opportunities for productive dialogue with policymakers on further attempts to tackle deforestation and de-coupling economic growth from environmental degradation.

Exciting new areas we are exploring for 2017 include reviewing natural capital assessment as a tool to better integrate environmental management with economic development, working with key stakeholders to support forest restoration efforts in Indonesia and building on ways to further improve transparency and communication with stakeholders across the range of APP's policy commitments.

More information on our FCP progress areas can be found in the pages that follow. We have made significant progress in the last year, and invite you to work with us as we continue our journey – it is not one which we can do alone.



# POLICY COMMITMENT 1: PROTECTING NATURAL FOREST

In line with its commitments to protect natural forests, APP and its suppliers have only developed non-forested areas, as determined through High Conservation Value (HCV) and High Carbon Stock (HCS) assessments, since February 2013.

The commitment however goes beyond only governing the activities of APP and its suppliers, and encompasses various initiatives and efforts to address issues related to forest encroachment, illegal logging as well as forest fires, which all developing countries are confronted with. Such efforts include further strengthening APP's engagement with its stakeholders, which are the local communities, the central and provincial governments and its related agencies, and civil society organisations, among many others. Aside from that, other ongoing initiatives and efforts by APP include heightening its security measures and protocols around its concessions and natural forests, continuing the development and implementation of its agro-ecology program as well as further enhancing its fire management strategies.

## NEW DEVELOPMENT AREAS

APP has identified potential areas for new development in Bangka and West Kalimantan. The relevant HCV, HCS and Social Impact Assessments (SIA) are currently being conducted while APP, with the support of its technical consultants, are conducting further reviews and engagements with local stakeholders, among others, before progressing further. For Bangka, the integrated HCV, HCS and Social Impact assessments have been completed and a recommendation for the Forest Management Unit (FMU) is in process. For West Kalimantan, a survey on the community land use planning was conducted and has been followed by a post-assessment public consultation for the HCV, HCS and SIA assessments, which is currently in progress.



## INDEPENDENT OBSERVERS – MORATORIUM / NATURAL WOOD FOREST

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The Independent Observers (IO) Programme, comprising of both local and international NGOs and academia, conduct periodic monitoring every quarter to identify if there is any breach in the designated moratorium area as well as monitoring the usage of natural forest woods logged before 1 February 2013.

In Q3 and Q4 2016, APP carried out its IO Programme with the support from TFT in all five regions: Riau, Jambi, South Sumatra, East and West Kalimantan. No breach by APP or any of its suppliers against any of the FCP commitment was found during the field observation. The reports from the IO Programme from all five regions will be made available on the FCP Monitoring Dashboard once finalized.

The field observation in Q4 2016 would be the last observation exercise under the flagship of the IO Programme in the moratorium area. Subsequently, the programme will evolve towards becoming an IO Programme for the implementation of the Integrated Sustainable Forest Management Plan (ISFMP). *(Refer to section on Integrated Sustainable Forest Management Plan).*

## HCV / HCS MANAGEMENT & MONITORING

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APP completed HCV and HCS assessments in all 38 suppliers' concessions in Indonesia in 2015, with the summaries, maps and data made publicly available on the FCP Monitoring Dashboard. The findings and recommendations from these assessments, in combination with others such as social assessment, were then incorporated during the development of the Integrated Sustainable Forest Management Plan (ISFMP) for each Forest Management Unit (FMU). *(Refer to section on Integrated Sustainable Forest Management Plan)*

Field visits for monitoring purposes and sampling tests of HCV and HCS areas were also conducted in Q4 2016. Once ready, the relevant reports from this monitoring exercise will be made available on the FCP Monitoring Dashboard.

Last but not least, APP has been sharing the results and data from its HCS assessments with the HCS Approach Steering Group for peer review purposes. This will ensure that the assessments are conducted using the agreed best practices and will further validate the results of these assessments.

## INTEGRATED SUSTAINABLE FOREST MANAGEMENT PLAN

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APP developed the **Integrated Sustainable Forest Management Plan (ISFMP)** as one of the key initiatives playing a pivotal role in driving APP towards realizing its FCP commitments. Its development was a lengthy process that involved compiling and consolidating data as well as recommendations gathered through various assessments (HCV, HCS, Social Conflict Mapping, etc.), legal requirements and obligations as well as input from all relevant stakeholders including local communities, government, academia and civil societies.

The ISFMP is customized to the requirements and conditions of each of its 38 suppliers, providing them with action plans for improved management practices, enabling them to enter an improvement cycle and thus, becoming the blueprint for sustainable forest management in all APP suppliers' concessions. However, to remain relevant and progressive, the ISFMP plans will be reviewed on a regular basis and revised accordingly if ever the need arises.

The spatial plans for all 38 suppliers' concessions were completed in 2016 and are currently being developed into manuals to provide the relevant guidelines for all field staff implementing the ISFMP plans and recommendations. Thus far, ISFMP manuals for 24 concessions have been finalized and being published for internal distribution. The ISFMP manuals for the remaining 14 concessions will be completed by Q1 2017.

APP is also currently developing an updated version of its Independent Observers (IO) Programme to monitor the implementation of the ISFMP. APP expects the first field visit for this new IO Programme to be conducted sometime in Q2 2017.

### **FOREST PROTECTION & SECURITY**

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APP continues to work towards further improving the protection and security aspects within concessions areas. It is currently finalizing the Forest Protection Standard Operating Procedures (SOP) and expect to commence its full implementation by Q2 2017 while the Security Vendor Monitoring & Evaluation SOP was reviewed and updated with minor revisions in Q4 2016. Both these SOPs are crucial as APP security vendors operate and manage security in existing or potential conflict areas in the forest concessions.

The most recent security vendor monitoring and evaluation was conducted in Riau (December 2016) and Jambi (January 2017).

Further to that, APP, in collaboration with its security vendor, G4S, developed guidelines for improved community engagement, with an action plan developed as well to complement the guidelines. The implementation of the new guidelines is currently undergoing a pilot study.

### **INTEGRATED FORESTRY & FARMING SYSTEM**

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The Integrated Forestry & Farming System (IFFS), a program initiated by APP to ensure local communities are engaged in and can benefit from the implementation of our FCP. This program, based on the agroecology concept, aims to reduce threats to forest by empowering economic needs of local communities. It is expected that through providing alternative sources of livelihood, the pressure on natural forests by these communities will decrease, thus reducing the risks of forest degradation and encroachment. The program intends to benefit households in the 500 villages located in and around APP's and our suppliers' concessions, by 2020. APP will allocate up to USD 2 million annually to this program. Key activities will focus on capacity building, provision of planting and farming materials as well as equipment and facilities.

Having just completed its first year, the IFFS had seen some success stories with villagers seeing significant increases in their income. Progress achieved through the programme included efficient and optimal land use by the villages for more productive and lucrative activities, which include animal husbandry, fish farming and agriculture.

The IFFS programme has also resulted in village institutions such as village-owned enterprises and cooperatives functioning more effectively, better rapport and engagement between APP personnel and local communities and more importantly, a change in mindset among villagers who have started to do land preparation without burning. Since the programme commenced, there has also been more partnerships developed involving APP with various government agencies, local NGOs and the local communities to work together to address social and environmental issues.

However, there were also various challenges on ground, resulting in APP only managing to implement the program in about 66 villages, falling short of its initial target of 80 villages by the end of 2016. These include the need for capacity building among APP employees at district level that will allow them to facilitate participatory planning programmes, convincing villagers to adopt land preparation methods without using fire, as well as difficulties to access villages in remote locations, among others.

# POLICY COMMITMENT 2: PEATLAND BEST MANAGEMENT PRACTICES

The Peatland Best Management Practices (PBMP) is a key component of APP's commitment to support the goals of the Government of Indonesia for its emission reduction targets and low emission development. It is also an essential piece of work to protect and where possible restore this very unique ecosystem. The FCP is aligned to these goals, complementing APP's commitment to protect forested peatlands.

The first LiDAR mapping exercise by APP was completed in 2015, covering 4.5 million hectares of peatland and lowland at landscape levels in Sumatra and Kalimantan, the result of which led to the retirement of 7,000 hectares of production forests for conservation purposes in 2015 and the building of over 5,000 perimeter canal blockings to raise water levels.

APP commenced with a second LiDAR mapping exercise since Q4 2016, which has been completed in Riau and Jambi with mapping in Musi Banyuasin (Muba), Ogan Komering Ilir (OKI) and West Kalimantan scheduled in Q1 2017. The purpose of this second LiDAR mapping exercise is to expand the coverage area, to increase the resolution on critical peatland areas, to improve the analysis of the water management recommendations and to explore the potential of using LiDAR as a monitoring tool.

APP will continue engaging and working with local and international peat experts on the implementation of the PBMP through its Peat Expert Consultation. APP has also conducted a Regional Water Management Structure pilot in Palembang with the hopes of applying it in all other regions.

## PERIMETER CANAL BLOCKINGS

In April 2016, APP completed the development of 5,372 perimeter canal blockings to raise water levels and rewet peat as part of the PBMP. It is also part of the efforts to establish wider buffer zones that allows for near-natural water levels to be maintained between the edge of natural forests and plantations in and around all APP suppliers' concessions. As the dry season in 2016 demonstrates, such buffers contribute to mitigating the risk of fires aside from helping to reduce peat loss and carbon emissions.



APP is currently working with its peat experts to determine and design the best methodology to measure the effectiveness and conditions of the canal blockings. Until the best methodology has been identified, APP is planning to conduct ground and aerial monitoring of the dams on a regular basis.

#### **ALTERNATIVE SPECIES & MYCORRHIZA DEVELOPMENT PROGRAMS**

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APP spearheaded the Alternative Species Programme in collaboration with various researchers and experts. The objective of the Alternative Species Programme is to identify and conduct trials on alternative species that can grow and thrive in peatlands with higher water tables, which complements APP's efforts in 2016 to block canals as a means to rewet peatlands. The programme has progressed into the trial stage as of Q4 2016.



# POLICY COMMITMENT 3: SOCIAL ENGAGEMENTS & RESOLUTIONS

APP continues to engage indigenous and local communities living in and around APP suppliers' concessions, having acknowledged them as key stakeholders and intending to address any and all outstanding and arising social issues. Aside from adopting the UN Guiding Principles on Business and Human Rights in its operations as part of its FCP commitment, APP also ensures that Free, Prior and Informed Consent (FPIC) procedures are performed with the relevant or affected communities before proceeding with any proposed developments, new operations or forests management.

Currently, APP is in the midst of finalizing its Grievance Protocol, which will complement its other social-related policies and procedures that are in place including the Collaborative Conflict Management Approach as well as the Responsible Conflict Resolution Procedure, which standard operating procedures (SOPs) are currently being reviewed. These policies and procedures were and will continue to be developed with comprehensive input from various key and related stakeholders, including civil society organizations.

Managing and resolving land conflicts continue to pose a major challenge to the agriculture and forestry sectors in Indonesia, which is why APP remains focused on managing and resolving them to the best of our ability and with the support and involvement from stakeholders, including government agencies and civil society.

Since the launch of the FCP in 2013, APP has done its utmost to map existing conflicts and engage with concerned parties in resolving these conflicts in a responsible way. As of the end of 2016, about 40 percent of mapped conflicts were considered to be resolved, meaning an agreement was found and in most cases already in the process of being implemented.



APP, with the support of TFT, has started planning and organizing workshops that also serve as platforms to review the conflict resolution pilots that were conducted in Riau, Jambi and South Sumatra in mid 2016. These workshops are in addition to and intended to fortify the earlier training sessions that APP provided to its field teams to better equip them with the skills and knowledge to facilitate and manage land conflict resolution processes.

APP also engaged TFT to conduct the second due diligence exercise, which was carried out from December 2016 to January 2017, in order to provide further verification on the status of its Social Conflict Resolution. TFT completed the second due diligence in 55 out of the 60 cases that were reported to be solved between January to November 2016 and concluded that 49 cases were indeed solved while 6 cases are still pending. The report is being finalized and will be completed Q1 2017.

The Social Working Group has also been reactivated by APP with the objective of strengthening exchange and collaboration with civil society organizations specializing in human rights, traditional rights and social conflict resolution.



# POLICY COMMITMENT 4: SUSTAINABLE FIBRE SUPPLY & SOURCING

All existing and potential APP suppliers must comply with the FCP and the Responsible Fibre Procurement & Processing Policy (RFPPP). APP also developed the Supplier Evaluation & Risk Assessment (SERA) as a tool to ensure continuous compliance of current APP suppliers with its policy as well as to evaluate risk levels of potential suppliers based on their operations. Details of existing and potential suppliers are listed in the FCP Monitoring Dashboard.

APP is in the midst of assessing several new and potential suppliers aside from currently reviewing the inclusion of small scale suppliers, comprising mainly of community forest groups, to be included into its supply chain. Progress status of the assessments are uploaded and updated on the FCP Monitoring Dashboard.



# OTHERS:

## FCP SUPPORTING INITIATIVES

### STAKEHOLDER DIALOGUES

As part of its commitment to further develop transparency around its practices and with the genuine commitment of engaging all stakeholders in contributing to the improvement and implementation of the FCP, APP organizes a Stakeholders Advisory Forum (SAF) twice a year. These allow APP to solicit comments, criticism and ideas from stakeholders that will help nurturing forward thinking on APP's journey towards sustainability.

In 2016, the SAF took place on May 9th and October 19th. Beyond APP reporting back on progress made in FCP implementation, interactive breakout sessions allowed all types of stakeholders to raise questions and make suggestions to further improve the implementation of the FCP. Minutes of these meetings are available on the FCP Monitoring dashboard. In addition, APP published a report back on all previous SAF recommendations and how they were addressed through adjustments of the FCP.

### LANDSCAPE CONSERVATION

In 2016, APP intensified its landscape conservation program through its collaboration with the Belantara Foundation, especially by emphasizing on community-based conservation initiatives. In the targeted landscapes, APP and the Belantara Foundation work on multi-stakeholder projects that focus on community-based landscape conservation and management, landscape-level elephant conservation management as well as community-based peat management initiatives.

From 2016 to date, APP and the Belantara Foundation have signed seven Memorandums of Understanding (MoUs) with various stakeholders in the landscape, including provincial and regency governments, NGOs, donor agencies and other private sectors. Collaboration with stakeholders is essential in order to achieve the goals for landscape level conservation and restoration efforts, especially in the identified critical landscapes.



Most notable are the MoUs with the Provincial Government of South Sumatra and the Provincial Government of West Kalimantan to support them in achieving Green Growth in their respective provinces.

Fund availability is also critical in ensuring any conservation program can be implemented effectively on the ground. In 2016, APP played an active role in supporting the Belantara Foundation to attract and secure investments from donor partners such as IDH Sustainable Trade Initiative, Zoological Society of London, The King's College as well as direct investment from UK Climate Change Unit and the Norwegian Government for programs on the ground of which Belantara Foundation is part of.

As a means to de-risk the investments made, plus to attract further investments, APP committed initial seed funding totaling USD 10 million per year for the first five years and to review its funding commitments thereafter after assessing the progress achieved during this five year period.