

# **An Evaluation of Asia Pulp & Paper's Progress to Meet its Forest Conservation Policy (2013) and Additional Public Statements**

18 month Progress Evaluation Report  
Period Covered: February 1, 2013 to August 15, 2014

A Report from the Rainforest Alliance  
February 5, 2015

February 2015

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## List of Acronyms

APCS	Asia Pacific Consulting Solutions
APP	Asia Pulp & Paper
BM	Belukar Muda – Young scrub
BMP	Best Management Practice
BT	Belukar Tua – Old scrub
CD/CSR	Community Development/Corporate Social Responsibility
ENGO	Environmental Non-Government Organization
FCP	Forest Conservation Policy
FGD	Focus Group Discussion
GHG	Greenhouse Gas
GMO	Genetically Modified Organisms
HCS	High Carbon Stock
HCV	High Conservation Value
HK	Hutan Kerapatan – High or Dense Forest
HTI	Hutan Tanaman Industri – Industrial Forest Plantation
ILO	International Labour Organization
IKPP	Indah Kiat Pulp and Paper
ISFMP	Integrated Sustainable Forest Management Plan
LEI	Indonesian Ecolabeling Institute
LPPPI	Lontar Papyrus Pulp and Paper Industries
LT	Lahan Terbuka – Bare Ground
MTH	Mixed Tropical Hardwood
NGO	Non-Government Organization
PET	Peatland Expert Team
PI	Performance Indicators
PM	Performance Measures
PMMP	Peatland Management and Monitoring Plan
RFPPP	Responsible Fiber Procurement and Processing Policy
SERA	Supplier Evaluation and Risk Assessment
SFM	Sustainable Forest Management
SMF	Sinar Mas Forestry
SOP	Standard Operating Procedures
SWG	Solutions Working Group
TFT	The Forest Trust
TOR	Terms of Reference

## 1.0 Executive Overview

In February 2013 Asia Pulp & Paper (APP)<sup>1</sup> published its Forest Conservation Policy (FCP), announcing it as a key platform for improving forest conservation throughout its supply chain. This was the latest in a series of commitments that the company initiated with the *APP Sustainability Roadmap – Vision 2020 framework* in 2012, further articulated in the February 2013 FCP, and other statements made in 2013 and early 2014 when this evaluation began.

Like many other organizations, Rainforest Alliance welcomed the APP FCP commitments, saying it would be delivery on the ground that would prove that APP had started on the new path articulated in the FCP. APP's performance to meet these commitments has been the subject of strong interest from environmental and social non-governmental organizations (NGOs), buyers of APP products, governments and even competitors.

APP asked Rainforest Alliance to conduct an independent evaluation of APP's progress to meet commitments made in the FCP. Rainforest Alliance and other stakeholders requested the evaluation of additional relevant public statements found in *APP's Sustainability Roadmap – Vision 2020 framework*, APP's 2014 Year 1 Summary of FCP Progress, and public responses to inputs by Greenpeace and the Environmental Paper Network (EPN). These additional statements were integrated into the Performance Indicators that were reviewed by APP, finalized in early May 2014, and used as the basis for this evaluation. This evaluation is the result of eight months of preparation, field examinations and subsequent analysis of evidence on progress between the time of the announcement of the FCP and August 15, 2014.

The evaluation has been conducted using established independent auditing procedures, including evidence submissions by APP and other observers, field visits in concessions supplying APP, and stakeholder consultations with affected communities, individuals and organizations. The evaluation framework was built on a publicly vetted set of commitments, elements, Performance Indicators (PIs), and Performance Measures (PMs) that were used as a guide for evaluation. Rainforest Alliance also provided public updates on the evaluation process as the evaluation progressed. This final report reflects the analysis and conclusions of the Rainforest Alliance, based on evidence provided, field observations, interviews and meetings with APP and stakeholders. It considers work conducted by APP in the period from February 5, 2013 to August 15, 2014, and has benefited from review by five independent peer reviewers (2 Indonesian, 3 international) and other Rainforest Alliance senior staff prior to

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<sup>1</sup> Many hands are contributing to implementation of the FCP and additional forest conservation-related commitments. Throughout this Evaluation Report, when we refer to APP we are referring to the collection of APP supply chain network actors, including APP headquarters in Jakarta, Sinar Mas Forestry (SMF) which supervises all forest supply, all 38 APP supplier companies/concession managers in Indonesia, and all the consultants and advisors that are directly engaged in assisting APP, SMF and the supplier companies to implement the various commitments.

finalization. This report and all analyses, findings, and conclusions are the sole responsibility of the Rainforest Alliance.

Between May 17 and August 14, 2014, a team of eight evaluators visited 21 APP supplier concessions in five Indonesian provinces to conduct interviews, review documents, maps and reports, and make extensive field observations. A ninth team member analyzed the flow of raw wood fiber into APP's mills to determine whether there had been any delivery of mixed tropical hardwood (MTH) into the mills after the August 31, 2013 deadline established by APP. Rainforest Alliance interviewed many staff employed by APP and the companies that own the concessions that supply APP with fiber, met with residents in many communities and received input from a wide variety of stakeholders.

APP's commitments include direct responses to calls from interested parties for APP to stop the conversion of MTH forests, eliminate all MTH fiber from the supply chain to APP mills, implement more environmentally and socially responsible practices, protect high conservation values (HCV), and high carbon stock (HCS) forests including forested peatlands, identify and implement best management practices (BMP) on peatland, implement Free, Prior and Informed Consent (FPIC) and resolve conflicts with local communities.

Implementing the changes required to meet the FCP and the additional public statements throughout its supply chain in Indonesia is a major undertaking for APP. It requires the involvement of thousands of staff and contractors in 38 different forest concessions in five provinces, on peatland, in hilly terrain, in remote locations and unique community circumstances. It occurs in a landscape with competing land uses and overlapping tenures for agriculture, forestry and mining. It involves many thousands of people who live in the communities in and around the concessions and who have a history of tensions, conflicts and unfulfilled promises with APP and its supplier companies. The journey APP has embarked on requires planning, training and commitment at every level, from the highest levels of the organization to the forest workers on the ground. It has required the development and implementation of new tools (e.g. HCS forest assessments and Integrated Sustainable Forest Management Plans) as well as the use of existing tools (e.g. HCV assessments and FPIC) in highly challenging circumstances. Even in the simplest situations, a fundamental change in the way business is done takes time. In the complex forest environment in Indonesia, APP's efforts to meet its commitments was always going to be challenging.

To move forward, APP needs to ensure that a variety of key building blocks are in place and being consistently implemented at the field level, in all concessions. This includes policies and procedures, guidelines and action plans, training and capacity building, all complemented by good information and inventories, and internal and external monitoring systems – all measures to ensure performance is happening on the ground and in the communities. This evaluation has found that APP has made progress designing many of these key building blocks, but there remain challenges in implementing them at the field level.

## Summary of findings

Overall, the progress to meet the commitments varies. Rainforest Alliance has found that APP has met its commitments to halt the cutting of natural forest for the purposes of establishing new plantation areas, stop the building of new canals in peatlands by its suppliers and stop all transport of MTH for its own pulp supply by August 31, 2013. Rainforest Alliance also found that as of August 15, 2014 APP pulp mills in Indonesia are receiving only plantation fiber from its supply sources in Indonesia. APP has also met the commitments to develop measures to assess its global supply chain by developing an association procedure for future pulpwood suppliers and ensuring existing suppliers meet APP's *Responsible Fibre Procurement and Processing Policy* (RFPPP). APP has also eliminated one non-cooperative supplier.

There has been moderate progress to develop greater transparency of information and moderate progress to undertake a process to implement FPIC for a new pulp mill in South Sumatra. There has been significant progress to complete 38 HCV assessments and six HCS forest assessments. Mapping and description of the many existing conflicts with communities in the concessions is completed, though the processes to resolve those conflicts have just begun. APP has also met the commitment to establish a Peatland Expert Team (PET). They have made significant progress to open a constructive dialogue with local, national and international NGOs, have trained many staff, and undertaken socialization and relationship building with communities and NGOs. Collectively these achievements provide fundamental building blocks for meeting APP's commitments in the field.

At the same time, in the first 18 months, APP has made limited progress to meet a number of key commitments or to make changes to practices in the supplier concessions and in the communities around them. The PET has made limited progress and, with the exception of the halt of canal development, there is no change in the management practices on peatlands. There is limited progress to develop Integrated Sustainable Forest Management Plans (ISFMP), so the process of implementing recommendations from HCV assessments and HCS work is at an early stage. APP has been unable to stop on-going forest clearance and illegal logging by third parties on the APP supply concession areas that were visited by the Rainforest Alliance.

APP has made moderate progress in completing a full inventory of the many conflicts that exist with communities, and developing action plans and priorities. One pilot social conflict resolution process has been completed, and a small proportion (approximately 10%) of the several hundred other conflicts that APP has mapped have had MOUs or action plans developed. The majority of these conflicts remain. Field evidence, including interviews with numerous of the local communities and individuals involved, indicates that limited progress has been made to implement the agreements or action plans or the principles of FPIC with indigenous peoples and local communities in forestry operations. Concerns remain with respect to social, forest tenure and economic dynamics amongst NGOs (local, national and international) and in affected communities.

APP made early efforts to utilize the MTH fibre that was cut prior to the February 1, 2013 deadline to halt natural forest clearance, including working with the NGO community to seek solutions and potential buyers. According to APP data 525,000m<sup>3</sup> of that MTH wood remains unused, and now is mostly unusable, on roadsides and log yards in at least twelve concessions. This was supported by field observations.

In summary, APP's journey to implement its ambitious commitments has required a tremendous amount of work. Implementing the commitments throughout its supply chain remains an enormous challenge. The building blocks are in place but considerable additional work is required to fully meet the FCP commitments in the natural forest, peatlands and plantations in the 38 supplier concessions and directly affected communities.

## 2.0 Introduction

APP is one of the world's largest pulp and paper producers delivering tissue, packaging and paper to customers in over 120 countries on six continents. In Indonesia, APP currently operates two pulp mills – one in Riau province and one in Jambi province on the island of Sumatra, Indonesia.<sup>2</sup> APP is currently constructing a third pulp mill in the province of South Sumatra, also on the island of Sumatra, that is scheduled to begin production at the end of 2016.<sup>3</sup> The two existing mills receive raw forest fiber material from 38 different supplier concessions in Indonesia.<sup>4, 5</sup> Twenty-eight of these supplier concessions are located in three provinces on the island of Sumatra – Riau, Jambi and South Sumatra; ten are located in two provinces on the island of Borneo – West Kalimantan and East Kalimantan.<sup>6, 7</sup>

On February 5, 2013 APP announced the FCP. This included four main commitments and a number of subsidiary commitments, referred to as elements (see Table below). Throughout this report, these are referred to as the FCP Commitments. Between 2012 and 2014, APP made Additional Public Statements related to forest conservation and business sustainability. On June 5, 2012, the *APP Sustainability Roadmap – Vision 2020 framework* was announced as “the company’s comprehensive guide for achieving a ‘whole business’ sustainability operating model”. It covers eleven policy areas, each of which has a number of subsidiary and specific goals. Three specific areas were directly related to forest conservation and are included within the scope of this Rainforest Alliance evaluation. In late 2013 and early 2014, APP made public statements in responses to two documents: a) an Environmental Paper Network (EPN) and European Environmental Paper Network (EPPN) review of APP progress to meet commitments in September 2013<sup>8</sup>, b) a Greenpeace Progress Review of

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<sup>2</sup> Indah Kiat Pulp and Paper (IKPP) in Perawang, Riau province, Sumatra and Lontar Papyrus Pulp and Paper Industries (LPPPI) in Tebing Tinggi, Jambi province, Sumatra.

<sup>3</sup> The new mill, referred to as the OKI mill, is being built in the Ogan Komering Ilir district of South Sumatra.

<sup>4</sup> Throughout this report, these 38 concessions are referred to as “APP supplier concessions”. Rainforest Alliance has not made any attempt to identify the ownership of any of these concessions. Rainforest Alliance did confirm that all of these concessions supply fiber to APP pulp mills. It was also determined that there are no other suppliers of pulpwood fiber to the mills, with the exception of two small community forests and a small number of independent farmers. All of the supplier concessions are included in the scope of the commitments made by APP.

<sup>5</sup> The FCP and additional public statements also apply to “future suppliers” to APP. APP has advised Rainforest Alliance that it has been negotiating with two potential new supply sources since 2013. These do not involve new supplier companies, but do involve new concession areas granted to the two existing suppliers in East Kalimantan. No wood fiber presently moves from these concessions to the APP mills.

<sup>6</sup> APP imports pulp from a number of other countries. That wood supply is outside the scope of this evaluation.

<sup>7</sup> APP reports in the 2013 Sustainability Report that it operates six other large mills on the islands of Java and Sumatra in Indonesia producing paper and packaging using the pulp from the two mills and recycled materials from other sources.

<sup>8</sup> Environmental Paper Network and European Environmental Paper Network, 2013. *The First Test. Performance Milestones for customers and other stakeholders to assess the implementation of Commitments*

APP's Forest Conservation Policy in October 2013<sup>9</sup>; and released its own report summarizing progress in meeting FCP Commitments in February 2014.

The following table provides a list, by topic, of the major forest conservation-related commitments made by APP, either within the Forest Conservation Policy (FCP) or through what the Rainforest Alliance refers to as Additional Public Statements, with the origin of each commitment identified.

**Table 1 – FCP Commitments, Additional Public Statements and their origin**

<b>FCP Commitments and Additional Public Statements</b>	<b>Origin</b>
Implementation Commitment	APP FCP
<b>FCP Commitments</b>	
High Conservation Value (HCV) & High Carbon Stock Forests (HCS)	APP FCP
Peatland Management	APP FCP
Social and Community Engagement	APP FCP
Third Party Suppliers	APP FCP
<b>Additional Public Statements</b>	
Reforestation	APP Vision 2020
A Complete End to Natural Forest Clearance throughout the Supply Chain	APP Year 1 Summary
Conservation & Biodiversity	APP Vision 2020
Fiber Sourcing	APP Vision 2020
Use of Mixed Tropical Hardwoods (MTH)	APP response to EPN
Transparency, Stakeholder Partnership & Engagement	APP Year 1 Summary
Future Suppliers & Acquisitions	APP response to EPN
Conservation & Restoration	APP response to EPN, APP Year 1 Summary, APP response to Greenpeace
Free Prior & Informed Consent (FPIC) OKI Mill	APP response to EPN
Establishment of a Peatland Expert Team	APP response to Greenpeace Report

This Rainforest Alliance report addresses the progress, during the first 18 months since the announcement of the FCP in February 2013, to meet the commitments in concessions in Indonesia that supply raw material to the two existing APP pulp mills. No evaluation was

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*made under Asia Pulp and Paper's Sustainability Roadmap – Vision 2020 and Forest Conservation Policy.* September, 2013. Report available at <http://www.environmentalpaper.eu/milestones/>

<sup>9</sup> Greenpeace, 2013. *APP's Forest Conservation Policy. Progress Review* October 2013. Report available at <http://www.greenpeace.org/international/en/publications/Campaign-reports/Forests-Reports/APP-Forest-Conservation-Policy/>

done in China or in any other countries where APP has plantations and mills or purchases fiber for its Indonesia mills.

## **2.1 The Evaluation Methodology**

Rainforest Alliance planned and designed the evaluation in collaboration with the Team Leader and Co-Team Leader. The Evaluation Team implemented exhaustive field and office data collection and their work provides the foundational evidence for this evaluation. The evaluation was conducted over an eight-month period from January to August 15, 2014. All evidence on APP's progress provided to, or collected by, Rainforest Alliance up to August 15, 2014 was considered in the evaluation.

**Establishment of a Rainforest Alliance management team** – Rainforest Alliance established a project management team of four senior managers to supervise the evaluation and coordinate technical and administrative support. This team worked closely with the Evaluation Team and participated in the preparation of this report. The management team is listed in Appendix 1.

**Recruitment of an Evaluation Team** – Rainforest Alliance recruited a team of nine independent professionals to bring together a wide variety of skills and experience related to ecology and landscape management, high conservation values and high carbon stock assessment, peatland management, community and stakeholder engagement, conflict resolution, community development, GIS analysis, and auditing of forest management, legality and supply chains. Team members were selected on the basis of relevant experience in Indonesia, absence of conflict of interest, and diversity of skills.<sup>10</sup> Eight of the nine team members were fluent in both English and Bahasa Indonesia and all team members had prior work experience in Indonesia. The team was led by a Team Leader and a Co-Team Leader. A short biography of each team member is in Appendix 2.

**Planning** – The first four months (January through April 2014) involved designing the evaluation process, planning fieldwork, completing recruitment of the Evaluation Team and consulting with APP and other interested parties. Work in this period included:

**Completion of an Evaluation Plan** – The scope of the evaluation, the nature of interactions between APP and the Rainforest Alliance, opening and exit meetings, the content and review process for a final report, the proposed schedule and many other matters were outlined in a 15 page Evaluation Plan. This document was reviewed and approved by APP. It was completed on March 13, 2014 and guided the conduct of the

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<sup>10</sup> Qualified individuals who had done any significant amount of previous work involving APP or supplier concessions were disqualified from any engagement in the evaluation by the Rainforest Alliance because of the potential for conflicts of interest. However, situations arose where a team member had a family member working in a concession, or had done a small piece of work for a third party on an APP supplier concession. In these specific situations, any such team members were moved to other concessions and did not work in any of these situations in order to avoid any actual or perceived potential conflict.

evaluation. Though aspects of the plan changed (e.g. timelines), due to availability of information and other factors, the general process outlined in the plan was implemented.

**Completion of Performance Indicators (PIs)** – To ensure each of the 15 originally identified forest conservation commitments were rigorously and consistently evaluated the Evaluation Team broke each commitment down into specific, individual parts called Elements. Seventy Elements were identified in 15 commitments, including commitments directly cited in the FCP and also Additional Public Statements. (Refer to Table 1 for the list of commitments and their origin.) In reporting the findings, this report combines some related or overlapping themes that were identified during the evaluation within those 15 commitments to eliminate repetition and to improve readability.

For each Element a number of more specific, auditable Performance Indicators (PIs) were developed. Rainforest Alliance consulted widely on these PIs, including meetings, two workshops and email correspondence. APP had two opportunities to review the PIs that went through several drafts based on comments received. The final version of the Performance Indicator document was sent to APP on May 12, 2014, and other interested parties thereafter. The Performance Indicators were immediately used in the field and provided a framework and a checklist of issues to evaluate. They guided the Evaluation Team throughout the fieldwork and subsequent analysis, and ensured a consistent evaluation approach in interviews and field observations. The Evaluation Team did informal scoring of PIs during the analysis process, but this was done only to provide a frame of reference for considering the performance of all Elements and commitments. There is no weighting or scoring of PIs in this evaluation report.

**Completion of Performance Measures** – Six Performance Measures (PM) were established to define the benchmarks against which APP’s progress to meet the commitments is evaluated. The measures define a range of progress – from “commitment not met” at one end of a scale, through three stages of progress (“limited”, “moderate” and “significant”) to “commitment met” at the other end of the scale (See Text Box 1). The sixth PM addressed situations where insufficient information was available. Rainforest Alliance sought input from a variety of stakeholders and APP to develop these PMs. The version used in field work was published in April 2014, and made available to APP and interested parties. The PMs were modified following completion of field work to provide more precisely defined discrete measures that provide the framework for the evaluation of progress reported here. Following submissions from stakeholders, comments provided by APP and careful consideration, the Rainforest Alliance made changes to the final language for the PMs. The PM Insufficient Information was changed to Too Early to Evaluate.

Each of the documents referred to above can be found on the Rainforest Alliance website at:

<http://www.rainforest-alliance.org/forestry/sourcing/independent-evaluations/asia-pulp-paper>.

**Text Box 1: Performance Measures**

**Too Early to Evaluate** – Describes situations where the Evaluation Team has not been provided adequate information, or the team is unable to find sufficient information, to evaluate the progress to meet the Commitment or Element. This includes situations where it is too early to evaluate progress because planned activities, programs or processes have not yet started or are at a very early stage. Note this Performance Measure was previously titled Insufficient Information.

**Commitment (Element) Not Met** – Describes situations where there are on-going activities or actions in the supplier concessions that are not in conformity with the Commitment or Element. The non-conformities are not minor exceptions. They are not limited, non-systemic or site-specific situations and are not being addressed. It also describes situations where actions did not meet a deadline date set in the FCP and describes situations where no progress has been made to initiate any action to address a Commitment or Element.

**Limited Progress** – Describes situations where work to address the commitment or element is at an early stage, either in the development of plans, policies, or procedures or in the implementation or delivery of actions or programs in the forest or the community. It also describes situations where plans, policies or procedures to implement actions to meet the Commitment or Element may be well developed but where there is limited on-the-ground performance or actions to deliver and implement the Commitment or Element in the forest or the community.

**Moderate Progress** – Describes situations where work to implement or deliver the Commitment or Element is underway. A work plan and timetable have been completed and plans, policies or procedures necessary to implement the Commitment or Element are developed. Specific fieldwork or programs have been implemented and some or all parts of the Commitment or Element are in early stages of being delivered. However, considerable additional work is required.

**Significant Progress** – Describes situations where work to implement and meet the Commitment or Element is well underway both in the development of policy, procedures and planning process and in implementation and delivery in the forest or the community. Fieldwork or programs are well advanced and most of the work required to meet the Commitment or Element has been completed or is close to completion.

**Commitment (Element) Met** – Describes situations where work to develop policies, plans and procedures and implement programs or actions to meet the Commitment or Element is complete. The Commitment or Element is met in all significant aspects. Only minor exceptions or limited non-systemic, site-specific examples of incomplete, or non-conforming work exist and these are being addressed.

**Selection of a representative sample of concessions** – Rainforest Alliance compiled information about each of the 38 concessions in Indonesia that supply fiber to the APP pulp mills to ensure a representative, not random, sample reflecting the diversity of these concessions was selected for field visits. This included information about size, location, ownership, soil type (peat or mineral), presence of indigenous people and other factors. The team invited APP, and social and environmental non-government organizations (NGOs) to identify concessions that were high priorities for field sampling and consulted with a variety of individuals and NGOs about the concessions to select. Drawing on this input 23

concessions were initially chosen in proportion to the distribution of the 38 concessions in the five provinces. Twenty-one (21) of the 23 identified concessions, – 55% of the total number of concessions – were visited during the evaluation. All decisions related to the selection of concessions were made by the Rainforest Alliance.<sup>11</sup> Information about the concessions visited is provided in **Field work** below and in Appendix 3.

**Engagement with interested stakeholders & APP supply chain** – Rainforest Alliance invited stakeholders to participate in reviews of the PIs and PMs, to suggest concessions that the Rainforest Alliance should visit, and to provide input (written or verbal) with perspectives on APP’s performance in the field.

A webpage and stakeholder database was developed to allow for regular information sharing. Two webinars, one in English and one in Bahasa Indonesia, were held in April 2014 to provide information and to solicit comments and information from interested parties regarding the evaluation process. Four Project Updates have been distributed to the stakeholders in the database during the evaluation. Rainforest Alliance also distributed a questionnaire about stakeholder experiences with APP consultation processes and sought input and comments from more than 50 representatives of a variety of local, national and international stakeholders. Throughout the evaluation, Rainforest Alliance met or spoke with a wide range of interested stakeholders, including meetings with local NGO and community members in the field as well as meetings in Jakarta with national and international stakeholders. The Evaluation Team provided preliminary debriefs on concession or region-specific observations to APP staff (regional and headquarters), concession management staff and APP collaborators at the end of each phase of field work.

**Field work** – Field work began on May 19 and continued until August 14, 2014. Throughout the evaluation, Evaluation Team members spent many days reviewing documents, obtaining maps, and meeting with APP staff and consultants. Supplier company and Sinar Mas Forestry staff were generally responsive to evidence requests (when they had such information available), supportive in terms of field logistics and open to all lines of evaluation research and questioning.

During the four months of field work, two teams, usually comprised of four evaluators, visited 21 different concessions in five different provinces, spending three to four days in each concession. In each province, the Evaluation Team visited at least 50% of the total number of concessions in the province and in total the Evaluation Team visited 55% of the total number of concessions. These concessions include over 70% of the total land area of 2.6 million hectares in the 38 APP supplier concessions.

The Evaluation Team completed approximately 350 person-days of field work. A list and maps of the concessions visited can be found in Appendix 3.<sup>12</sup>

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<sup>11</sup> Two concessions were very remote, and were logistically impractical to visit.

<sup>12</sup> The total time used by the Evaluation Team between May 17 and August 15, 2014 was approximately 560 days, counting field time and travel time, opening and exit meetings, document and map reviews, preparation of

The 21 concessions visited reflect the diversity of the 38 supplier concessions. They range in size from 9,000 to 300,000 hectares and include mineral soil and peatlands. Seven were assessed for high conservation values (HCVs) by one consulting group; 14 were assessed by a second group of consultants. Peatland management was observed in 15 different concessions. Six concessions were the site of breaches of the FCP that were investigated by and then reported on by The Forest Trust (TFT).<sup>13</sup> Fourteen of the concessions were considered high priority for evaluation by one or more NGOs. Nine were reported to have indigenous peoples' interests. The Evaluation Report applies the term for Indigenous community/people based on what has been defined by Aliansi Masyarakat Adat Nusantara/AMAN (Alliance of Indigenous Community Nusantara) as masyarakat adat.<sup>14</sup>

Environmental evaluators worked in two separate teams and looked at stands of natural forest, plantations, riparian zones, HCV or HCS areas, canals and peatlands and other environmental features. They visited approximately 250 field sites in the 21 concessions.

Social evaluators visited neighboring communities and spoke with community residents and NGOs and interviewed forest workers in the concession. The social evaluators met with or spoke with people in 60 different communities, and eight groups of indigenous peoples or local Melayu communities. The team interviewed 104 workers in nurseries, tree planting and harvesting operations. Over the three-month period, team members spoke with or communicated by e-mail with representatives of 47 NGOs, four government offices, universities and numerous other organizations.<sup>15</sup>

A team member evaluated the APP commitment to stop delivery of MTH to the mills by visiting two pulp mills and a paper mill to review documents related to the flow of logs into, and the flow of chips out of, the mills that supply APP.<sup>16</sup>

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notes, and other non-field work tasks. The team leader spend approximately four months of preparation time prior to May 17, 2014, and three other team members spent approximately six weeks in preparation time from April 1 to May 17, 2014.

<sup>13</sup> These breaches were not identified by the Evaluation Team. The reports are available at <https://tft.chainfood.com> (password required for access made available on request).

<sup>14</sup> The term masyarakat adat, according to AMAN, refers to indigenous peoples in Indonesia. Indonesian law uses various terms to refer to indigenous peoples: suku terasing (alien tribal communities), masyarakat tertinggal (neglected communities), masyarakat terpencil (remote communities), masyarakat hukum adat (customary law communities). Masyarakat adat was chosen by the Congress as it does not imply connotations of backwardness or primitiveness inherent in some of the terms above. <http://www.aman.or.id/en/terminology/>

<sup>15</sup> The list of 47 NGOs includes those Rainforest Alliance met with in person (45) or received written submissions from (two). Several of the NGOs that the Team met with also made written submissions.

<sup>16</sup> The three mills visited are Lontar Papyrus Pulp and Paper Industries, a pulp and paper mill in Jambi, Indah Kiat Pulp and Paper, a pulp and paper mill in Riau, and Tjiwi Kimia, a paper mill in Java. In addition the team member reviewed the flow of chips mills from the Chipdeco Inti Utama and Sarana Bina Semesta Alam (SBSA)

The team reviewed all 19 of the HCV Assessment Reports that it received in final or final draft form, and conducted a detailed review of ten of those reports that provided assessments of HCVs in concessions that the Evaluation Team visited.<sup>17</sup>

The team did two aerial reconnaissance trips using a helicopter provided by APP – one in the north-eastern part of Riau province; the other in the south-eastern part of Riau with both flights terminating in Pekanbaru.

### **Completing this Evaluation Report**

This report brings together the analysis and conclusions of the field evaluation and the deliberations of the Rainforest Alliance management team. It is based on a continual process of amalgamating findings, first at the level of each individual concession visited, then at the province level, and finally as a sample-based view of progress overall in APP's 38 supplier concessions in Indonesia. Throughout the evaluation there was regular interaction of the Evaluation Team members and the Rainforest Alliance management team. In addition a series of meetings and discussions were held post-field work that further informed the conclusions drawn in this report.

Evaluation Team members prepared summaries in each concession and presented findings in each of the concessions in an informal exit meeting<sup>18</sup> to APP as they completed work there. The team also prepared three formal exit meeting presentations that combined the findings made in groups of concessions. These were presented to an audience of APP and supplier company staff upon completion of work in Jambi (in early June), in Riau province (in mid-July), and in Sumatra and Kalimantan, held in Jakarta (in October).

In working meetings in July and August 2014 team members worked in small groups to discuss and prepare summaries of the findings for each of the commitments and the constituent Elements based on the PIs. These meetings involved the review of the documents, maps, photos and field notes collected, and consideration of the field observations and interviews in all the concessions visited.

Based on those summaries Performance Measures were proposed for each Element and commitment. The findings and Performance Measures were then presented to the whole team for discussion and agreement.

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in East Kalimantan. The team member spent 18.5 days on-site in the two pulp mills and a paper mills and an additional 19 days off-site.

<sup>17</sup> "Final reports" are those 11 HCV Assessment Reports that have completed peer reviews and are considered final by APP and the consultant who prepared them. "Final draft reports" are those eight reports that have completed peer reviews and that are considered final by the consultant group that prepared them but that have not been signed off as "final" by APP.

<sup>18</sup> The Evaluation Plan prepared in advance of field work referred to closing meetings. The terminology was changed to exit meeting during the process to avoid potential confusion with FSC or other ISO auditing processes.

The team leader prepared an initial draft of the report based on these consensus findings. That draft was provided to each team member, and was discussed at a workshop in October 2014, where the team agreed on the final Performance Measures assigned to each Element and commitment.

The Rainforest Alliance management team, building on the Evaluation Team's findings and informed by additional meetings with APP and internal Rainforest Alliance discussions, developed further drafts of the report. The final draft resulting from this process was reviewed by Rainforest Alliance staff (including a senior staff person with prior resident experience in Indonesia and with APP), and APP. APP provided further written comments on the final draft. Five independent peer reviewers reviewed that final draft, along with the written comments from APP, and those comments were considered by the Rainforest Alliance management team. This final report, and the interpretations herein, are a product of Rainforest Alliance as an independent evaluation of APP's progress in meeting FCP Commitments and Additional Public Statements.

### **3.0 APP's Progress to Meet Its Forest Conservation Policy**

#### **Commitments and Additional Public Statements**

This section provides the Rainforest Alliance's detailed findings and conclusions about APP's progress to meet commitments in the Forest Conservation Policy (FCP) announced in February 2013 and ten Additional Public Statements. In early 2014, prior to beginning field work, Rainforest Alliance and APP defined the scope of the evaluation as including a total of 15 forest conservation related commitments – four FCP Commitments, 10 related Additional Public Statements made between June 2012 and February 2014, and one Implementation Commitment.<sup>19</sup> In reporting the findings, this report combines some related or overlapping themes that were identified during the evaluation within those 15 commitments to eliminate repetition and to improve readability. As a result eight of the ten Additional Public Statements are reported separately, and two are folded into relevant sections within the reporting of progress to meet the four FCP Commitments.

The Evaluation Methodology is described in Section 2.1. In this report, each of the Elements of each of the four FCP Commitments is evaluated and reported. A summary finding for each of the four FCP Commitments, based on all of the Elements, is then presented at the end of each FCP Commitment. For the Implementation Commitment and for each of the eight Additional Public Statements, only a summary finding is provided. An evaluation of the individual Elements within the Statements was completed by the Evaluation Team but is not presented.

The summary finding at the FCP Commitment or Additional Public Statement level does not represent an average or statistical weighting or scoring of the findings at the Element level (or for that matter at the PI level). Rather, the full Evaluation Team worked together to reach consensus agreement on APP's overall progress to meet each FCP Commitment or Additional Public Statement based on consideration and integration of the performance for each Element within each of the FCP Commitments and the Additional Public Statements. The final conclusions presented in this Evaluation Report are based on a thorough review and assessment of the work of the Evaluation Team, further considerations and discussions by the Rainforest Alliance, and inputs from APP and peer reviews.

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<sup>19</sup> The 15 commitments and their related elements and performance indicators are presented in Evaluation of Asia Pulp and Paper's Forest Conservation Policy and Additional Public Statements, Performance Indicators, Version 2.0 12 May 2014 and described in Section 2.1.

### 3.1 APP's Implementation of the FCP Commitments

**APP Commitment:** *APP will implement the Forest Conservation Policy of February 5, 2013.*

**Source of the Commitment:** APP Forest Conservation Policy, February 2013.

**Findings:** APP has developed many of the building blocks that are essential to implement the commitments made in the FCP and in the related Additional Public Statements evaluated in this report. The corporate commitment to the forest conservation policies is clear and senior APP management staff has communicated the commitments in writing and in meetings with management and staff of supplier companies. The owners and managers of the supplier concessions are aware that they are required to implement the forest conservation policies and have expressed their commitment toward FCP implementation in writing. Rainforest Alliance observed large posters related to the FCP in many locations in every concession.

APP has developed Standard Operating Procedures (SOPs) related to Free, Prior and Informed Consent (FPIC), grievances, conflict resolution and the moratorium on forest clearance. Staff in the Jakarta head office, in regional offices and in each concession have been trained and assigned responsibility for implementation of these policies. The capacity and organizational structure to implement the policies is being put in place.

APP has a system to monitor supplier compliance with the FCP and requires action plans to address failures to meet the FCP. The *Association Procedure For Implementing a No-Deforestation Commitment in APP's Supply Chains* provides a mechanism to disassociate with companies that do not conform. Prior to the establishment of this procedure, APP eliminated one non-cooperative supplier in 2013.

Many of the policies and procedures to implement the commitments are in place and important preparatory steps including halting natural forest clearance and canal construction by supplier companies, undertaking HCV, HCS and conflict assessments, and establishment of a Peatland Expert Team (PET) have been taken.

The commitments at the policy level are not consistently mirrored by implementation on the ground. Across the concessions that the Rainforest Alliance visited, the team found inconsistent implementation of the FCP on the ground and at the field level in the communities. The implementation of the building blocks is quite variable with progress in some areas, but not in others. Staff in virtually every concession that the Rainforest Alliance visited told the team that operations within existing plantations and on peatlands have not changed compared to the years prior to the FCP. Staff are waiting for more direction from senior management at APP headquarters in Jakarta in regard to most parts of the FCP Commitments whether environmental, such as implementation of new practices on peatland, HCVs or HCS, or social, such as resolving specific conflicts or implementing community

development, and FPIC. In villages there were initial efforts associated with socialization of the FCP but those have not continued, with communities expressing the desire for more regular and ongoing communication with APP. APP has completed a full inventory of the many conflicts that exist with communities, and has established procedures and processes to work towards their resolution. One pilot social conflict resolution process has been completed and a small proportion of the mapped conflicts have either MOUs or action plans in place. The poor working and living conditions for the forest workers employed by contactors and sub-contractors who carry out the harvesting, planting and growing of seedlings have not improved. APP has not been able to implement measures to prevent natural forest clearance by third parties and to protect HCV areas and HCS forests.

Overall the Rainforest Alliance concludes that the progress to implement the FCP Commitments is moderate. Much has been started but much work remains to be done to implement and deliver the forest conservation commitments in the forest and the surrounding communities.

**Progress to meet the commitment to implement the FCP:** Moderate progress.

## 3.2 FCP Commitment 1: High Conservation Value and High Carbon

### Stock Forests

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

- *From 1st February 2013 all natural forest clearance has been suspended whilst HCV and HCS assessments are completed. No further clearance of areas identified as forest will take place.*
- *APP has conducted an initial assessment of all of its supply chain. It has prioritised HCV and HCS assessments in those concessions that up to now have been supplying the company with natural forest fibre. HCV and HCS areas will be protected.*
- *On HCS work has started to identify the area and quality of forest cover. Satellite analysis, backed up by field work, will identify areas that will be protected as well as low carbon areas that can be developed as plantations.*
- *The HCS approach distinguishes natural forest from degraded lands with only small trees, scrub, or grass remaining. It separates vegetation into 6 different classes (stratification) through the combination of analysing satellite images and field plots. These thresholds are known in Indonesia as: High Density Forest (HK3), Medium Density Forest (HK2), Low Density/older regenerating Forest (HK1), Old Scrub/regenerating forest (BT), Young Scrub (BM), and Cleared/Open Land (LT). APP's threshold for HCS will be defined, following field analysis, within the category referred to as old scrub (BT).*
- *Any existing natural forest logs within APP's supply chain cut before 1st February 2013, such as stocks in log yards, will be utilised by its mills. Any fibre cleared from land which is not forest, such as scrub land, will also be utilised by its pulp mills.*
- *APP will withdraw from all purchase and other agreements with any supplier who is found not to be in compliance with these commitments.*
- *These commitments are being monitored by The Forest Trust. APP will welcome independent 3rd party observers to verify the implementation.*

**Source of the Commitment:** APP Forest Conservation Policy, February 2013.

**FCP Element 1.1:** *APP and its suppliers will only develop areas that are not forested, as identified through independent HCVF and HCS assessments.*

**Findings:** Evaluation of this element focuses on APP and the supplier companies ensuring that they have not developed any new forested areas for pulpwood plantations since February 1, 2013. Analysis of this element does not focus on the broader concession-level forest clearance issues. It focuses on APP's commitment to stop natural forest clearing by its own suppliers directly related to pulpwood plantation expansion or wood supply or infrastructure (e.g. canals).

Rainforest Alliance confirmed that all the APP supplier companies were notified in writing of APP's commitments in the FCP in 2012 and agreed in writing to suspend any plantation development pending the outcome of the HCV and HCS assessments<sup>20</sup>. Rainforest Alliance visited 21 different concessions and carried out numerous ground checks involving driving through the concessions to check areas of natural forest identified on maps, taking boat trips along canals and two helicopter surveys. Rainforest Alliance reviewed infrastructure development and maintenance reports as well as annual reports for the period from 2013 to 2014. Except for two exceptions, there is no evidence of natural forest clearance or new infrastructure development (canals or roads) by APP supplier companies after February 1, 2013.

The first exception observed by Rainforest Alliance in the field involves the clearance of scattered small compartments and sub-compartments in supplier concessions that were originally cleared more than ten years ago but never planted (usually due to the land being riparian areas that were too waterlogged for planting). Some of these areas are now covered by natural regeneration of mixed species including native pioneer trees (primarily *Macaranga sp.*). Based on their forest characteristics, these naturally regenerating forests are early successional stages of natural forest. These regenerating natural forest areas were widespread in the supplier concessions visited and mostly occur in small patches scattered across these concessions. A small number of such natural forest areas have been cleared by APP supplier companies, in the concessions visited, for new plantation development since February 1, 2013.

In its internal communication and policy guidance to implement this commitment, APP uses the term “developed areas” to refer to areas which were cleared of natural forest and then planted by supplier companies prior to February 1, 2013. The term “developed areas” also refers to areas which were cleared by supplier companies in the past but that were never planted or where plantations failed. Using these definitions, APP considers areas of early successional stages of natural forest on previously cleared but unplanted land to be “developed areas” which remain available for plantation. APP excluded these “developed areas” from the scope of the HCS assessments and from the commitment to “only develop areas that are not forested”. Rainforest Alliance observed some of this type of clearance of regenerating natural forest in several concessions but field observations indicate that the extent of each is a relatively minor area within the concessions visited.

The second exception involves isolated cases where forested areas classified as “Community Livelihood Plantations” (Tanaman Kehidupan) were cleared by APP supplier companies after February 1, 2013 and reported to APP by a non-government organization (NGO).<sup>21</sup> Whilst

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<sup>20</sup> The APP FCP refers to both HCVF and HCV assessments. For consistency we have referred to HCV assessments throughout this report.

<sup>21</sup> APP is required under Indonesian forestry requirements to identify zones within each concession for the establishment of these two “Community Livelihood Plantations”. These zones are called Tanaman Kehidupan and Tanaman Unggulan. The clearance of natural forest within the Tanaman Kehidupan zone was reported by an NGO on 15 May 2013 and was subsequently confirmed by both TFT and APP.

other observers, including peer reviewers, have indicated that such actions are not illegal under Indonesian law, these incidents were reported as breaches of the commitment. In July 2013 APP carried out investigations and confirmed that these breaches of the commitment occurred but were limited to five supplier companies and no further clearance had occurred after they were reported. APP sent a letter to stakeholders in September 2013 stating that all supplier companies had been instructed in writing to stop further clearance of natural forest in the Community Livelihood Plantations.

APP has halted natural forest clearance and new infrastructure development (canals or roads) by APP supplier companies after February 1, 2013.

**FCP Element 1.2:** *From 1st February 2013, all natural forest clearance has been suspended whilst HCV and HCS assessments are completed. No further clearance of areas identified as forest will take place.*

**Findings:** As described in Element 1.1, natural forest clearance for new pulpwood plantations by APP supplier companies was suspended on February 1, 2013 and work to complete HCV and HCS assessments is underway in all 38 concessions. Except for the two exceptions described in Element 1.1, Rainforest Alliance found that no natural forest clearance has taken place by APP supplier companies since February 1, 2013.

APP's FCP commits the company to protect all remaining natural forest that is identified as HCV or HCS, and therefore implies that it will take measures to prevent all natural forest and/or HCV clearance or degradation by third parties within supplier concessions. This is evaluated in Element 1.7.

**FCP Element 1.3:** In the Performance Indicators developed in early 2014 for this evaluation, the two sentences in Element 1.2 were separated. Element 1.3 was the second sentence. In writing this report, the two Elements have been merged and Element 1.3 is evaluated together with Element 1.2 above.

**FCP Element 1.4:** *APP has conducted an initial assessment of all of its supply chain.*

**Findings:** In 2014, APP completed an initial assessment of the management activities and sources of supply for all its supplier companies – both in Indonesia and globally. The assessment has designed and implemented a *Supplier Evaluation and Risk Assessment* (SERA) procedure that is based on assessment procedures developed for the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC) and other systems. The SERA procedure is evaluated in FCP Commitment 4.

**FCP Element 1.5:** *APP has prioritised HCV ... assessments in those concessions that up to now have been supplying the company with natural forest fibre.*

**Findings:** APP commissioned assessments to identify HCVs in all 38 supplier concessions. Two different consultant groups were retained – one to do 11 concessions, the other to do 27. At August 15, 2014, 19 or 50% of these assessments are in final report or final draft report form.<sup>22</sup> The remaining 19 were in various stages of completion.

Rainforest Alliance reviewed a sample (10) of the completed final HCV assessments that are available and found that the quality of the HCV assessments is generally high.<sup>23</sup> The peer reviewers of these assessments have raised some specific issues of concern and there are some differences in the reports of the two different consulting companies that undertook the assessments. In some assessment reports reviewers felt there was insufficient information on the results of the flora and fauna field work and commented that the assessments on peatland concessions do not adequately address the particular importance of this vulnerable ecosystem and do not give sufficient emphasis to the importance of the conservation of the peatland's aquatic species. Some reviewers also pointed out that the needs of indigenous peoples who make regular use of the forest to harvest products such as agarwood resin (gaharu) and dragon's blood berries (jerang) were not adequately considered. Overall, the HCV reports are a substantial body of work that meet international standards for HCV assessments.<sup>24</sup>

**FCP Element 1.6:** *It (APP) has prioritised ... HCS assessments in those concessions that up to now have been supplying the company with natural forest fibre.*

**Findings:** In August 2014, field work had been completed in all but two supplier concessions. None of the anticipated six HCS reports were completed or available to the Rainforest Alliance but several procedural documents (including the methodology being used to carry out the assessment) were available and several HCS maps already being used by APP supplier companies were provided. According to APP and the consultant, the assessment reports were in near-final form at the time of evaluation.

**FCP Element 1.7:** *HCV and HCS areas will be protected.*

**Findings:** This element refers to the protection of HCV and HCS areas identified within the 2.6 million hectares across the 38 supplier concessions. Meeting this commitment to protect

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<sup>22</sup> Final report form means that the report incorporates revisions following peer review and final APP review and is considered final by the author. Final draft means that the report incorporates revisions following peer review but has not been subjected to final APP review and is not considered final by the author or APP.

<sup>23</sup> In most concessions, the final HCV reports were not available when the team visited the concession. The review was a desk-based review.

<sup>24</sup> Guidance on HCV assessment reports is provided in Brown, E., N. Dudley, A. Lindhe, D.R. Muhtaman, C. Stewart, and T. Synnott (eds.). 2013 (October). *Common guidance for the identification of High Conservation Values*. HCV Resource Network and The Consortium for the revision of HCV Toolkit in Indonesia, 2009. *Guidelines for the Identification of HCV in Indonesia (HCV Toolkit Indonesia)*.

HCV and HCS areas requires that APP and the supplier companies stop the clearance of the natural forest areas by both the supplier companies and by third parties throughout the concessions while assessments are underway. It also requires implementation of the measures recommended in the completed HCV assessment reports to protect the HCV areas that are identified.

APP told the Rainforest Alliance that it did not intend its commitment to halt natural forest clearance to apply to clearance by third parties within the supplier concessions. APP states that Elements 1.1 and 1.2 of FCP Commitment 1 refer only to clearance by APP supplier companies for the purposes of plantation establishment or management.

However, the Rainforest Alliance considers that APP's many public statements on natural forest clearance created a broader expectation that all natural forest clearance on supplier concessions has been curtailed.

For example, in February 2014, APP publicly referred to FCP Commitment 1 as follows, *"On February 5 we announced a complete end to natural forest clearance throughout our supply chain... This commitment applies to all our suppliers' concessions in Indonesia, which cover 2.6 m hectares of land."*<sup>25</sup> Rainforest Alliance interprets this public statement as a commitment to halt natural forest clearance throughout all 2.6 million ha in the 38 supplier concessions irrespective of who is responsible for that natural forest clearance.

Several other APP statements support this interpretation. For example, a statement posted on the APP FCP Dashboard states *"It is worth stressing that our commitment to the principles of High Conservation Value and the associated moratorium on natural forest clearance applies to our suppliers' concessions as a whole, and not only to the areas allocated for pulpwood plantation. All natural forest in all suppliers' concessions will be protected."*<sup>26</sup>

In the course of the fieldwork in 21 concessions, the Rainforest Alliance observed recent natural forest clearance in each concession visited. The most common was small-scale encroachment from shifting agriculture involving the carving out a plot for garden and home that ranged from 5-20 hectares per plot. The slash-and-burn clearance techniques applied in these instances were associated with fires that sometimes spread out of control, especially on peatland, and affected a wider area of natural forest. Community encroachment was observed in many of concessions visited. Some of the more organized communities visited during the evaluation had cleared up to 600 hectares. Much of this clearance was along riparian zones and rivers where water was plentiful. In a few cases industrial-scale mechanical clearance of a 1000 hectares or more for oil palm and mining were observed. Though definitive root causes could not be determined, such clearings appear to be largely attributable to overlapping tenures and competing land uses. Illegal loggers also contributed to the degradation of natural forest by harvesting the large commercially important trees from

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<sup>25</sup> APP Forest Conservation Policy – One Year Summary. February 2014, page 5

<sup>26</sup> TFT Dashboard <https://tft.chainfood.com/netapp/index/index?start=1>, Forest Moratorium/Moratorium on Natural Forest Clearance/NFW processing.

natural forest areas.<sup>27</sup> Similar observations of widespread natural forest clearance and illegal activities in the forest are reported by the HCV and HCS assessment teams and by The Forest Trust (TFT) in its monitoring reports for APP. Establishing more definitive numbers on the area (in hectares) and locations of forest clearance would be possible via geo analysis of land use change. The Rainforest Alliance did a preliminary desk-level spatial analysis of forest clearance. APP indicated that delays in delivery of the shape files were related to confidentiality issues with the supplier companies. As a result they were not received in time for ground-truthing checks to be carried out to confirm the accuracy of the data<sup>28</sup>. Rainforest Alliance has therefore provided observations on what was seen in the field in the concessions visited to convey the natural forest clearance observed. These field observations indicate forest clearance occurring in the concession level, with different actors involved at different scales – a common challenge for APP and other forest tenure holders going forward.

APP supplier companies told Rainforest Alliance that they are aware of the on-going clearance of HCV and HCS areas in natural forest but the issues associated with the clearance are very complex and difficult to address. The supplier companies take a number of measures in an attempt to address this problem within their concessions. These include security gates and patrols, fire detection and fire-fighting response teams, and outreach programs with the communities. Rainforest Alliance found that in numerous supplier concessions visited the security gates in forest areas are open or broken and the security posts are unstaffed and in disrepair. Numerous open access roads and canals in these concessions, viewed by the Rainforest Alliance, allow unrestricted access to and from the forest to people engaged in forest clearance activities or other activities such as illegal logging. Rainforest Alliance encountered numerous recent fires burning in forested areas within concessions. The unresolved land-conflicts mean that the outreach programs with the communities have had limited effectiveness.

Rainforest Alliance acknowledges the huge challenges facing the supplier companies in addressing the unauthorized clearance of natural forest and protecting HCV and HCS area. The challenges include the unwillingness or inability of local authorities, including governments, to enforce legal requirements. Some supplier companies report that they file reports about unauthorized clearance activities to authorities such as Ministry of Forestry, local governments, National Parks, the Conservation of Natural Resource Agency (BKSDA), the Police, and the National Disaster Management Agency (BNPB). Few of the supplier companies could produce records of clearance activities or copies of the reports made to the

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<sup>27</sup> The Evaluation Team took hundreds of geo-referenced photographs including photos of each of the types of forest clearance described, as well as other evidence cited in this report. These images were not included in the report given their sensitive nature.

<sup>28</sup> A definitive, credible analysis requires not only remote sensing analysis (using a variety of satellite or photographic based images) but also ground-truthing to ensure accuracy. Rainforest Alliance did a preliminary desk-level spatial analysis of forest clearance, but ground-truthing checks to confirm the accuracy of the data could not be done. Thus, as recommended by a Rainforest Alliance staff geospatial analysis expert the specific area loss information due to natural forest clearance arrived at during desk analysis could not be used in this report.

authorities when requested by the Rainforest Alliance. In some cases, the supplier company representatives stated that they do not want to jeopardize their relationship with the community and fear reprisals if they file a report with the authorities.

Rainforest Alliance found no evidence that the supplier companies are directly engaged in the on-going clearance. The moratorium on natural forest clearance implemented by APP has been effective in halting clearance by the supplier companies. However clearance and illegal logging by third parties is on-going within the supplier concessions visited by the Rainforest Alliance and HCV and HCS areas are not adequately protected.

In addition to the HCV areas in natural forest, there are also numerous concessions where some HCVs are present in existing production areas due to the presence of HCV 1.2 (critically endangered species, e.g. tigers, orangutans or forest elephants) and HCV 4.1 (important areas for water conservation). In some cases these values stretch over the whole concession (including developed plantation areas) and thus the whole concession is identified in the HCV assessment reports as HCV. International best practice does not require that there is no harvesting in the HCV area, only that measures are implemented to at least maintain the HCV. If measures have not been fully developed, internationally accepted best practice calls for a precautionary approach to be taken where harvesting or other actions potentially causing impact on HCVs would not occur until protective measures were in place.

APP has not fully implemented the recommendations from the HCV assessment reports in its plantation areas where areas supporting high conservation values are identified as HCV areas. APP has said that some HCV protection measures were launched prior to the FCP as part of concessions' conservation initiatives to comply with legal requirements and as part of their "landscape approach to forest protection". However, based on field evaluation, the on-going harvest of trees from the plantations where HCVs are present, without measures in place to protect them as recommended in HCV assessments, would not protect HCV.

APP has adopted methodology<sup>29</sup> to identify High Carbon Stock (HCS) areas (jointly designed with support from Greenpeace, and TFT). The HCS assessment methodology assesses above-ground biomass, but not below-ground biomass. As described in Element 1.12 and 1.13, the assessment methodology uses forest cover classes and a threshold level of 35 tonnes of carbon per hectare (tC/ha) to identify areas for protection based on their carbon values. Work on these assessments is nearing completion. Early research indicates it may be a suitable proxy for determining forest areas that should be maintained.

The APP commitment to no new plantation development on forested peatland will protect remaining natural forest as potential high carbon stock areas. Areas of peatland within already "developed" plantations (in place prior to the February 2013 FCP) are not assessed or

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<sup>29</sup> The HCS Methodology, *High Carbon Stock Assessment Methodology for APP HTI Concessions* was prepared for APP by Ata Marie Forestry Experts in August 2014

considered for protection as HCS areas in the APP approach – the management of plantations on peatland is to be addressed through implementation of improved management practices. (See FCP Commitment 2).

According to APP collaborators on HCS, above-ground biomass is easier to assess and can be determined through forest cover classification using the methodology developed. Based on the methodology used for the assessment of HCS areas in supplier concessions, the high levels of below-ground carbon stocks in peat soils (i.e. deep-peat areas) are not assessed.

Although there is progress in the initial design of APP's HCS approach and in the completion of assessments, no field implementation of the approach was in place as of August 2014 and HCS areas found throughout the concessions are not fully protected.

APP faces a significant timing or sequence challenge if it is to protect HCVs or HCS. It will take time to develop and implement the Integrated Sustainable Forest Management Plans (ISFMPs) that are designed to identify the areas for future protection. APP's approach has been to identify HCV and HCS areas and other information and then pull together all the relevant maps and management approaches into each concession-level ISFMP. Though APP indicated that it has taken other steps to conserve HCVs or HCS, field observations did not substantiate this. Supplier companies stated that they are waiting for the finalization of ISFMPs before taking significant steps to implement more definitive measures to protect HCV and HCS areas. As of August 15, 2014, none of the ISFMPs were complete – one is at a very early stage – and few of the recommendations (referred to as spatial recommendations) to protect the identified values in HCV or HCS areas (as suggested by HCV assessors) have been addressed or implemented throughout the supplier concessions. Some APP supplier companies have taken some interim steps, e.g. placement of signboards showing the location of HCVs in existing plantations. Based on field evaluation, the use of such signs was not standard practice and has not been effective in stopping the clearance of natural forest.

APP has implemented a moratorium on clearing of natural forest (including forested peatlands) for further plantation development by the supplier companies, and has made significant progress to undertake HCV and HCS assessments. The moratorium did protect a variety of tree and plant species and ecosystems, including some that are recognized as rare or threatened and of high conservation value. However, third parties in the supplier concessions are clearing HCV and HCS areas. Field observations in the 21 concessions visited indicate that APP has not implemented measures on the ground to fully protect moratorium areas from this third party clearance. APP is also harvesting in plantation areas that are identified as HCV areas (i.e. where HCVs are present) and have not implemented the specific recommendations from HCV assessments in terms of protection or management.

**FCP Element 1.8:** *On HCS, work has started to identify the area and quality of forest cover.*

**Findings:** The HCS work is underway although it is behind schedule and no reports were available on August 15, 2014. Based on interviews with staff in supplier companies and the

consultant leading the HCS assessments, field visits and a review of draft maps, the Rainforest Alliance confirmed that extensive work including field inventory, satellite image analysis (SPOT and Landsat) and provisional mapping has been carried out. The HCS assessments look at the quality of forest cover in all areas that have not been cleared by APP supplier companies. Those areas that did not have plantations were analyzed and those that were found with an above-ground biomass of greater than 35 tonnes of carbon per hectare (which was included in the Old Scrub (BT category) were classified as HCS areas.

A total of six HCS assessment reports – one each for the provinces of Riau, Jambi, and East and West Kalimantan and two for South Sumatra – are being prepared. The six reports are near completion.

**FCP Element 1.9:** *Satellite analysis, backed up by field work, will identify areas that will be protected...*

**Findings:** As noted in Element 1.6, there has been significant progress to undertake HCS assessments and identify areas that contain high carbon stocks (greater than 35 tonnes of carbon per hectare above-ground) that may be suitable for protection. The consultant in charge of the HCS study has carried out satellite imagery analysis backed up by field inventory plots. However, the analysis of the many individual patches of forest that are identified as HCS from the satellite imagery and the field work has only recently begun as at August 15, 2014. This patch analysis is an important final step in identifying the actual HCS areas for protection. The ISFMP development processes where the patch analysis will be done and where the actual areas for protection will be confirmed are at an early stage of development. There is a pilot project to develop an ISFMP in three concessions in Jambi but ISFMP processes have not begun in other concessions.

**FCP Element 1.10:** *Satellite analysis, backed up by field work, will identify areas that...can be developed as plantations.*

**Findings:** As noted in Element 1.6, there had been significant progress to undertake HCS assessments based on satellite imagery and field work. However, as noted in Element 1.9, the final steps in the HCS process involve an analysis of the patches of forest identified. This is referred to as patch analysis and is planned to be done through an ISFMP process involving stakeholders for each concession or groups of concessions once the HCS assessment reports are complete. The development of ISFMP is at an early stage and there has been limited progress to consult stakeholders on the findings of the HCS assessment. This is necessary before areas that can be developed as plantations are identified. At August 15, 2014, patch analysis had just begun.

**FCP Element 1.11:** *The HCS approach distinguishes natural forest from degraded lands with only small trees, scrub, or grass remaining.*

**Findings:** The methodology to identify HCS does distinguish natural forest (HK and BT) from degraded lands with only small trees, scrub or grass remaining (BM and LT).<sup>30</sup> However, at August 15, 2014, no final maps were available. Many of the draft HCS maps the Rainforest Alliance was able to review did not deal adequately with non-native tree cover. Oil palm plantations and rubber plantations were often included in the natural forest categories of HCS – BM, BT and HK.

**FCP Element 1.12:** *It (HCS approach) separates vegetation into 6 different classes (stratification) through the combination of analysing satellite images and field plots. These thresholds are known in Indonesia as: High Density Forest (HK3); Medium Density Forest (HK2); Low Density/older regenerating Forest (HK1); Old Scrub/regenerating forest (BT); Young Scrub (BM), and Cleared/Open Land (LT).*

**Findings:** The HCS methodology has undergone several changes as the consultant has adapted the HCS approach from its original use in agricultural (oil palm) development to better reflect the natural forest conditions found in forest concessions. In November 2013 there was a change from six different classes to four classes when it was determined that three classes of forest (HK1, HK2, and HK3) were unnecessary because these three classes would all be protected, so they were combined into one class to save time interpreting raw data from 38 concessions. This combining of the forest classes did not affect the identification of HCS forest. In August 2014, eight additional classes were added to reflect other vegetation types found in the forest concessions. This latest approach does not actually separate vegetation into the six classes described in this Element. The changes were explained to the Rainforest Alliance but no documented justification was made available to other interested parties by APP and TFT at the time. Modifications to the HCS classification system have not been made public.

**FCP Element 1.13:** *APP's threshold for HCS is defined, following field analysis, within the category referred to as old scrub (BT).*

**Findings:** The final methodology for the HCS assessment was produced in August 2014 and reviewed by the Rainforest Alliance. This document does not contain a clear definition of HCS. It categorizes the three classes of natural high forest (HK1, HK2 and HK3) as “high carbon” categories and the other classes of forest as “non-HCS” categories. This puts the entire BT category outside the definition of HCS. In particular, the threshold for HK of >75

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<sup>30</sup> The HCS Methodology, *High Carbon Stock Assessment Methodology for APP HTI Concessions* prepared for APP by Ata Marie Forestry Experts in August 2014 includes the forest classes high forest (HK) and old scrub (BT) as HCS forest, based on field measurements of above-ground carbon in samples of these forest cover types that indicate that these classes have more than 35 tonnes of carbon per hectare. The forest classes young scrub (BM) and bare ground (LT) are not included as HCS because they have less than 35 tonnes of carbon per hectare.

tonnes of carbon per hectare (tC/ha) (above-ground biomass) is above, and not within, the category referred to as old scrub (BT). However, in discussions with the consultant leading the HCS assessment work, he confirmed that the threshold for identifying HCS is 35tC /ha or greater, and that all stands identified as old scrub (BT) are considered and mapped as HCS.

**FCP Element 1.14:** *Any existing natural forest logs within APP's supply chain cut before 1st February 2013, such as stocks in log yards, will be utilized by its mills. Any fibre cleared from land which is not forest, such as scrub land, will also be utilised by its pulp mills.*

**Findings:** Wood felled prior to the moratorium was moved from the harvest sites to roadsides and log yards within the concessions. During field evaluation supplier company staff indicated, and the Rainforest Alliance observed, that MTH logs were sorted into two categories – the small diameter logs (typically less than 30 cm) destined for the APP pulp mills; and the larger diameter logs (typically more than 30 cm) that were too large for the pulp mills. The latter were destined for non-pulp uses in non-APP mills. This original FCP commitment to utilize these MTH logs cut before February 1, 2013 did not establish any end date for the transport and use of this MTH wood from the field to the mills.

Subsequent to the FCP, APP made a commitment to stop all transport of MTH from the supplier concessions to the APP pulp mills by August 31, 2013.<sup>31</sup> This was in response to concerns from environmental non-government organizations (ENGOS) that MTH wood from other sources could potentially find its way into the pulp mills if there was no firm end date for transportation. In reviewing a draft of this report, APP told the Rainforest Alliance that the commitment to end transport on August 31, 2013 was intended to replace or supersede this FCP Commitment of February 2013 to utilize the fiber. This intention was not publicized or posted on the APP FCP Dashboard and was not previously mentioned to the Rainforest Alliance although there were discussions with managers in the supplier concessions where the MTH existed. Rainforest Alliance concludes, that without any clarification or public explanation of APP's intent to replace the commitment in the FCP, and without any indication of this intent from interviews with the supplier companies, the original commitment to utilize the fiber remained. Rainforest Alliance concluded that the commitment to halt transport of the MTH fiber to the mills by August 31, 2013 is a supplementary or additional commitment. That commitment is evaluated in Additional Public Statement 4. The FCP Commitment to utilize the MTH fiber is evaluated here.

APP reported that, on February 1, 2013, 1.6 million m<sup>3</sup> of MTH had been harvested and was either in mill yards or still in the supplier concessions on that date. Of this volume, APP reported that 706,435m<sup>3</sup> was small diameter pulpwood MTH that remained along roads and in the log yards in 15 concessions on February 1, 2013, when all cutting of MTH stopped.

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<sup>31</sup> The commitment was in regard to transport of pulp logs to the APP mills. There was no commitment in regard to the large diameter MTH logs destined for non-APP mills. APP continued to transport small volumes of the large diameter, non-pulpwood MTH from the concessions to non-APP mills or other destinations in 2013 and 2014.

In August 2013, this pulp wood volume was reduced to 543,280m<sup>3</sup> through a combination of use in APP pulp or chip mills, and limited sales to communities and third parties. In January 2014 it was 532,071m<sup>3</sup> and in July 2014, at the time of the evaluation field work, it had been further reduced to 525,382m<sup>3</sup>. Over 85% of this remaining volume is in three concessions in Kalimantan.

In addition to the small diameter pulpwood logs, Rainforest Alliance observed piles of large diameter MTH<sup>32</sup> in three additional concessions. In at least one concession, there is also a large volume of MTH that was felled but left lying on the ground and not moved to roadside. It has also not been utilized.

In summary, Rainforest Alliance determined that in July 2014 in excess of 525,000 m<sup>3</sup> of MTH (small and large diameters) remained in at least 12 of the 15 concessions where MTH was reported on February 1, 2013. Since February 2013, and up to July 2014, approximately 181,000 m<sup>3</sup> of the small diameter pulp wood that was in the concessions has been utilized by APP. This is approximately 25% of the original volume of small diameter wood. A total of 11,100 m<sup>3</sup> has been used after the August 31, 2013 transportation deadline for delivery to the pulp mills. No similar information is available in regard to the large diameter MTH and it also remains in concessions. APP continued to use the MTH that was delivered to the pulp mill yards prior to the August 31, 2013 cutoff date, up to June 2014.

Although a volume of MTH was used between February 1, 2013 and the transportation cut-off date on August 31, 2013, it does not appear, based on the Rainforest Alliance's detailed review of the wood flow into the pulp mills, that there was a consistent effort on the part of APP to increase the transportation of MTH above normal levels in the period between February and August 2013, which would have been necessary in order to meet the commitment. APP has sought buyers for these MTH logs and has looked for other potential uses (for example, for pallets, or local use in communities) but has not been successful.<sup>33</sup> Most of the logs on the roadside and log yards and in the forest areas are now in poor quality and not merchantable.

**FCP Element 1.15:** *APP withdraws from all purchase and other agreements with any supplier who is found not to be in compliance with these commitments.*

**Findings:** APP developed a *Responsible Fibre Procurement and Processing Policy (RFPPP)* in 2012. In 2014 APP developed the *Association Procedure For Implementing a No-Deforestation Commitment in APP's Supply Chains* to address situations where supplier companies are not in conformance with FCP commitments. This procedure is evaluated in FCP Commitment 4.

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<sup>32</sup> The Rainforest Alliance could not obtain a specific volume for the large diameter MTH but it was a significant amount. The Rainforest Alliance has geo-referenced photographs and videos taken by the evaluation team to show the scale of the large diameter log decks.

<sup>33</sup> Many conflicting reasons were put forward to explain the large volume of MTH that remains in the concessions but these were not investigated by the Rainforest Alliance.

Since February 1, 2013, APP has withdrawn from a wood supply agreement with one company in East Kalimantan that continued to convert natural forest. The field checks of the APP moratorium on natural forest clearance carried out by TFT have reported that some supplier companies need to take more action to control the clearance activities of third parties in their concessions. APP does not consider the activities by third parties in the concessions to be non-compliance by the supplier companies with the RFPPP or the FCP. APP has not taken any action against supplier companies who failed to control illegal clearance or illegal logging on their concessions if, from APP's perspective, those supplier companies had already implemented the relevant FCP SOPs and legal requirements. The wood that enters the APP mills from these concessions comes from the supplier operations in plantations, not from any clearance of natural forest. Thus the wood meets the requirements of the RFPPP.

**FCP Element 1.16:** *These commitments are being monitored by The Forest Trust.*

**Findings:** The FCP commitments are being monitored by TFT using a computerized scorecard system. Independent observers participate in the monitoring. APP has a procedure for ground-checking to monitor compliance with the moratorium on natural forests clearance initiated as part of FCP Commitment 1. The ground checking occurs in 16 supplier concessions in Riau, Jambi, South Sumatra and East and West Kalimantan where the moratorium applies. The procedures are described in a Terms of Reference (TOR).

The supplier companies that are being monitored are those that supplied MTH fiber to APP immediately prior to February 1, 2013. The boundaries of the final logging coupe in each of these supplier concessions is checked every four months to confirm that the harvesting has not resumed in natural forest in these locations. TFT is monitoring areas of natural forest covered by the moratorium, which includes areas previously earmarked for conversion to plantation. TFT is not responsible for monitoring areas of natural forest outside the moratorium areas.

In some of the areas that are being monitored, TFT found clearance of natural forest and logging of MTH was taking place. They concluded that the moratorium was not being breached because no evidence was found that the non-compliance was due to any direct action of the APP supplier company. Nevertheless, TFT's monitoring reports repeatedly state that the APP supplier companies need to take more measures to prevent the land clearing and illegal logging by others.

In addition to the regular ground checks, APP had also investigated several grievances made by stakeholders related to the FCP implementation in seven concessions since February 1, 2013. In these cases APP and the monitor generally concluded that, although forest clearance within the moratorium area occurred, this was not in violation of the FCP because it was carried out by third parties. The quarterly checking of one supplier company in May 2013 noted the need to put up signboards to inform communities about the moratorium and to map the illegal logging that the ground checking team had observed. Similarly the September

2013 ground checking in the same concession recommended more intensive monitoring and mapping of forest clearance. The January 2014 ground checking noted ongoing illegal logging of ironwood (*Eusideroxylon zwageri*) in the moratorium area within a supplier company's concession and stated that the supplier company needed to bring this under control. Despite these recommendations, at August 15, 2014 additional moratorium signboards and mapping had not been carried out and both illegal logging of ironwood and forest clearance for shifting cultivation continued to take place. Several piles of illegal timber were being openly sold on the side of the road running through the concession within 200m of the supplier company's camp. The supplier company admitted that illegal logging continues to be a problem but stated that it had carried out socialization activities regarding the need to control logging and forest clearance for shifting cultivation by the local community. The supplier company stated that forest clearance was now under control, with less than 30 hectares being cleared each year (mostly for subsistence rice farming by local communities).

**FCP Element 1.17:** *APP will welcome independent 3rd party observers to verify the implementation.*

**Findings:** Rainforest Alliance found that APP welcomes third-party observers to participate in the quarterly audits being conducted by TFT. Since the beginning of 2013, at least 16 different NGOs have participated in five different audits in this "independent observer" program. Other NGOs have been invited.

### **Summary of Progress to Meet FCP Commitment 1**

Overall, APP has made moderate progress to meet FCP Commitment 1. Since February 1, 2013 all natural forest clearance by APP supplier companies has been suspended. Two exceptions were identified but are minor and site specific. Considerable work has been completed but considerable additional work is required to complete HCV and HCS assessment reports and to implement the results of these assessments. Nineteen (50%) of the independent HCV assessments are completed with final reports or final draft reports. The remaining assessments reports are in progress. The HCV assessment reports are generally of a high standard. The six anticipated HCS assessment reports are nearing completion and follow the methodology identified.

Clearance of natural forest by third parties for establishment of oil palm, rubber and smallholder agriculture, as well as illegal logging in natural forest areas was observed in every supplier concession visited by the Rainforest Alliance, including forest areas identified as HCV or HCS. Although APP supplier companies are not responsible for this clearance, they have not been effective in the protection of the HCV and HCS areas involved. Based on field evaluation and interviews recommendations from the HCV assessments have not been implemented, and HCS area recommendations are not yet in place at the field level. The ISFMPs, which are the delivery mechanisms for these recommendations are at a very early stage of development.

According to field interviews and observations, some plantations where HCV assessors have identified some HCVs as being present continue to be harvested without implementation of the recommended measures to protect the HCVs identified. Patch analysis, which will identify HCS areas to protect, has only just started and HCS areas are not consistently protected.

A significant volume of MTH natural forest logs that were cut before February 1, 2013 remain un-utilized within at least 12 concessions. In July 2014, there was 525,000m<sup>3</sup> of small diameter pulpwood MTH and an unknown volume of large diameter non-pulpwood MTH that was cut before February 1, 2013 remaining in the forest, along roadsides and in log yards in the concessions. All of this material is now in poor quality and mostly not merchantable.

TFT carries out extensive monitoring of the moratorium areas, at APP's request. Areas not under moratorium (e.g. other existing conservation areas) are monitored by APP supplier companies. However, according to interviews with these staff and field observations there are situations that are reported to APP which are not consistently addressed by the supplier companies or APP, for a variety of reasons, including sometimes threats from illegal loggers or local communities or in other cases lack of clarity on the part of supplier companies on how they should do address such problems. Independent third party observers have been encouraged to monitor the quarterly ground checks and random spot checks that TFT conducts to monitor implementation of the FCP and at least 16 different NGOs have participated.

**Progress to meet FCP Commitment 1:** Moderate progress.

### 3.3 FCP Commitment 2: Peatland Management and Additional Public Statement on Peatland Expert Team

**APP Commitment:** *APP will support the Government of Indonesia's low emission development goal and its target to reduce greenhouse gas emissions. This will be achieved by:*

- *Ensuring that forested peatland is protected as part of its commitment to maintain HCVF and HCS forests.*
- *Best management practice to reduce and avoid GHG emissions within the peatland landscape. As part of achieving this, no further canal or other infrastructure activities will take place within undeveloped suppliers' concessions on non-forested peatland until independent HCVF assessments including input from peat experts has been completed.*

**Source of the Commitment:** APP Forest Conservation Policy, February 2013.

**FCP Element 2.1:** *Forested peatland is protected as part of its commitment to maintain HCVF and HCS forests.*

**Findings:** HCV assessment reports completed to date in concessions on peatland identify forested peatland as HCV 3 – a rare or endangered ecosystem<sup>34</sup>.

The actual designation and identification of measures to protect these HCV areas is planned to occur in the ISFMP process that will identify the important areas of forested peatland within supplier concessions for protection. APP has initiated one ISFMP pilot project in Jambi (July 2014) involving three concessions. The HCV assessment reports for these three concessions are completed and some of the other input information is available in draft form, but the ISFMP process awaits information on peatlands that is expected to be provided by the PET before the peat element of the planning can be addressed.

As of August 15, 2014, ISFMPs and management recommendations from the PET have not been completed. The suspension of harvesting in natural forest areas is still in place and no new plantations will be developed in peat areas. However, improved practices in existing plantations in peat areas, including potential enhanced protection of peat, are not in place. APP supplier companies stopped cutting natural forest on peatland and, as required by forestry regulation, conservation and protection zones are designated within each concession. In at least one concession there is a defined protected peat forest that remains relatively undisturbed after logging. APP also supports the protection of peatlands in protected areas adjacent to or close by the supplier concessions.

In all of the supplier concessions visited by the Rainforest Alliance conversion of the forested

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<sup>34</sup> See definitions of HCV 3 from Guidelines for the Identification of HCV in Indonesia (HCV Toolkit Indonesia), 2009, prepared by the Consortium for the revision of HCV Toolkit in Indonesia, 2009.

peatland to other land uses and deforestation by illegal logging and encroachment by third parties (not APP supplier companies) is occurring. These activities were observed by the Rainforest Alliance and are also reported in most of the completed HCV assessment reports. They are described in more detail in Element 1.7. The conversion to oil palm and other agricultural crops, illegal logging and encroachment from nearby communities remain as continuing threats to the remaining forested peatlands in all of the supplier concessions visited where peat exists.

**FCP Element 2.2:** *APP implements best practice management to reduce and avoid GHG emissions within the peatland landscape.*

**Findings:** Approximately 600,000 hectares of plantation area managed by APP supplier companies are located on peatland. As part of the FCP, APP committed to no further development of plantations on peat. APP also suggests that the decision to stop developing plantations on peat is part of best practice. The PET has been tasked with developing improved recommended practices, including BMPs, which are to be implemented in areas where plantations already exist.

The PET report of the inception phase of work<sup>35</sup> was completed in June 2014. It outlines a process for the development of Standard Operating Procedures (SOP) for peatland management and a brief outline of aspects to be included in a proposed framework for improved practices and BMPs. It also outlines plans for a series of Technical Guidelines.

During this evaluation, the Rainforest Alliance visited 15 different supplier concessions on peatland. Staff in these supplier concessions consistently told the Rainforest Alliance that they have not received guidance to implement any new or different management practices on peatlands since the introduction of the FCP in February 2013. This is despite the observation from APP that they believe field staff has received information about the FCP and new guidance on peatland development, including such as no further canal development or forest clearance on peatland. APP's current plantation operating procedures for peatland management are primarily directed to maintaining the survival and growth of *Acacia crassicarpa*, a species that does not naturally occur in wet environments and that requires drainage.

APP has made efforts to implement best management practice to reduce and avoid GHG emissions through its work in setting aside for biodiversity and peatland protection areas in the Giam Siak Kecil landscape.

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<sup>35</sup> Wageningen University and Research Centre, Deltares and Euroconsult Mott MacDonald. Technical support to Asia Pulp and Paper on Peatland Management. Inception Report, 18 June, 2014.

At present, information on peat types and depths is generally not available and monitoring of the key factors in managing plantations in peatland – water levels and subsidence – is weak. There are relatively few water level monitoring posts, called Peilscales, on the canals in the concessions and they are monitored infrequently. Many of them are missing due to poor maintenance or damage by metal boats during harvesting activities.

Similarly, there are few plots for water table depth monitoring in the plantations, using Peizometers, and these are often remote and difficult to monitor on a regular basis. They are frequently damaged during harvesting activities. There are initial efforts to monitor peat subsidence by installing subsidence poles within planted areas but these subsidence plots are also limited in number. The recent installation of a network of new Peizometers and subsidence plots in two concessions in West Kalimantan is an exception to this general situation. In general, the data collected on water level and water tables are not regularly analyzed and summarized and the available subsidence data are not analyzed for calculating the change of carbon stock and carbon emission.

In some of concessions visited, fire towers were unmanned or in poor repair. The Rainforest Alliance's visits occurred during fire season and, based on these observations, management of the fire risk is weak. Based on the locations visited, efforts are directed more to fire detection and control rather than prevention of fire. For these reasons, the Rainforest Alliance concluded that current operating procedures are not consistent with good practice.<sup>36</sup> Based on field evidence the current quality of infrastructure and the inconsistent application of fire management practices will not result in reductions of greenhouse gas emissions resulting from fires.

In August 2014 the team leader of the PET was developing TOR for the next phases of the PET work, which include the development of full BMP guidelines. The TOR was not completed by August 15, 2014 and work had not started on any phases to follow up the preliminary inception phase, and as of August 15, no work had been initiated to develop the formal set of BMPs envisioned by APP<sup>37</sup>.

The report from the PET inception phase also recommends that APP needs to strengthen its SOP framework related to peatland management for all the supplier concessions. In addition, the report points out that carbon emission reduction is only one reason for reducing the impacts of plantation operations on peatland. It recommends that best management practices should be developed to address the wider range of impacts.

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<sup>36</sup> See the Peatland Expert Team Inception Report, June 2014 and the suggestions for management guidelines, August 2014.

<sup>37</sup> In late August 2014, the PET delivered a brief note to APP to provide some basic “common sense” water management guidelines as an interim step to bridge the gap with the upcoming PMMP. This note was presented for consideration and discussion within APP, but not for distribution. It was not considered by the PET to be ‘best management practice’ guidelines. The document was received by APP and the Rainforest Alliance after the August 15, 2014 date established for measuring performance.

In summary, APP is currently in the initial stages of developing best practice guidelines. According to APP the work needed to develop them was greater than initially anticipated and therefore is taking longer than originally envisioned. The development of BMP guidelines has been delayed. BMPs have not been implemented. The PET has provided a preliminary outline for new SOPs and Technical Guidelines but at August 15, 2014 TORs and work plans were not complete and there was no established timetable for this work. The PET noted that better soil and water management are required.<sup>38</sup>

**FCP Element 2.3:** *No further canal or other infrastructure activities take place within undeveloped suppliers' concessions on non-forested peatland until independent HCVF assessments have been completed.*

**Findings:** In late 2012 APP instructed the supplier companies to halt construction of new canals and other infrastructure within the peatland landscape. Rainforest Alliance reviewed many locations in the field and reviewed monthly work summaries in the concessions. Rainforest Alliance did not observe any situations where canals or new infrastructure have been constructed within non-forested peatland since February 2013 and did not receive any evidence from any source regarding any such construction. Canal maintenance is carried out on an ongoing basis but no new infrastructure was identified.

**FCP Element 2.4:** *Independent HCVF assessments include input from peat experts.*

**Findings:** The HCV assessments carried out by the two consulting groups include input from individuals who have an expertise in peat and can be considered as “peat experts”. Their input was provided through their direct participation on the assessment teams, or through consultation with the teams during the assessments.

## **Summary of Progress to Meet FCP Commitment 2**

Overall progress to meet FCP Commitment 2 is limited. The framework to meet the commitments on peatland in future is in place and plans are being developed for future work, but in August 2014 there was limited progress to implement actions on the peatlands. An ISFMP pilot project in Jambi that will incorporate the identification the peatlands for protection that is to be done by the PET and is in an early planning stage. Other ISFMP projects for supplier concessions on peatland have not been initiated. Based on interviews with concession managers and observations in the field, Rainforest Alliance did not find that recommendations for the protection of peatlands in the final or final draft HCV assessment reports on peatlands have been implemented, and some peatlands identified in completed HCV reports in the concessions visited continue to be cleared by third parties.

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<sup>38</sup> Suggested BMP for peatlands that provide a reference point are provided in Parish F., Lim, S. S., Perumal, B. and Giesen, W. (eds) 2012. *RSPO Manual on Best Management Practices (BMPs) for Management and Rehabilitation of Natural Vegetation Associated with Oil Palm Cultivation on Peat.*

BMP guidelines for management of peatlands within the supplier concessions have been proposed by the PET but have not been developed.

APP's current plantation operating procedures<sup>39</sup> for peatland management are primarily directed to maintaining the survival and growth of *Acacia crassicaarpa*, a species that does not naturally occur in wet environments and that requires drainage.

Rainforest Alliance observed current water management practices on peatlands in 15 different concessions and observed that current practices do not reflect best management practice, as indicated by the PET Inception Report<sup>40</sup>. Specific BMPs have not been developed, as envisioned, and field observations did not find that preliminary suggestions on interim improved practices recommended by the PET were being implemented.

APP stopped the construction of new canals and infrastructure and the clearing of forest on peatland by its supplier companies by February 1, 2013. There is no evidence of new canal construction or forest clearance by any APP supplier on peatland since that date.

## **Progress to meet FCP Commitment 2: Limited Progress**

### **Additional Public Statement – Assembling a Peatland Expert Team**

**APP Commitment:** *“A peatland expert team is currently being assembled and will shortly be announced. This follows input and recommendations from a variety of stakeholders. The team will be an integral part of our Integrated Sustainable Forest Management Plan. ... The team will be tasked with helping APP to adopt best practice management to reduce and avoid GHG emissions within the peatland landscape.”*

**Source of the Commitment:** APP response to Greenpeace Report, *APP's Forest Conservation Policy. Progress Review*. October 2013.

**Findings:** APP assembled the PET in late 2013 by bringing together a consortium of eight experts from three main organizations – Wageningen University and Research Centre, Euroconsult Mott MacDonald and Deltares.<sup>41</sup> This group of experts brings a diversity of professional expertise and experience from organizations that are recognized internationally

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<sup>39</sup> According to APP, conservation operating procedures addressing overall biodiversity protection including forested peat are incorporated in the Giam Siak Kecil landscape approach, but the Rainforest Alliance did not verify in the field the state of its implementation.

<sup>40</sup> *Technical Support to Asia Pulp and Paper on Peatland Management – Inception Report*, Wageningen University and Research Centre, Deltares and Euroconsult Mott MacDonald, 18 June 2014 p5,6; *RSPO Manual on Best Management Practices (BMPs) For Existing Oil Palm Cultivation on Peat*, April 2013; *RSPO Manual on Best Management Practices (BMPs) for management and rehabilitation of natural vegetation associated with oil palm cultivation on peat*, October 2012

<sup>41</sup> The Inception Report lists eight members of the PET. The APP Alterra Service Agreement V1.5 lists seven members. The APP FCP Dashboard announcement of the PET does not identify the number of members.

for their expertise in peatland management. None of the team members are originally from Indonesia, but all have extensive work experience in Indonesia, and at least two of the team reside in Indonesia.

The establishment of the team was announced publicly on the APP FCP Dashboard, but the announcement refers only to Wageningen University and Research Centre and does not mention the other organizations that are members of the consortium. None of the team members are named.

One international ENGO had significant input and influence on the choice of experts making up the PET. Another international ENGO with expertise in peatland issues in Indonesia provided the Rainforest Alliance with a written submission documenting its unsuccessful attempts to provide input into the establishment of the PET<sup>42</sup>.

The PET commenced work in January 2014 and by August 15, 2014 had completed four pieces of work. These are a report from the inception phase<sup>43</sup>; a report of a field trip to Sumatra; a database of information sources; and some peat distribution maps (not complete) – following a review of available information and some field observations. At August 15, 2014, the PET team leader was developing new TORs for the next phases of the work but this was not complete. As of August 15, based on interactions with the PET, no work has started on any phases to follow up the inception phase.

The original 2013 TOR for the PET<sup>44</sup> anticipated that the technical assistance provided by the PET would be integrated into the development of APP's ISFMP. At August 15, 2014, despite the preparations and plans, the engagement has been limited. Members of the PET attended the ISFMP kick-off meeting for the Jambi ISFMP pilot project in April 2014 in Jakarta, but no members of the PET attended the analysis recommendations workshop in Jambi on July 2014. To date, the only input provided by the PET into the Jambi ISFMP pilot project has been the general peatland guidelines. The concessions involved in the pilot ISFMP, WKS and RHM, are located partly on peatland. ISFMP processes in other concessions with peatland have not started.

The original TOR (2013) also envisioned that the PET would assist APP to develop BMPs for the peatland landscape. The PET report from the inception phase in June 2014 includes a brief outline of an approach to developing BMPs. It provides a list of aspects to be included in a SOP manual for peatland management and proposes a series of Technical Guidelines

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<sup>42</sup> APP clarified that the ENGO sent a letter and as a result was invited to meet with APP and the PET.

According to APP (and unverified by the Rainforest Alliance), at a subsequent meeting APP agreed with their relevant input and with their involvement or that of other peat stakeholders, in the design of the peat management BMP. After August 15, 2014, APP indicated that it requested input from academic and other peat experts, but evidence of such interactions was not made available to the Rainforest Alliance.

<sup>43</sup> Wageningen University and Research Centre, Deltares and Euroconsult Mott MacDonald. Technical support to Asia Pulp and Paper on Peatland Management. Inception Report, 18 June, 2014.

<sup>44</sup> APP and Alterra Services Agreement, Version 1.5, undated document.

covering a list of peatland management aspects. However, as of August 15, 2015, work on BMP guidelines has not begun.

APP told the Rainforest Alliance that the next phase of work for the PET – the “planning and design” phase – is expected to focus on much larger and more complex strategic and landscape level issues that are identified in the report from the inception phase. As a result of this change in priorities, as of August 15 development of the site-level BMP Guidelines for peatland has not been initiated.

**Progress to meet Additional Public Statement:** Limited Progress.

### 3.4 FCP Commitment 3: Social and Community Engagement

**APP Commitment:** *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, as it implements the following set of principles:*

- *Free, Prior and Informed Consent of indigenous people and local communities*
- *Responsible handling of complaints*
- *Responsible resolution of conflicts*
- *Open and constructive dialogue with local, national and international stakeholders*
- *Empowering community development programs*
- *Respecting human rights*
- *Recognising and respecting the rights of its workers*
- *Compliance with all relevant laws and internationally accepted certification principles and criteria*

*Where new plantations are proposed, APP will respect the rights of indigenous peoples and local communities, including recognition of customary land rights. APP has committed to independent HCVF assessments as part of this commitment and will, in consultation with stakeholders, develop further measures to implement FPIC.*

*APP will consult with NGOs and other stakeholders to ensure that its protocols and procedures for FPIC and conflict resolution are in accordance with international best practice.*

**Source of the Commitment:** APP Forest Conservation Policy, February 2013.<sup>45</sup>

**FCP Element 3.1:** *In order to avoid and resolve social conflicts across its supply chain APP will ... as it implements the following set of principles:*

**Findings:** FCP Element 3.1 has been evaluated in the elements that follow. It is not evaluated as a stand-alone element.

**FCP Element 3.2:** *APP will actively seek and incorporate input and feedback from a wide range of stakeholders, including civil society.*

**Findings:** From the announcement of the FCP in February 2013, APP has sought input and feedback from stakeholders through a variety of processes and venues. These include extensive socialization of the FCP in local communities; a series of Focus Group Discussions

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<sup>45</sup> The Rainforest Alliance has interpreted Commitment 3 in the FCP to mean a commitment to implement the principles for social and community engagement set out in the bullet points. This is the simple and broad interpretation of this Commitment. We have not taken a narrow interpretation that the commitment is restricted only to a commitment to 'seek and incorporate input and feedback' in regard to these principles.

(FGDs) with a variety of NGOs; a Solutions Working Group (SWG) with five independent NGO members; participation of NGOs in regular field monitoring of FCP implementation; and other means.

APP regional staff, assisted by staff of supplier concessions, introduced the FCP and other APP initiatives to local communities in one-day long meetings in early 2013. These socialization sessions were organized with community leaders and members in many communities around supplier concessions in all five provinces. In addition to the FCP, the sessions provided information about other items of interest including the locations of concession boundaries, community development plans, harvesting plans and non-timber products to village administration and community members.

APP undertook FGDs with a wide variety of social and environmental NGOs. A total of 11 FGDs were held in 2013 in Jakarta and in regional centers in all five provinces. Some were large meetings covering a variety of FCP topics; others were small group meetings that focused on protocol development or specific social issues and contributed to the completion of standard operating procedures dealing with grievances, conflict resolution and FPIC. In 2014, one large meeting and three additional small group meetings were held.

APP established the SWG to bring together representatives of four international NGOs and one local NGO with APP and its partner organizations and consultants for discussions on a variety of topics, including FCP implementation. Since December 2013, the full SWG has met four times. Sub-groups of the SWG met five times in 2014 sometimes with additional NGO representatives.

APP seeks input from stakeholders by involving NGOs in the quarterly audits that monitor implementation of the FCP in the field. Since the beginning of 2013, at least 16 different NGOs have participated in five different audits in this “independent observer” program.

APP has sought input and feedback in a variety of other ways. Consultants carried out extensive public consultations during the HCV assessments. APP maintains collaboration with international and local NGOs involved in tiger and elephant conservation and is involved with a number of NGOs interested in peatland conservation in the Giam Siak Kecil-Bukit Batu Biosphere Reserve. They have developed a database and mailing list of stakeholders and there have been meetings and discussions with stakeholders regarding the ISFMP pilot project in Jambi.

These initiatives represent significant steps by APP to establish a basic framework for seeking and incorporating feedback from a wide range of stakeholders.

In the many communities close to the APP supplier concessions meetings introducing the FCP were held, community members expressed concerns that these socialization sessions in 2013 consisted of only a single meeting in each community and have not been followed up with regular communication. The single meetings were perceived as inadequate for many of

the stakeholders for understanding the FCP. There was also a sense that on-going communication with the neighboring communities was of limited effectiveness. Several organizations expressed concerns that there has often been an inadequate response from APP when input is given and that the final documents or policies following input are difficult to obtain.

In 2014, APP moved to more small-group consultation with specific non-government organizations on specific issues and there was less consultation in large groups at community level than in 2013. The focus of consultation also moved away from the FCP towards other initiatives such as restoration.

Communities expressed to the Rainforest Alliance a desire for an active and on-going program that seeks and incorporates feedback about the FCP commitments from the very wide variety of stakeholders who are interested in and affected by activities in the 38 supplier concessions. APP does maintain a stakeholder list, but it is not comprehensive and does not include many of the organizations that attended FGD meetings. APP has significantly expanded its program of consultation since February 2013 but more work is required to maintain on-going, regular effective communication with the many interested and affected stakeholders, particularly in communities surrounding the supplier concessions.

**FCP Element 3.3:** *Free, Prior and Informed Consent (FPIC) of Indigenous people and local communities.*

**Findings:** APP developed a Standard Operating Procedure *FPIC Implementation in New Planting Area (SOP/SMF/OQA-007)* in April 2013 and an *FPIC Implementation Procedures in New Area Planting/HTI Development and Mill Development*, in May 2013. These procedures incorporate and explain the key elements of “free”, “prior”, “informed”, and “consent” in the application of FPIC. The procedures define “indigenous peoples” and “local communities” in ways that are consistent with international guidance. APP reviewed international published guidance on the subject and consulted with stakeholders in meetings to prepare these documents. APP has also undertaken work to explain FPIC to its staff and has used the SOPs to guide implementation.

During the evaluation period, APP’s main FPIC implementation initiative related to the development of a new pulp mill referred to as the OKI mill in the Ogan Komering Ilir (OKI) district in South Sumatra. APP acquired a shareholding in this planned mill in July 2013, after the announcement of the FCP. In September 2013 APP announced that it would apply the principle of FPIC with communities in the vicinity of the mill. Construction of the new mill commenced in early 2014. That FPIC commitment is evaluated in a separate section Additional Public Statement 9.

According to numerous staff, APP has limited the implementation of FPIC to new developments – e.g the OKI mill and new plantations, not the full range of their activities – and a limited group of people. APP’s current FPIC SOP focuses on new developments such

as the OKI mill and new plantations, and does not specify other operational activities that may require FPIC within developed areas in the concessions. In other words the SOP is not clear on how APP or supplier companies are to implement FPIC in operational activities (major plantings or harvests or infrastructure development that could affect local or indigenous communities) within the developed areas of its supplier concessions or for any of the indigenous peoples and local communities who occupy and continue to use traditional areas within concessions in Jambi, Riau and Kalimantan. These peoples and their traditional areas are identified in the HCV assessments.

In a few supplier concessions visited during this evaluation, staff told the Rainforest Alliance that they “conduct FPIC” to inform villages before starting the annual planting program in the vicinity and seek their agreement. By this the Rainforest Alliance understood concession staff to mean they undertook a socialization process to introduce the concept of FPIC and present the plans for upcoming work activities. It was clear in conversations with supplier concession staff that there were different understandings about whether these socialization processes actually sought and achieved formal consent for operations, or not. Supplier concession staff had differing understanding and approaches to implementation of FPIC practices. Memoranda of Agreement are signed in some concessions in Kalimantan, but no documentation was made available to Rainforest Alliance to indicate, in these situations, whether agreement or consent was granted to APP prior to major planting or harvesting activities.

FPIC remains challenging for APP and supplier companies. To date, based on field observations, most supplier companies and APP staff indicate a mixed understanding about the application of FPIC, with some interpreting FPIC to only apply in the case of new developments, and others believing they are carrying out FPIC related to general forestry operations such as harvesting activities and maintenance.

Currently, as described in the SOP, even if disputes exist, APP does not expect to implement FPIC for new plantations and any other activities within “developed” areas that supplier companies had cleared at any time prior to February 2013. Conflict resolution procedures will be applied in such situations.

APP stated that in the case of operational activities in existing plantations conflict resolution procedures would be used, where conflicts exist, in order to secure consent to operations. However in interviewing field staff the Rainforest Alliance found uneven application of the FPIC and conflict resolution processes. APP staff in Jakarta, in reviewing drafts of this evaluation, acknowledged the lack of clarity in terms of the application of FPIC, for example in the case of major road improvements in existing plantations, in the existing SOP.

APP indicated that during the evaluation period, no major planting or harvesting activities occurred in areas that they believe require APP to conduct FPIC. APP staff agreed that the activities APP’s SOP for FPIC implementation applies to are not clear. APP senior management stated their intent that FPIC is not only implemented on new developments but

is also implemented for activities such as harvesting, planting and major maintenance on areas where FPIC is required.

The “new development” focus within APP’s current SOP on FPIC is not consistent with international guidance, and field observations indicate FPIC practice is inconsistent. In terms of international guidance, Rainforest Alliance considered work done on FPIC policies or methodologies at the UN Permanent Forum on Indigenous Issues, UN-REDD, International Institute for Environment and Development (IIED) and Forest Stewardship Council (FSC), among others. In these cases the international guidance on FPIC states that it applies to any proposed activity which fundamentally affects a community or the holder of rights, not only major new developments like the OKI mill. FPIC is usually seen as a continuous process throughout extractive industry or project lifecycles, not just at the moment of a new development.<sup>46</sup>

#### **FCP Element 3.4:** *Responsible handling of complaints.*

**Findings:** APP created an SOP for handling complaints, concerns or problems (collectively referred to as grievances) relating to the FCP, early in 2013.<sup>47</sup> A list of 12 grievances filed since February 25, 2013, along with the APP responses to each, is available online at the APP FCP Dashboard.<sup>48</sup> The SOP is also posted on the Dashboard and is available in the supplier concessions but is not readily available to potential complainants because the Dashboard requires a password (available on request) and documents on it are not available for printing.

The understanding by supplier concession staff and use of this SOP to address complaints is limited and the procedures implemented within the supplier concessions to respond to complaints vary considerably. Some responses by supplier company field staff are not consistent with the procedure. Some concessions that the Rainforest Alliance visited maintain regular documentation, and record the follow-up and respond well to complaints; others indicated that they have no procedures for documenting or responding to complaints.

The response time to acknowledge complaints also varies widely. The SOP states that the maximum response time should be five days. Some simple complaints, like road or water channel repairs, transportation, and support for social events or traditional use are addressed quickly; more complicated ones take months for a response to the complainant. Rainforest Alliance received a well-documented submission identifying four cases where there had been no response to formal letters of complaint for several months.

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<sup>46</sup> See for example, the *FSC Guidelines for the Implementation of free, prior and informed consent*. Version 1, 30 October, 2012. Technical Series 2012-2 and IIED’s *FPIC and the extractive industries*, Abbi Buxton and Emma Wilson – 2013.

<sup>47</sup> SOP 03 Grievance Procedure for FCP Implementation (SOP/SMF/OQA-003), dated 01/04/2013.

<sup>48</sup> <https://tft.chainfood.com/netapp/index/index?start=1> .

**FCP Element 3.5:** *Responsible resolution of conflicts.*

**Findings:** In early 2013, APP developed a six step approach for managing and resolving conflicts about land ownership and rights within its 38 concessions. The steps involve developing new procedures for conflict resolution, training, capacity building, conflict mapping, action plans, and stakeholder engagement. Since early 2013, APP has been implementing this approach.

Two SOPs for resolving existing conflicts were prepared in April 2013.<sup>49</sup> Both SOPs are on the APP FCP Dashboard and are known by, and available to, supplier company staff and others. Based on the SOPs, APP trained many supplier company staff in conflict mapping procedures and conducted conflict resolution training sessions for staff and managers in all 38 concessions.

APP expanded the previous three categories of conflicts into eight categories of conflict and completed a very extensive conflict mapping exercise. All the known conflict areas in all 38 concessions are mapped and the nature and background of each conflict and the involved parties are described. A map of each concession identifies all the conflicts in that concession categorized into the eight categories.

These steps represent a significant effort to start to address the conflicts. Conflicts are identified in every one of the 38 concessions. There are a large number of conflicts and they cover a very large land area.<sup>50</sup> Many of the conflicts are also long standing and very complex. The most recent one identified is unresolved for five years; the oldest one is 19 years and most of them are older than 15 years. APP considers this conflict mapping to be highly sensitive information.

Based on the conflict mapping, APP has developed action plans in each concession identifying the activities necessary and the projected dates to move forward with resolution of the conflicts. The plan includes work on conflicts in each of the eight categories.

APP has initiated pilot projects in four high profile conflict areas, has engaged a number of government and national and international non-government organizations to assist in the resolution process, and has brought in mediators. Work to address the identified long-standing conflicts in these four areas is underway. One of the pilot projects reached a completion with an agreement and memorandum of understanding in July 2013;<sup>51</sup> the other three pilot projects are continuing and are at different stages of negotiation.

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<sup>49</sup> SOP/SMF/OQA-005 dated on April 1, 2013 on Conflict Resolution Guidelines, and 2) SOP/SMF/OQA-006 dated on April 1, 2013 on Conflict Resolution Approaches and Methods, also referred to as Collaborative Conflict Resolution.

<sup>50</sup> APP provided information about the exact number of conflicts to the Rainforest Alliance but this information is considered confidential.

<sup>51</sup> The Senyerang conflict in Jambi is considered completed, but some parties told the Rainforest Alliance that while it is considered completed, issues remain and the conflict is not fully resolved.

Some communities with identified conflicts told the Rainforest Alliance that the final results of conflict mapping have not been shared with them. Based on the interviews with concession staff, it appears that they have little direction or mandate from APP to prioritize local conflicts and initiate resolution. Parties to the conflicts confirmed that progress to resolve the conflicts is slow. Only one pilot social conflict resolution process has been completed and a small proportion of the other conflicts have MOUs or action plans developed. Evidence to definitively clarify the exact state of resolution (i.e. if a conflict is actually resolved) for most of these is unclear, with numerous affected communities interviewed by the Rainforest Alliance indicating resolution has not yet happened.

APP has completed an inventory of all the conflicts and put a process in place to start to address them, but there are a large number of conflicts, and there is a substantial amount of work still required to resolve these conflicts.

**FCP Element 3.6:** *Open and constructive dialogue with local, national and international stakeholders.*

**Findings:** The full extent of APP’s dialogue with local, national and international stakeholders is described in FCP Element 3.2. APP is engaging with many different local, national and international stakeholders in a number of different ways and by using a variety of processes – including large public events, large and small Focus Group Discussions (FGDs), the Solutions Working Group (SWG) and a variety of meetings related to restoration activities and wildlife conservation.

Rainforest Alliance was not provided with evidence of a specific plan for active and on-going program for seeking and incorporating feedback from the very wide variety of stakeholders. Based on review of attendance lists for FGDs and other meetings, as well as the range of contacts made during this evaluation or suggestions of stakeholders, the list of stakeholders maintained by APP is not comprehensive.

**FCP Element 3.7:** *Empowering community development programs.*

**Findings:** APP supports the integration of its corporate programs with the mid-term development programs provided to villages around the concessions by government. This is in order to avoid a sporadic, unplanned “charity approach” to community development. Each supplier company has staff assigned to this task and they recognize the importance of a participative approach to implementing the Community Development and Corporate Social Responsibility (CD/CSR) commitments. APP has established four priority areas for community funding from the CD/CSR program:

- Social cultural development;
- Education development;
- Infrastructure development;
- Economic development.

Since 2013 they have supported a number of initiatives in individual concessions in order to structure the CD/CSR program so that it addresses real community needs more directly. In some concessions, there are SOPs for CD/CSR.

APP is in the process of updating their Community Development Guideline, originally prepared in 2007, to establish a more participatory approach. They expect to include this in the ISMFPs. According to APP, overarching guidance was designed at Jakarta HQ with input from the regional operations. However, based on field evaluation, guidance to enable supplier companies to develop CD/CSR plans is not available and the current CD/CSR program is not integrated with village development plans. In general, the APP program does not reflect the fact that some villages are supported by many companies working in the same area, and others are receiving increased allocations from government through the Village Allocation Budget Program. According to field evidence, the participative needs-assessment documents are at an early stage in some concessions and has not started in most of the supplier concessions visited. According to APP, priority villages or priority programs for allocation of the CD/CSR budget in each supplier concession have been established. However, the Rainforest Alliance found that some villages are not aware of this and in general the budget expenditures are below 60% of the allocation. In most cases the supplier companies continue to respond to ad hoc proposals that are submitted by the local communities without reference to needs and impact assessments.

APP has a commitment and a budget allocation for community development.

**FCP Element 3.8:** *Respecting human rights.*

**Findings:** Conflicts, including incidents of violence and violations of the human rights of indigenous peoples, local communities and workers occurred in the years before the FCP was launched. Since the FCP, APP has increased efforts to resolve conflicts with these groups. They have developed SOPs and policies, identified and mapped conflict areas, initiated direct engagement with communities, and involved a variety of government and non-government stakeholders in four pilot projects. As described elsewhere, large numbers of conflicts with local communities remain and there are instances where some workers' rights have not been respected. However, the Rainforest Alliance did not receive any reports or allegations of any incidents involving APP and violations of human rights since the announcement of the FCP.

APP had conflicts and interactions in the past with three distinct different types of communities – indigenous peoples, local communities, especially Melayu communities, and new migrants. Past conflicts with the indigenous people have revolved around the maintenance of their traditions and lifestyles and their access to on-going use of their

traditional territories for hunting, fishing, collecting medicinal herbs, rattan, and other forest products. APP concessions occupy the traditional territories of several groups of indigenous people including the Suku Anak Dalam tribe in Jambi, the Sakai tribe in Riau, and the various ethnic groups in East and West Kalimantan. In some concessions, APP has also had conflicts with the new migrants.

APP supplier companies have reached agreements with several groups of indigenous peoples to allow continued free use of roads and access to the forest. The companies maintain communication with representatives of these peoples, provide some basic amenities, and offers services such as health care, under an agreement with them. In Jambi, APP has worked to try and secure agreements with indigenous communities related to settlement, housing and education. For local Melayu communities, APP has identified settlements inside and around the concession that existed prior to the concession license. For new migrants, APP has identified plantations (rubber or oil palm) that existed inside the concessions before the concession license was granted. In both cases APP has indicated it will seek to exclude these areas of prior land uses from the concession.<sup>52</sup> In a number of concessions, APP has actively sought to provide access to employment and business development for the local communities around and within the concessions.

Some conflicts continue to exist, but indigenous peoples and local communities have access to traditional products, such as honey, fish, medicinal plants, rattan, and to products that support their livelihoods, like dragon's blood berries (jerang).

**FCP Element 3.9:** *Recognising and respecting the rights of its workers.*

**Findings:** APP has several policies that address the rights of the workers employed by supplier companies.<sup>53</sup> The workers are free to join unions and in many concessions there are collaboration letters signed between workers and supplier companies. Wages paid to employees are above the required minimum wages established by government regulation and most employees have access to career advancement through management levels based on training that is available. Supplier company workers also have access to health care facilities covered by a free program for employees and their families. Camp facilities often have recreation facilities and paramedics on site. There were no reports of any violation of the rights of the supplier company workers or violations of legal requirements for minimum age and worker safety.

Most of the workers involved in harvesting plantations, driving trucks, planting new trees and growing trees in the nurseries work for contractors or sub-contractors retained by the supplier companies to carry out the main operational activities. Based on field evaluation, it appears that many of the employees of these contractors do not have written contracts or agreements,

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<sup>52</sup> This is a formal process to create what is referred to as an “enclave” within the concession.

<sup>53</sup> For example, the 2009 Labour Policy which allows workers to establish a union or affiliate with a labour organization and a 2012 Employee welfare policy that addresses compliance with national and international laws.

are paid below the minimum legal wage, and do not have adequate personal safety equipment. Some harvesting and tree planting workers live in sub-standard living facilities for long periods of time with no sanitation or clean water and without access to education for children or other employee benefits. The workers employed by contractors and sub-contractors knew about the FCP through day-long training sessions and posters but told the Rainforest Alliance that there has been no change in their working conditions since the FCP.

APP has policies to address workers' rights for the supplier companies and their contractors and sub-contractors. Rainforest Alliance found that the application of these policies in the field is very limited. APP provides for the rights of workers employed by supplier companies through a template contract that was made available to Rainforest Alliance after field evaluations occurred. In the case of employees of contractors, according to APP, it requires its contractors to provide relevant health and safety, welfare and any other legally required provisions. However, the Rainforest Alliance consistently found, at the concessions visited during this evaluation, evidence that these requirements were not being met, i.e. that contractors and sub-contractors are not meeting contract provisions to recognize and respect the rights of the many workers who carry out all the operational activities on the supplier concessions.

**FCP Element 3.10:** *Compliance with all relevant laws and internationally accepted certification principles and criteria.*

**Findings:** An audit of compliance with all relevant laws and assessment of conformity with international certification standards was outside the terms of reference for the Rainforest Alliance. The review was limited to an examination of evidence from other bodies in regard to compliance and conformance with international certification standards.

In 2012 APP implemented an auditing process to evaluate compliance of supplier concessions with relevant laws and APP policies and to implement measures to address non-compliance areas.<sup>54</sup> At that time, most APP concessions were found to have legality conformance issues and all 29 concessions surveyed had very low conformance with APP's *Responsible Fibre Procurement and Processing Policy (RFPPP)*.<sup>55</sup> APP has improved and expanded the use of this RFPPP scorecard and uses it to monitor performance among the supplier companies annually. Some concessions have a list of relevant laws and regulations and have hard copies available for review but most of concessions have no system in place to compile all relevant law and regulation and no internal system to ensure the compliance to them. The Rainforest Alliance did not receive any submissions from any party during the evaluation that indicated that APP supplier concessions are not in compliance with relevant laws.<sup>56</sup>

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<sup>54</sup> Developed by The Forest Trust (TFT).

<sup>55</sup> *Scorecard Assessment of Suppliers and Mills. A TFT partnership with Asia Pulp and Paper.* A report prepared by The Forest Trust, pulp and paper team, November 2012.

<sup>56</sup> During the evaluation, a newspaper report stated that a draft report of an audit conducted by the REDD+ Management Agency, the Ministry of Forests and the Riau police was reporting non-compliance with several

APP has an action plan to expand certification of the supplier concessions to comply with internationally accepted standards. Currently 37 of APP's 38 supplier concessions are certified to the mandatory Timber Legality Verification System (SVLK) or the Sustainable Production Forest Management System (PHPL). These systems provide verification that wood comes from legal sources. Fourteen (37%) of the supplier concessions are certified to the voluntary Sustainable Plantation Forest Management System (PHTL), a forest management sustainability certification system managed by the Indonesia Ecolabelling Institute (LEI). Three concessions were assessed for PHPL certification in 2014. APP has an action plan to complete legality certification and to increase the number of concessions that are certified to the voluntary LEI sustainable forest management standard. APP's commitments to certification are also evaluated in Additional Public Statement 3.

The HCV assessment reports for eleven supplier concessions provide a preliminary overview assessment of gaps between practices in each of those supplier concessions and the requirements in the FSC Principles and Criteria. The reports provide suggestions about actions that will assist in filling the gaps and bringing the concessions closer to the FSC standards.

**FCP Element 3.11:** *Where new plantations are proposed, APP will respect the rights of indigenous peoples and local communities, including recognition of customary land rights.*

**Findings:** This element applies to new plantations. APP told the Rainforest Alliance that new plantations occur either within undeveloped areas where APP has had no prior activities, or in new concessions. APP has developed an SOP for the implementation of principles of FPIC if and when new plantations are proposed in future. Since February 2013, APP has not developed any new plantations.

**FCP Element 3.12:** *Where new plantations are proposed, APP has committed to independent HCVF assessments as part of this Element.*

**Findings:** This element applies to new plantations. APP told the Rainforest Alliance that new plantations occur either within "undeveloped" areas where APP has had no prior activities, or in new concessions. APP is undertaking HCV assessments in all current concessions and in two new concession blocks being granted to existing supplier companies. Since February 2013, APP has not developed any new plantations.

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legal requirements in a group of concessions that included 2 APP supplier concessions. The final audit report was released on October 14.

<http://www.mongabay.co.id/2014/10/10/duh-penanganan-karhutla-hasil-audit-17-perusahaan-di-riau-buruk/>

**FCP Element 3.13:** *Where new plantations are proposed, APP will, in consultation with stakeholders, develop further measures to implement FPIC.*

**Findings:** This element applies to new plantations. As described in Element 3.3, APP told the Rainforest Alliance that new plantations occur either within “undeveloped” areas where APP has had no prior activities, or in new concessions. Since February 2013, APP has not developed any new plantations.

**FCP Element 3.14:** *APP will consult with NGO’s and other stakeholders to ensure that its protocols and procedures for FPIC and conflict resolution are in accordance with international best practice.*

**Findings:** APP consulted with a variety of NGOs about the development of the protocols and procedures for FPIC and conflict resolution. These consultations occurred with small subgroups of Solutions Working Group (SWG) and in two large Focus Group Discussions (FGDs) for the specific purpose of consultation on the protocols for FPIC, conflict resolution and other protocols. More than 20 different NGOs representing regional, national and international NGOs with considerable expertise in the subjects participated.

### **Summary of Progress to Meet FCP Commitment 3**

Overall, APP has made moderate progress to implement the FCP commitment to implement principles for social and community engagement.

Policies and procedures to implement FPIC have been developed and incorporate concepts and terms consistent with international guidance, but APP has limited the scope of its commitment to FPIC to “new plantations and new mills” and therefore, only to indigenous peoples and local communities affected by development of new plantations and new mills. This limitation is not consistent with Rainforest Alliance experience or international guidance examined during the evaluation.<sup>57,58</sup> FPIC is seen as a continuous process throughout extractive industry or project lifecycles, not just at the moment of a new development.<sup>59</sup> APP has not implemented FPIC for any operational activities and the principle of FPIC has not

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<sup>57</sup> APP interprets “new plantations” to refer only to new plantations in “undeveloped” areas where APP has had no activities prior to February 2013, or in new concessions. Based on this interpretation, there are no “new plantations” to which the commitment to FPIC applies. “New Mills” refers to the new pulp mill at OKI. Implementation of FPIC at OKI is addressed in Commitment 13.

<sup>58</sup> FPIC Implementation Procedures in New Area Planting/HTI Development and Mill Development, May 22, 2013.

<sup>59</sup> See for example, the *FSC Guidelines for the Implementation of free, prior and informed consent*. Version 1, 30 October, 2012. Technical Series 2012-2 and IIED’s *FPIC and the extractive industries*, Abbi Buxton and Emma Wilson – 2013.

consistently been extended to indigenous peoples or local communities within other supplier concessions. In some supplier concessions, APP is implementing some initiatives that are consistent with achieving FPIC but these are considered socialization activities, rather than formal FPIC processes to obtain consent.

APP has developed a Grievance Procedure for FCP implementation but it is not well understood by supplier concession staff and copies are not available to them.<sup>60</sup> The grievance procedure for FCP implementation is publicly available and all grievances are investigated and reported publicly on the FCP dashboard. However, at the supplier concession level, this procedure is not yet well understood or implemented by all concession staff.

APP has undertaken a significant effort to map all conflicts and to identify the nature of the conflicts and the parties involved. They have developed action plans and initiated four high profile conflict resolution pilot projects. They have initiated conflict resolution processes in most concessions. The number of conflicts is very large, and many are long-standing and complex. Conflicts are identified in every one of the 38 concessions.<sup>61</sup> To date one pilot project has reached a conclusion<sup>62</sup>, while a small proportion of other conflicts have MOUs or action plans in place. Definitive information on the state of action plans and resolution is not available, and based on field work and interaction with stakeholders much work remains to be done to implement the commitment to responsibly resolve conflicts.

Significant steps were undertaken in 2013 to establish a framework for APP to meet with a wide variety of stakeholders through a variety of processes and venues. Many meetings and opportunities for input were provided. In 2014, APP moved to more small-group consultation with specific non-government organizations on specific issues. There was less consultation in large groups at community level than in 2013. On-going efforts are required, particularly establishing regular and ongoing community communication.

Each supplier company has staff assigned to the task of empowering community development. APP has established four priority areas for community funding from the Community Development and Corporate Social Responsibility (CD/CSR) program and since 2013 has supported a number of initiatives in individual concessions in order to re-structure the existing CD/CSR program so that it more directly addresses real community needs. In some concessions, there are Standard Operating Procedures (SOPs) for CD/CSR. However, the programs to participate with the communities to assess community needs and establish priorities to empower community development are at an early stage and not started in most concessions.

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<sup>60</sup> SOP 03 Grievance Procedure for FCP Implementation (SOP/SMF/OQA-003), dated 01/04/2013.

<sup>61</sup> APP provided information about the exact number of conflicts to the Rainforest Alliance but this information is considered confidential.

<sup>62</sup> Senyerang in Jambi. Although the mediation process is completed and a memorandum of agreement completed, this conflict remains contentious for many parties.

Since the FCP, APP has increased efforts to resolve conflicts in areas where violence and human rights violations occurred in the past. They have developed SOPs, identified and mapped conflict areas, initiated direct engagement with communities, and developed policies on worker rights. Rainforest Alliance did not receive any reports or allegations of any violent incidents. APP has made progress to initiate conflict resolution but many land use conflicts remain.

APP does have policies that address the rights of the workers for the supplier companies and the suppliers' contractors and sub-contractors. The workers employed by the supplier companies enjoy good working conditions. However, the harvesting, transportation, planting and other operational activities within the supplier concessions are carried out by workers employed by contractors and sub-contractors. Rainforest Alliance observed many situations where these workers do not have work contracts, are not paid the required minimum wages and do not have adequate safety equipment. They do not have basic sanitation or clean water or adequate living conditions for weeks at a time as they live at the work sites in the concessions. These workers told the Rainforest Alliance that their working conditions have not changed since the announcement of the FCP. APP has policies that require the supplier companies to respect the rights of these contractors and sub-contractors but application of these policies in the field is very limited.

APP has developed a scorecard system to monitor compliance with laws in the supplier concessions.<sup>63</sup> At present 37 concessions has certification of legal sources. The remaining concession is in progress and scheduled to be complete by December 2014. Twenty-six (26) out of 38 concessions are certified to either or both of the Indonesian standards of sustainable forest management (SFM).<sup>64</sup> APP has an action plan to complete certification of sustainable forest management for the remaining 12 supplier concessions by 2015.

It is too early to evaluate progress to meet commitments related to new plantations. No new plantations have been established since February 2013.

APP consulted with stakeholders about the development of the protocols and procedures for FPIC and conflict resolution.

**Progress to meet FCP Commitment 3:** Moderate progress.

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<sup>63</sup> The TFT Scorecard for Sustainable Forest Management.

<sup>64</sup> Certification of legal sources is mandatory and is achieved with either the Timber Legality Verification System (SVLK) or the Sustainable Production Forest Management System (PHPL). Certification to a standard for sustainable forest management is achieved with either the mandatory Sustainable Production Forest Management System (PHPL) or the voluntary Indonesian Ecolabelling Institute (LEI) Sustainable Plantation Forest Management System (PHTL). More information is provided in Elements 7.1 and 7.4.

### 3.5 FCP Commitment 4: Third Party Suppliers

**APP Commitment 4:** *APP sources fibre from all around the world and is developing measures to ensure that this sourcing supports responsible forest management.*

**Source of the Commitment:** APP Forest Conservation Policy, February 2013.

**Findings:** There was only one Element in this FCP Commitment so these findings represent the summary of progress to meet FCP Commitment 4.

In 2014 APP completed an initial assessment of all their supplier companies – both in Indonesia and globally – that supply raw material to APP mills in Indonesia. The procedures for conducting this global supply chain analysis and completing a risk assessment were established in a Standard Operating Procedure (SOP) and a set of guidelines for assessing risk. A *Supplier Evaluation and Risk Assessment (SERA)* was conducted by APP staff based on responses to a questionnaire that was sent to each of APP’s pulp suppliers, round wood suppliers, chip suppliers and community forest suppliers around the world. In each of these four supplier groups, questions required information about the country of origin of the fiber, the species involved, and the legality verification and certification in place. Suppliers were required to provide information about protection of High Conservation Value forests, use of genetically modified organisms (GMO), species protection measures, conformity with International Labor Organization (ILO) conventions, conversion and protection of civil and legal rights. Based on the information provided, APP determined the risk associated with the specific supplier.

This SERA procedure was developed based on a review of similar risk assessment procedures developed for Programme for the Endorsement of Forest Certification (PEFC), Forest Stewardship Council (FSC) and other systems. It relies on risk assessments conducted by the suppliers and provided to APP. APP plans to use the SERA to assess all new suppliers and to annually assess all current suppliers. The *APP Association Procedure For Implementing a No-Deforestation Commitment in APP’s Supply Chains* developed in May 2014 establishes the procedures that APP will follow in determining whether to engage with suppliers or to disengage with those found to be in unacceptable risk categories based on the questionnaire. Rainforest Alliance notes that the assessment relies on information provided by suppliers in risk assessments that they conduct, and is not, in August 2014, being verified by APP<sup>65</sup>. APP has met the Commitment to develop measures to ensure that the sourcing of fiber for the APP mills in Indonesia supports responsible forest management.

**Progress to meet FCP Commitment 4:** Commitment Met.

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<sup>65</sup> This is in line with APP’s association procedure which states that unless it is highlighted by a third party or NGO report, APP will rely on self-declarations or certifications from suppliers.

### 3.6 Additional Public Statements

This section provides the Rainforest Alliance's detailed findings and conclusions about APP's progress to meet ten Additional Public Statements made in the *APP Sustainability Roadmap – Vision 2020 framework* in June 2012 or in a series of public statements and documents between June 2012 and February 2014. As explained in Section 3.0, the scope of this Evaluation was defined in early 2014 and Elements and Performance Indicators were developed at that time for each of 10 additional public statements. This report combines two of those Additional Public Statements into Sections 3.2 and 3.3 related to the FCP Commitments. Eight Additional Public Statements are reported in this section. Each of the Additional Public Statements was evaluated by the Rainforest Alliance in the same way as the FCP Commitments. In this report, only a summary of the conclusions about APP's progress to meet these Additional Public Statements is presented.

#### **Additional Public Statement 1      Reforestation**

**APP Statement:** *Support the national target for reforesting degraded lands.*

**Source of the Statement:** APP Vision 2020 Sustainability Road Map, Our Goals. June 2012.

**Findings:** The national target for reforesting degraded lands is part of Indonesia's national efforts on climate change mitigation. One government scenario<sup>66</sup> calls for the total forest sector to increase the number of hectares of degraded areas planted annually from 198 thousand hectares to 500 thousand hectares per year; another scenario calls for increasing it to between 1.6 and 2.2 million hectares per year<sup>67</sup>. The target for long term national forestry strategic plan includes 7.2 million hectares of industrial forest plantations.

Some APP suppliers support some reforestation activities on degraded land. They reforest or enrich small degraded areas within the protected areas and conservation zones that are required to be established within each concession by planting local native species in those areas. Some concessions provide seedlings of native species to local communities and participate in their reforestation activities when asked by local governments. APP told the Rainforest Alliance that they are supporting reforestation effort by developing plantations in areas in South Sumatra that were degraded by large scale forest fires at the end of 1990s.

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<sup>66</sup> Forestry Minsiterial Decree No.70/Menhut-II/2009, 7 December 2009

<sup>67</sup> Indonesia Second National Communication under the United Nations Framework Convention on Climate Change (UNFCCC) – Climate Change Protection for Present and Future Generations at [http://unfccc.int/files/national\\_reports/non-annex\\_i\\_natcom/submitted\\_natcom/application/pdf/indonesia\\_snc.pdf](http://unfccc.int/files/national_reports/non-annex_i_natcom/submitted_natcom/application/pdf/indonesia_snc.pdf)

However without an identified program and targets APP's reforestation on degraded lands within its concessions appears sporadic and limited and represents limited progress to meet the Commitment to support the national target.

**Progress to Meet Additional Public Statement 1:** Limited progress.

## **Additional Public Statement 2            Conservation and Biodiversity**

### **APP Statement:**

- a) *Support the national target to preserve designated protected and conservation areas.*
- b) *Support the national target to increase the endangered species population.*

**Source of the Statement:** APP Vision 2020 Sustainability Road Map, Our Goals. June 2012.

**Findings:** The national target for preserving designated protected and conservation areas is described in the Department of Forest Protection & Nature Conservation's (PHKA) 2010 -2014 Strategic Plan.<sup>68</sup> Conservation and protected areas are identified and the government's stated goal is to continue to protect those areas and to reduce conflicts.

APP does not have an overarching framework document that explicitly describes how its work contributes to this national strategic plan. However many of its concession level plans and field activities support the national target by taking a landscape level approach to zoning conservation areas and by supporting programs in protected areas that are adjacent to, or close to, suppliers' concessions.<sup>69</sup> Those include the nationally protected areas Giam Siak Kecil - Bukit Batu Biosphere Reserve in Riau, Kutai National Park in East Kalimantan, Bukit Tiga Puluh National Park in Jambi and Sembilang National Park in South Sumatra. APP establishes buffer zones within the concessions adjacent to some of these protected areas, assists with protection against fire, control of encroachment and illegal hunting and provides some support for wildlife conservation programs. In Giam Siak Kecil – Bukit Batu, APP sits on the management committee for the area and has assisted with the development of a research center within a supplier concession.

To date, APP has not fully acted on specific recommendations that are in the final and final draft High Conservation Value assessment reports for concessions that are adjacent to protected areas.<sup>70</sup> These include recommendations that the supplier companies should work

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<sup>68</sup> See <http://ditjenphka.dephut.go.id/wp-content/uploads/2013/08/Renstra-PHKA-upload.pdf>. Also <http://ditjenphka.dephut.go.id/wp-content/uploads/2013/08/LAKIP-PHKA-2013.pdf>

<sup>69</sup> APP is required to maintain conservation zones and protected areas within each concession. This commitment refers to support for nationally protected areas outside of APP supplier concessions.

<sup>70</sup> "Final reports" are those 11 HCV Assessment Reports that have completed peer reviews and are considered final by APP and the consultant who prepared them. "Final draft" reports are those eight reports that have completed peer reviews and that are considered final by the consultant group that prepared them.

with authorities to control illegal logging, should inform contractors and workers about endangered wildlife and should restore buffer areas with native species. Other than legal requirements, APP has not developed guidelines on the identification and management of buffer zones next to protected areas. In some cases, the buffer zone is identified as a peatland canal dug next to the boundary of the reserve and no special prescriptions have been developed for management of the canal.

The second national target – for endangered species – is to increase the population of 14 key endangered species that occur in Indonesia.<sup>72</sup> Three of these species, Sumatran tiger, Sumatran elephant and Kalimantan orangutan, are known to occur within APP supplier concessions. APP supports orangutan conservation in East Kalimantan in and adjacent to their supplier concessions. APP collaborated with Orang-tan Foundation International (OFI) on orangutan release activities and training APP suppliers on zero tolerance policy on harming endangered animals. APP conducts regular training on avoiding human/tiger conflicts across the supply chain. They have plans to assist development of a tiger rehabilitation center in an APP concession in Jambi province. APP provides logistical support and accommodation to assist a graduate student conducting elephant movement studies in one concession in Jambi. APP also provides funding support for conservation work for the Sunda (Javan) rhinoceros conservation in Ujung Kulon National Park in Java. The completed HCV assessment reports provide recommendations to protect rare, threatened and endangered species. At the time of the evaluation APP had not implemented specific measures recommended by those assessments.

In April 2014 APP announced a program to support protection and restoration of one million hectares of forest in ten priority landscapes in Sumatra and Kalimantan close to their supplier concessions and to existing national parks and conservation areas.<sup>73</sup> The priority landscapes include habitats where the three endangered species are found. APP conducted Focus Group Discussions (FGDs) with various stakeholders at local, regional and national levels about three priority landscape areas; Berbak- Sembilang-Dangku, Giam Siak Kecil and Kubu landscapes. This restoration program is planned to assist in preserving designated protected areas and to provide habitat protection and restoration in protected areas for endangered species but it is at an early stage of planning and is outside the scope of this evaluation.

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<sup>71</sup> APP told Rainforest Alliance after receiving these findings that APP supplier concessions have systems in place to manage biodiversity and conservation areas in line with legislative requirements. It also has additional SOPs that go beyond legal compliance. This was not verified in the field.

<sup>72</sup> Decree by Director General of Forest Protection & Nature Conservation (PHKA) No. 138/IV-KKH/2011. See the PHKA 2010 -2014 Strategic Plan at <http://ditjenphka.dephut.go.id/wp-content/uploads/2013/08/Renstra-PHKA-upload.pdf> and implementation plan at <http://ditjenphka.dephut.go.id/wp-content/uploads/2013/08/LAKIP-PHKA-2013.pdf>. The national government has set a baseline species population for each of these key species using 95 designated sites which located at 48 technical conservation units through out the country.

<sup>73</sup> APP “*Supporting One Million Hectares Forest Protection and Restoration*”. April 24, 2014.

There is no clear connection between the APP activities on the ground and the national targets for designated protected areas or for endangered species. However, APP does have a number of activities that support existing protected areas and does provide some limited support for programs for endangered species such as elephants and orangutan that are found within supplier concessions.

The progress to support the national target for increasing the populations of endangered species is limited, but overall APP has made moderate progress to meet the Additional Public Statement that it will support the national targets for conservation and biodiversity.

**Progress to Meet Additional Public Statement 2:** Moderate progress.

### **Additional Public Statement 3          Fiber Sourcing**

#### **APP Statement:**

- a) *100% independent 3<sup>rd</sup> party verification for pulpwood legality.*
- b) *Zero High Conservation Value Fibre.*
- c) *100% plantation wood for its pulp production.*
- d) *100% Sustainable Forest Management (SFM) certified pulpwood.*

**Source of the Statement:** APP Vision 2020, Sustainability Roadmap and Summary of Goals Fibre Sourcing. June 2012.

**Findings:** The Elements above are drawn from APP’s Sustainability Roadmap, which said: *“The ASR sets ambitious and concrete targets that we intend to achieve by 2020, including:*

- *APP will have the capacity to source 100% of its pulpwood for its mills from plantation wood by 2015, with a threshold of up to 5% for legally sourced wood waste/residue*
- *A phased approach to implement High Conservation Value Forest (HCVF) Indonesia toolkit on APP controlled concessions by 2013 and our independent partners’ concessions in Indonesia by December 2014*
- *By 2020, APP’s pulpwood suppliers will all be certified under the voluntary Indonesian sustainable forest management scheme*

APP supplier concessions use two different certification systems to verify the legality of the pulpwood supplies entering the two APP pulp mills from sources in Indonesia – the Timber Legality Verification System (SVLK) and the Sustainable Production Forest Management System (PHPL).<sup>74</sup> Indonesian forestry regulations require that every concession must have

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<sup>74</sup> SVLK is a legality assurance system that audits the legality of the supply sources. PHPL also verifies legality but also assesses basic environmental sustainability requirements. Some APP supplier concessions are also certified under a third system – the Sustainable Plantation Forest Management System (PHTL), a voluntary certification managed by the Indonesia Ecolabelling Institute (LEI), which includes additional sustainability requirements.

one of the two legality certifications. Each system requires regular audits carried out by accredited independent third party certification bodies to determine conformity with the requirements of the system. Using this combination of the SVLK and PHPL systems, 37 out of the 38 APP supplier concessions are certified as legal sources by independent third party certifiers.<sup>75</sup> One supplier concession is not certified for legality assurance but APP has an action plan to complete certification of this supplier concession to legal verification standards.

APP stated its definition of HCV fiber applied to rare, threatened or endangered tree species coming from MTH natural forests. APP stated that their intent was to stop the use of rare, threatened or endangered tree species coming from natural forests that would fall under HCV Category 1 in their supply chain. APP staff also indicated that this *APP Sustainability Roadmap – Vision 2020 framework* statement (from 2012) has been superseded by other commitments in the FCP (for example Element 1.7 regarding HCV and HCS protection and Element 1.14 regarding MTH use).

In its summary of goals, the APP Sustainability Roadmap Vision 2020 refers to ‘Zero High Conservation Fibre’. However, APP has not specifically or publicly stated their definition of HCV fiber, or that this aspect of the Sustainability Roadmap has been superseded by later FCP or other forest conservation-related commitments. The term itself – HCV fibre – is not commonly used, even within the forestry or conservation sectors. Until APP provides a formal working definition the term will invite a wide spectrum of interpretation from stakeholders.

After gaining perspectives and input from both APP and our Rainforest Alliance, the Rainforest Alliance has decided to deal with evaluation of this element in two ways. First, the protection of HCV and HCS is dealt with in-depth in Elements 1.5, 1.6 and 1.7. Second, APP made a commitment to stop receiving MTH in its mills on 31 August 2013, this is reported in detail in Element 1.14 and referenced below.

The third part of this commitment refers to the use of 100% plantation fiber in APP’s pulp mills. Since August 2013, only plantation fiber has entered the APP pulp mill yards. This was confirmed by the Rainforest Alliance by visiting three mills and by reviewing many documents related to the movements of fiber into the mills from the 38 supplier concessions and other sources.<sup>76</sup> APP continued to use MTH received prior to August 31, 2013 that was stockpiled within the pulp mill yards. At the LPPPI mill in Tebing Tinggi, MTH use from the stock pile continued until December 31, 2013. At the IKPP mill in Perawang it continued until June 4, 2014. Since August 31, 2013, only plantation fiber has entered the mill yards. Transport of MTH to the mill yards stopped prior to that date.

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<sup>75</sup> 13 of the APP concessions have SVLK alone; 24 concessions use the PHPL system to verify legality.

<sup>76</sup> The Evaluation Team member spent 18.5 days on site at the mills and 19 reviewing and analysing documents.

Finally, Additional Public Statement 3 refers to 100% sustainable forest management (SFM) certified pulpwood. APP supplier concessions are certified to two different independent SFM systems – the Sustainable Production Forest Management System (PHPL) that is mandatory in Indonesia and the voluntary Indonesia Ecolabelling Institute (LEI) Sustainable Plantation Forest Management System (PHTL).<sup>77</sup> Fourteen concessions are certified under the voluntary PHTL and 24 concessions are certified under the mandatory PHPL. Twelve of the PHPL certificates are in concessions that also have PHTL certification. Thus a total of 26 of the 38 supplier concessions (68%) are certified to one or both of these SFM certification systems. Twelve supplier concessions are not certified to any SFM system. Two concessions that are not currently SFM certified have completed certification audits and are awaiting results from the certification bodies. APP has an action plan to complete SFM certification for all 38 concessions before 2020, as stated in the Vision 2020 Sustainability Roadmap. The action plan includes a plan to complete SFM certification for all 38 concessions to the higher standard of SFM certification in the voluntary PHTL standard.

**Progress to Meet Additional Public Statement 3:** Moderate progress

#### **Additional Public Statement 4            Use of Mixed Tropical Hardwoods**

**APP Statement:** *“Following stakeholder consultation, APP brought forward its deadline for allowing natural forest pulpwood fibre through the mill gates, to August 31st 2013. Since that date, no natural forest pulpwood fibre has been allowed to enter our pulp mills.*

*Since we introduced the FCP, we have been looking for ways to achieve our goal of eliminating Non-HCV/HCS MTH fibre from our supply chain entirely.*

*EPN’s document requests that we do not take any more MTH after 1 January 2014, even though such wood would originate from Non-HCV/HCS areas. This presents us with a challenge on how we manage the logistics and the use of the logs generated after the HCV and HCS areas have been identified and protected. We are currently calculating the expected volume of this MTH fibre in our suppliers’ concessions. We want to work collaboratively with stakeholders to decide how best to use this resource if we are not going to use it for pulp. We have asked NGOs for their input and suggestions and we look forward to hearing the outcome of this at our next meeting.*

*Our core principle is clear: we have always supported a 100 per cent plantation policy for all pulp and paper production. Together with other stakeholders, we will strive to find environmentally responsible, commercially viable and logistically practical alternative uses for non HCS wood.”*

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<sup>77</sup> The Sustainable Plantation Forest Management System (PHTL) is a voluntary certification managed by the Indonesia Ecolabelling Institute (LEI). It includes sustainability requirements that are in addition to those in the mandatory PHPL system.

**Source of the Statement:** APP response to EPN Report, *The First Test. Performance Milestones for customers and other stakeholders to assess the implementation of Commitments made under Asia Pulp and Paper's Sustainability Roadmap – Vision 2020 and Forest Conservation Policy*. September 2013.

**Findings:** A Rainforest Alliance team member visited three APP mills and reviewed many documents related to the movements of fiber into the pulp mills from the 38 supplier concessions and other sources.<sup>78</sup> All the available evidence indicates that no fiber from natural forest in Indonesia has entered either of the APP pulp mills or other mills, either directly from the supplier concessions or indirectly from other sources, since August 31, 2013. All fiber entering the mill yards is plantation fiber.

The public statement refers to the term “Non-HCV/HCS MTH fiber”. The Rainforest Alliance interprets this to refer to MTH fiber that comes from natural forest that is not identified or classified as being either HCV or HCS. The public statement addresses a potential future situation that might arise when the HCV and HCS assessments are complete. In future, some areas of early successional natural forest might be identified as being neither HCV nor HCS areas. Thus this is a commitment by APP to eliminate any source of MTH fiber from supplier concessions in future, even if areas are identified as non-HCV/HCS. APP said it would work collaboratively with stakeholders and ask NGOs for input.

By August 15, 2014 half of the HCV and all six of the HCS assessment reports are not completed, and non-HCV and non-HCS areas are not identified. The Integrated Sustainable Forest Management Plans (ISFMPs) that will ultimately determine whether there are any Non-HCV/HCS areas that might be available to enter the APP supply chain are at a very early stage. Thus, in mid-August 2014, it is not known if there will be any Non-HCV/HCS MTH in future.

In 2013 and 2014, APP did consult with stakeholders in at least three meetings about the question of future supplies of Non-HCV/HCS MTH. They sought input and suggestions from stakeholders about how to address the significant volume of MTH fiber that remains decked in piles of logs along roadsides in at least 12 concessions, as described in FCP Element 1.14.<sup>79</sup> The availability of any non-HCV/HCS fiber will not be known until the process of completing HCV and HCS assessments is more complete, and until ISFMP processes are well underway.

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<sup>78</sup> The team member spent 18.5 days on site at the mills and 19 reviewing and analysing documents.

<sup>79</sup> In July 2014, 525,000 m<sup>3</sup> of MTH pulpwood that was cut before February 1, 2013 but not transported by August 31, 2013, was decked along roads in nine concessions. Over 85% of this volume is in three concessions in Kalimantan. In addition to the pulpwood diameter logs, an unknown volume of large diameter MTW also remains decked along roads. It was observed in three additional concessions visited by the team. Finally in at least one concession, there is a large volume of MTH that was felled but left lying on the ground and not moved to roadside. APP has sought buyers for these MTH logs and has looked for other potential uses (for example, pallets) but has not been successful.

Although there not been a resolution to the questions of future Non-HCV/HCS fiber or how to use the existing unused MTH fiber in the concessions, APP has consulted with NGOs at the SWG process and sought advice about the options regarding future use of MTH. The commitment to work collaboratively with stakeholders in regard to MTH fiber is met.

Overall, APP has met the parts of the public statement about the use of MTH fiber that can be evaluated at this time. It has met the commitment that no MTH would enter its pulp mills after August 31, 2013.

**Progress to Meet Additional Public Statement 4:** Commitment met.

### **Additional Public Statement 5            Transparency, Stakeholder Partnership, and Engagement**

**APP Statement:** *“Among our promises was a commitment to complete transparency.”*  
*“APP remains committed to tackling these remaining challenges in partnership with multiple stakeholders. We have made truly significant progress and aim to be as transparent as possible about our successes as well as our shortcomings.”*

**Source of the Statement:** APP Forest Conservation Policy, One Year Summary. February 2014.

**Findings:** APP has taken several actions to provide greater transparency about their activities than existed prior to the FCP announcement in February 2013. The actions include meetings with communities at the inception of the FCP, Focus Group Discussions (FGDs) and establishment of the Solutions Working Group (SWG) to meet with interested and affected stakeholders to discuss plans and activities. APP has participated in public discussions and provided quarterly updates on the FCP implementation. APP invites interested stakeholders to join the quarterly monitoring to observe operations in the supplier concessions.

APP launched the APP FCP Dashboard as a single online site where interested stakeholders can obtain information about APP policies and procedures and see regular updates on the implementation of the FCP.<sup>80</sup> APP has posted a two-page table on the Dashboard showing the availability of a variety of documents under the categories of moratorium, HCV/peat/HCS, social, grievances and supplier information.<sup>81</sup> Some documents are identified as public and are posted on the Dashboard; others are identified as available on request. The Document-Sharing Guidelines from the Dashboard does not constitute a Standard Operating Procedure (SOP) or policy document that provides APP’s policy on document availability.

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<sup>80</sup> <https://tft.chainfood.com/netapp/index/index?start=1>.

<sup>81</sup> APP FCP Document Sharing Guideline, undated 2 page table available at <https://tft.chainfood.com/netapp/atalasoft/default.aspx?pdfDocN0=167>.

The Dashboard provides the Standard Operating Procedures developed to guide implementation of the FCP, progress updates and reports of the grievances investigated, information and maps about supplier concessions, the expected schedules for completion of HCV and HCS assessments and a variety of other information. Minutes of FGD and SWG meetings are available and updates on the progress in the four conflict resolution pilot projects are posted.

To facilitate the sharing of commercially confidential information with SWG members the NGOs have signed non-disclosure agreements<sup>82</sup>. SWG members told the Rainforest Alliance that some documents are presented at meetings but not shared in advance or made available for review after the meetings.

Interested stakeholders in many communities and NGOs complained about the lack of access to information and documents, for example HCV assessments, HCS methodology, etc. Several communities told the Rainforest Alliance that they had provided information about High Conservation Values during stakeholder meetings, or information about conflicts during the conflict mapping project. According to the APP Document Sharing Guidelines, the reports incorporating this information are available upon request. However, multiple international, national and local stakeholders told the Rainforest Alliance that they have not been able to receive information about the use of, or the responses to, the information they provided. The open discussions in initial community meetings following the announcement of the FCP were generally well-received but were not followed up with a process for transparent and on-going communication.

Several important documents related to the FCP implementation are not available on the Dashboard and stakeholders told the Rainforest Alliance that requests to provide some of these documents have been denied. These include the detailed maps and shape files related to completed HCV assessments, the methodology for HCS Assessment, the Terms of Reference for the Peatland Expert Team (PET), the report from the inception phase of the PET, and the results of the conflict mapping project.

Users of the APP FCP Dashboard are required to apply in advance for a password to use it. A common complaint from stakeholders was their inability to download or copy documents from it. Many stakeholders reported that they either do not use this website because of the password requirements or find it very difficult to use because of the restrictions. Stakeholders also commented that it is not kept up to date.

APP has provided some reports, including the completed HCV assessment reports upon request and subject to conditions. The detailed HCV maps, the HCS methodology, the reasons for changes to forest classes in the methodology, and the reports of the PET are not included in the list of available documents and have not been made available.

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<sup>82</sup> APP has clarified that the reason for this is that the documents are commercially sensitive and that the purpose of the SWG meeting is to share this type of information.

This Additional Public Statement also refers to tackling remaining challenges in partnership with multiple stakeholders and to reporting successes and shortcomings. Since February 2013, APP is engaging with many different local, national and international stakeholders in a number of different ways and by using a variety of processes – including large public events, large and small FGD, the SWG and a variety of meetings with NGOs and experts related to restoration activities, wildlife conservation and Integrated Sustainable Forest Management Plans.

They have been transparent in putting results of the investigations into reported breaches in eight supplier concessions on the APP FCP Dashboard and have responded publicly to these reports. However, reports about shortcomings in other aspects of APP management, for example related to management on peatlands as reported by the Peatland Expert Team have not been made available. Similarly the scorecards from the independent audits of supplier concessions, which also report shortcomings have not been made available on the FCP Dashboard<sup>83</sup>.

These steps represent a move towards greater transparency but are not the degree of transparency suggested by APP's statement that it would adhere to "complete transparency". Overall, APP has made moderate progress to meet the Public Statement related to transparency, stakeholder partnership and engagement.

**Progress to Meet Additional Public Statement 5: Moderate Progress.**

### **Additional Public Statement 6            A Complete End to Natural Forest Clearance throughout the Supply Chain**

This Additional Public Statement has been merged with FCP Commitment 1, Element 1.7. The issues associated with natural forest clearance in APP's supply chain in Indonesia are fully addressed in Element 1.7.

### **Additional Public Statement 7            Future Suppliers and Acquisitions**

**APP Statement:** *"We are developing an association procedure to assess future suppliers or acquisitions to ensure they are compliant with our Responsible Fibre Procurement and Processing Policy. We are committed to consulting with stakeholders on this procedure and will use their input to help finalise it."*

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<sup>83</sup> APP stated that the PET inception report was a data gathering exercise for internal use only and as a guide for the PET's future planning. Also, the scorecard exercise is APP's internal supplier evaluation and risk assessment report, which is not a public document.

**Source of the Statement:** APP response to EPN Report, *The First Test. Performance Milestones for customers and other stakeholders to assess the implementation of Commitments made under Asia Pulp and Paper's Sustainability Roadmap – Vision 2020 and Forest Conservation Policy*. September 2013.

**Findings:** APP completed the development of an *Association Procedure for Implementing a No-Deforestation Commitment in APP's Supply Chains* in May 2014. The procedure is posted on the APP FCP Dashboard and is publicly available. It establishes six requirements that existing suppliers must meet to continue to supply wood to APP mills, and sets out the procedures that APP will follow in the event that a supplier is engaged in “unacceptable activities”. The Procedure also describes the steps that APP will use to assess potential new suppliers to ensure they meet the requirements for providing “acceptable supplies” set out in the *APP Responsible Fibre Procurement and Processing Policy (RFPPP)* and the *Forest Conservation Policy (FCP)*.

Since the implementation of the Association Procedure in 2014, APP has not accepted any new companies as suppliers of fiber. On August 15, 2014 it is evaluating new supply areas granted to two existing supplier concessions. The evaluation of those potential new supply areas includes HCV and HCS assessments. In 2013, prior to the implementation of the Association Procedure, APP terminated supply arrangements with one supplier concession because it did not comply with the FCP.

As described in FCP Element 1.15, APP decided not to withdraw from supply agreements with supplier companies where clearance of natural forest in the concession has been regularly reported by TFT as a result of the field checks of the identified moratorium area. The clearance is carried out by third parties, not the supplier company, and all fiber entering the APP mills is plantation fiber. The fiber that enters the APP mills from these concessions meets the requirements of the RFPPP and APP's decision is consistent with the Association Procedure.

APP consulted with the five NGO members of APP's Solutions Working Group (SWG) about this Procedure at two meetings in 2013 and 2014. Comments from the SWG members were incorporated in the final version. Overall, the Commitment related to future suppliers and acquisitions is met.

**Progress to Meet Additional Public Statement 7:** Commitment met.

#### **Additional Public Statement 8                      Conservation and Restoration**

**APP Statement:** *“The HCV and HCS assessment process will lead to management plans which will include conservation and restoration recommendations as part of an Integrated Sustainable Forest Management Plan.... However, we will go further than just implementing those recommendations, as APP is interested in developing a new model of high impact, measurable, landscape-level conservation.”*

*“Another issue raised by NGOs through FGDs was that of restoration. APP confirmed that the subject was and would remain on the table. The priority in the first instance would of course be assessments and a comprehensive conservation plan, but restoration would be addressed as part of a long-term approach to sustainable forest management.”*

*“The management planning process schedule will be published on the APP dashboard. APP agrees that reputable conservation experts must be involved in the design and implementation of conservation efforts.”*

*“The data from the HCV/HCS and social assessments will be used to develop management plans. These will include conservation and restoration recommendations.”*

*“APP agrees that stakeholder input is necessary to develop a robust Management Plan. We are currently developing a mechanism for stakeholder consultation on this.”*

*“APP will consider a landscape level approach to conservation and restoration”.*

**Sources of the Statement:**

APP response to EPN Report, *The First Test. Performance Milestones for customers and other stakeholders to assess the implementation of Commitments made under Asia Pulp and Paper’s Sustainability Roadmap – Vision 2020 and Forest Conservation Policy*. September 2013.

APP Forest Conservation Policy - One Year Summary. February 2014.

APP response to Greenpeace Report, *APP’s Forest Conservation Policy, Progress Review*. October 2013.

APP response to question at First Anniversary event. February 5, 2014.

**Findings:** APP has embarked on a process to develop Integrated Sustainable Forest Management Plans (ISFMPs) for supplier concessions.

The information required to complete the first phase of the planning process comes from five key input sources – the High Conservation Value (HCV) assessments, High Carbon Stock (HCS) assessments, social assessments, peatland assessments, and growth and yield assessments. Completion of these five key assessments is behind the schedule published on the APP FCP Dashboard. The social assessments and the growth and yield assessments are completed for all concessions. The HCV and HCS assessments are complete in approximately half of the concessions and others are nearing completion. But the peat assessments have not begun. As a result, development of the ISFMPs is at an early stage.

One ISFMP project involving three concessions in Jambi has been started as a pilot project. APP has made some progress to engage a variety of experts in that process. One of their consultant organizations is undertaking the analysis and synthesis of the recommendations from the various assessments and APP held two workshops in 2014 with experts from up to six organizations.

APP has developed information for stakeholders in the form of a fact sheet and a Frequently Asked Questions sheet in Bahasa Indonesia. APP has also produced a lengthy guidebook in Bahasa to explain the ISFMP process.<sup>84</sup> APP plans to engage a large number of NGOs and stakeholders from Jambi province when the ISFMP pilot project begins and it has developed a database to identify these stakeholders and invite their participation. But up to August 15, 2014, there had been limited progress to actually engage stakeholders in the actual development of this ISFMP pilot.

Apart from the Jambi pilot project, stakeholders interviewed and evidence provided indicate there is no evidence of the development of a mechanism that will bring stakeholders into the management planning process in the other 35 concessions.

In summary, the Jambi pilot project is at an early stage of development and no management plans have been developed for any of the 35 other concessions, where ISFMP processes have not started.

It is too early to evaluate if the ISFMP process will result in management plans that include conservation and restoration recommendations for the concessions at the landscape scale or if these plans will be a “new model of high impact, measurable, landscape-level conservation”. Similarly it is too early to evaluate if restoration will be included as part of a long-term approach that includes consideration of landscape level impacts. In April 2014 APP publicly announced a program to support protection and restoration of one million hectares of forest in ten priority landscapes in Sumatra and Kalimantan.<sup>85</sup> Work to deliver that program is at an early stage of planning and is not within the scope of this evaluation.

Overall APP has made limited progress to implement the commitments in the Public Statements to incorporate conservation and restoration recommendations in ISFMPs.

**Progress to Meet Additional Public Statement 8:** Limited progress.

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<sup>84</sup> Sinar Mas Forestry 2013. Pedoman Penyusunan Buku – Integrated Sustainable Forest Management Planning (ISFMP). December 2013.

<sup>85</sup> APP “*Supporting One Million Hectares Forest Protection and Restoration*”. April 24, 2014.

## **Additional Public Statement 9      Applying the Principles of Free, Prior and Informed Consent at the OKI pulp mill**

**APP Statement:** “In July, we announced our decision to take over the development of a new mill in South Sumatra and we are committed to applying the principle of FPIC as part of the development process”.

**Source of the Statement:** APP response to EPN Report, *The First Test. Performance Milestones for customers and other stakeholders to assess the implementation of Commitments made under Asia Pulp and Paper’s Sustainability Roadmap – Vision 2020 and Forest Conservation Policy*. September 2013.

**Findings:** APP announced in July 2013 that it had completed the acquisition of a 70% shareholding in PT. OKI Pulp & Paper Mills, a company developing a new pulp mill referred to as the OKI mill in the Ogan Komering Ilir (OKI) district in South Sumatra. At that time APP made the commitment to apply the principle of free, prior and informed consent (FPIC) to seek the consent of villages in the vicinity of the mill. Seven villages in the OKI District close to the new mill were identified – Bukit Batu, Jadi Mulya, Rantau Karya, Negeri Sakti, Pangkalan Sakti, Rengas Abang and Simpang Heran.<sup>86</sup> According to TFT and APP, two of the seven were identified as relevant for FPIC according to the FPIC SOP. The Rainforest Alliance found during its field evaluation that APP staff understood that they had conducted FPIC with all seven villages in the Mill area. Socialization activities introducing the concept of FPIC and addressing environmental impact assessment issues had been conducted with each of these villages. As at August 2014, APP determined from this socialization process that two of the seven villages had land tenure claims.

In February 2014, APP stated “we will ensure that the principles of Free, Prior and Informed Consent (FPIC) are applied in determining the final site of the mill.”<sup>87</sup>

In late 2013, APP began a structured process to follow the Standard Operating Procedure *FPIC Implementation in New Planting Area (SOP/SMF/OQA-007* and the *FPIC Implementation Procedures in New Areas of Planting/HTI development and Mill development*, developed in April and May 2013, to obtain FPIC for the new mill.<sup>88</sup> The process consisted of a nine-step process in four discrete phases, as shown in a Decision Flow Chart in the *Implementation Procedure* and is consistent with processes for obtaining FPIC identified in international guidance documents.<sup>89</sup>

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<sup>86</sup> The preparations began in late 2013, but APP began the process with the seven villages in February 2014.

<sup>87</sup> APP Forest Conservation Policy, One Year Summary, February 2014, page 12.

<sup>88</sup> FPIC Implementation Procedures in New Areas of Planting/HTI development and Mill development. May 22, 2013. See also SOP 07 FPIC Implementation in New Planting Area (SOP/SMF/OQA-007), April 1, 2013.

<sup>89</sup> See for example, the Forest Stewardship Council *FSC Guidelines for the Implementation of free, prior and informed consent*. Version 1, 30 October, 2012. Technical Series 2012-2.

The first phase of the process began in late 2013 when a small APP team undertook a desk study about the area around the mill site, began a process of communication and socialization with the District and the villages, and verified the desk study with the villages. In February 2014, meetings began at the sub-village level, then moved to the village level with representatives from the sub-villages present. In each village, a team of ten people including representatives of the village administration and approved by the Village Head was appointed to represent the village in the negotiation with the team from APP. The team is called Village Monitoring and Communication Team (Tim Komunikasi dan Monitoring Desa) and its purpose is to ensure that there was good communication and coordination between the village and PT OKI Pulp and Paper Mills.

In a series of meetings in March 2014, the APP team and village representatives and, sometimes, additional communities discussed the new mill and negotiated arrangements. In June 2014 agreements were signed between each of the seven villages and PT OKI Pulp and Paper Mills.

When the Rainforest Alliance visited the villages in August 2014, issues were raised about the negotiations, the communication of the result of the negotiations and the status of the implementation of the agreement.

In September 2014, after the close of field work, the Rainforest Alliance received two written submissions from organizations with close ties to the communities. These submissions were based on interviews and surveys with residents and leaders of the seven villages and were submitted to the team on behalf of a number of different NGOs active in the OKI area. The submissions report that, although the agreements were signed, the communities had concerns that the process that APP followed with the villages had a number of deficiencies and was not fully consistent with recognized processes to obtain FPIC. The alleged deficiencies include not explaining FPIC in detail, inadequate and incomplete information about the mill project, a lack of opportunity for outside advice and failure to provide the agreements to the community after community leaders signed them. Because the concerns manifest in these submissions had already been communicated separately to the Rainforest Alliance during field work and evaluation interviews, and report writing was still in process, Rainforest Alliance considered the submissions as evidence.

APP subsequently provided the Rainforest Alliance with evidence that copies of the agreements had been signed in June 2014 and were provided to all seven villages in August 2014. The Rainforest Alliance did not attempt to investigate the other alleged deficiencies. Following the signing of the agreements, the APP team and the villages continued to negotiate the steps to implement the provisions of the agreements to undertake activities that benefit the villages. The type of activities has not been finalized and is still being discussed by APP with the communities and other stakeholders, including governments.<sup>90</sup> Based on

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<sup>90</sup> APP provided the Rainforest Alliance with documentation of the steps completed in the agreement process and copies of the signed agreements.

field evaluation and stakeholder input, efforts are needed to ensure the Village Monitoring and Communication Team function effectively.

In addition, according to the communities and submissions received by the Rainforest Alliance, the process to obtain consent did not begin until about seven months after APP's announcement in July 2013. APP said this was because it required six months of coordination and socialisation of the FPIC procedure between APP and the newly acquired mill. Mill construction was underway by that time. Information provided by APP confirms that the OKI mill obtained location permits, environmental permits and building construction permits in December 2013 and January 2014 for the original site, which was subsequently changed to the new location. The Rainforest Alliance received photographs showing that civil works for the port was underway in March 2014 when the FPIC process began in other areas.

The process to apply FPIC to the development of the OKI mill is still underway and according to local communities and NGOs that assist them, some concerns remain to be addressed. Improvements to the process may be required and agreement on how to implement the provisions of the signed agreements is still being discussed between APP and stakeholders. Despite the on-going construction of the mill during the FPIC process and the questions around the highly sensitive process of "prior" consent to its location with communities, APP has made moderate progress to apply the principles of FPIC to the development of the OKI mill.

**Progress to Meet Additional Public Statement 9:** Moderate progress.

#### **Additional Public Statement 10      Assembling a Peatland Expert Team**

Additional Public Statement 10 is closely related to FCP Commitment 2. The Public Statement about the establishment and role of a peatland expert team (PET) is evaluated in FCP Commitment 2.

## **Appendix 1: The Rainforest Alliance Project Management Team**

Rainforest Alliance established a project management team of four senior managers to supervise the evaluation and coordinate technical and administrative support. This team included:

- Richard Z. Donovan, Senior Vice President, Vice President of Forestry
- Walter Smith, Senior Manager, Rainforest Alliance Certification
- Lita Natasastra, Associate Regional Manager, SE Asia, and,
- Anita Neville, Communications Advisor.

## Appendix 2: The Evaluation Team

Rainforest Alliance recruited a team of nine independent professionals to bring together a wide variety of skills and experience related to ecology and landscape management, high conservation values and high carbon stock assessment, peatland management, community and stakeholder engagement, conflict resolution, community development, GIS analysis, and auditing of forest management, legality and supply chains. Team members were selected on the basis of experience in Indonesia, absence of conflict of interest, and diversity of skills.

**Keith Moore** (Team Leader) is a Canadian forestry consultant with 30 years of diverse experience across Canada and in several other countries. He is a registered professional forester (RPF) in Canada and has a Master of Arts in Resource Geography. An independent consultant, he works frequently on contract for the Rainforest Alliance and is one of their most experienced Senior Auditors. He has a breadth of experience working for many diverse clients.

From 1995 to 2000, Keith was the first Chair of the independent watchdog Forest Practices Board in British Columbia, Canada and led the development of public reporting of independent audits and complaint investigations in the province. Since 2000, Keith has been the team leader or a team member on almost 80 Rainforest Alliance projects including Forest Stewardship Council (FSC) assessments, a REDD+ evaluation and the development of standards to assess sustainability and social and environmental responsibility. He specializes in large, complex and controversial forest assessment projects involving teams of auditors.

He has led or participated in projects in Indonesia, Australia, Cameroon, Canada, Guatemala, Guyana, Kenya, Montenegro, Russia and the US. He has also worked in Bangladesh, Denmark and Tanzania with other clients.

**Dwi Muhtaman** (Co-Team Leader) is a co-founder and director of Remark Asia, an advisory group that works in forestry, agriculture and sustainable development. Dwi has a Master's degree in Public Administration from Auburn University in the US and received his Bachelor's degree from Bogor Agricultural University (Institut Pertanian Bogor/IPB) in Indonesia. With 15 years of consultancy work on sustainability projects under his belt, Dwi has considerable experience in assessments and appraisals in Indonesia and is especially knowledgeable in the areas of forestry, oil palm and coffee certification, ecolabeling, socio-economic analysis and social auditing. He also contributed to the development of a High Conservation Values (HCV) toolkit for Indonesia.

Dwi is a member of the FSC's Technical Committees on HCVF Concept Revision (2011) and Controlled Wood (2011); a member of the Roundtable on Sustainable Palm Oil's Biodiversity and High Conservation Value Working Group (2011 and on-going); and a founding member of Jaringan NKT Indonesia (HCV Network Indonesia, 2011), as well as a member of HCV Resources Network's Expert Panel in Oxford.

**Lim Teck Wyn** (Teck) is the technical director of Resource Stewardship Consultants Sdn Bhd (RESCU), a research and policy advisory company that he co-founded in Malaysia in 2004. He has a degree in forestry from the University of Wales and a Master's degree from the University of Groningen, in the Netherlands. He served as the first manager of the Malaysian Timber Certification Council (MTCC) in 1999 before going on to work in Sabah as forest officer for WWF's Borneo Programme. The author of two books, many articles on forest conservation and several papers on cave ecology that have been published in peer-reviewed scientific journals, Teck has also evaluated a number of endangered species for the IUCN's Red List of Threatened Species. Presently, he plays a leading role in local campaigns in Malaysia, including the protection of the Batu Caves and the Ampang Forest. Teck is an adjunct lecturer in biodiversity conservation at the University of Nottingham's Malaysia Campus. He is also active with several non-governmental organizations and is past honorary secretary of the Malaysian Nature Society.

**Yokyok Hadiprakarsa** (Yoki) is an expert in landscape ecology, wildlife management, systematic spatial planning, spatial modeling, collaborative information systems and environmental sustainability. He has been involved in wildlife research for more than 10 years, specializing in hornbill ecology and wildlife management in multifunctional landscapes. He also has more than five years of experience in environmental sustainability issues affecting the timber, palm oil and mining industries.

In 2000, Yoki graduated from Pakuan University in Bogor, Indonesia, with a major in Biology. He earned a Master of Science degree in Forest Resources at the University of Georgia in 2008. He is now a consultant for Remark Asia in Bogor and SNV Asia Indonesia, with expertise in environmental sustainability. He is the founder of Indonesia's Hornbill Conservation Society, co-founder of Rekam Jejak Nusantara Foundation, director of the Indonesian Ornithologist Union (2011-2016) and co-chair of the Asian Hornbill Network.

**Gunawan Wicaksono** received a Bachelor's degree in forestry from Indonesia's Bogor Agricultural University and a Master's degree from The School of Resource Management at the University of Edinburgh in Scotland. He has 26 years of experience in a broad range of conservation- and forestry-related issues and has worked for the Regional Office of Forestry, the Forestry Service and the Conservation Unit of Natural Resources in Riau; the Ministry of Forestry's Directorate-General for Forest Protection and Nature Conservation; and The Nature Conservancy (TNC). He has also lectured on the subject of forest planning and human resources development.

As a member of the Forestry Ministry's Forest Law Enforcement and Governance (FLEG) and the delegation of the Tri-National Task Force Meeting on the ramin trade among Indonesia, Malaysia and Singapore, Gunawan has also been actively involved in efforts to

combat illegal logging and trading. He is a BRIK QS independent's auditor for SVLK, and an independent forestry consultant. He is also the co-founder and director of Sarana Bangun Integritas (SABIT), a new company that works to develop technical training programs on conservation-related issues in the forestry and agriculture fields.

**Gusti Anshari** is a tropical peat expert with extensive knowledge of peat formation, peat carbon, geochemistry and peat applications. He has a Master of Environmental Studies from Dalhousie University in Halifax, Canada, and a Ph.D. in Geography and Environmental Science from Monash University in Australia. He also works on the social dimensions of peatland management including collaboration among stakeholders.

His writing has appeared in *Palaeogeography Palaeoclimatology Palaeoecology*, the *Journal of Quaternary Science*, *Biogeosciences*, *Journal of Asian Earth Sciences*, *Aquatic Chemistry* and the *Borneo Research Bulletin*. He has been a member of the Peatland Working Group for the Roundtable on Sustainable Palm Oil and was one of the lead authors of the 2013 Supplement to the *2006 IPCC Guidelines for National Greenhouse Gas Inventories: Wetlands*, which was published by IPCC.

**Yudi Iskandarsyah** studied forestry at Bogor Agricultural University in Indonesia and earned a Master's degree in Environmental Management at Yale University's School of Forestry and Environmental Management. He worked for Center for International Forestry Research (CIFOR) from 1997-1999 as a research assistant. He has extensive experience in natural resources management and the development of forestry certification systems. At Lembaga Ekolabel Indonesia (LEI), he was involved in the development of forest certification schemes for natural production forest management and community forestry.

Yudi also worked at The Nature Conservancy (TNC) and was actively involved in the early development of the Indonesian Sistem Verifikasi Legalitas Kayu (SVLK). Yudi was also a founding member of Jaringan NKT Indonesia (Indonesia HCV Network) in 2011. Currently, he is an independent forestry consultant and a registered forestry auditor with PT BRIK QS for SVLK in Indonesia and has conducted a number of timber-processing audits. Along with Gunawan Wicaksono, Yudi is also a co-founder of Sarana Bangun Integritas (SABIT).

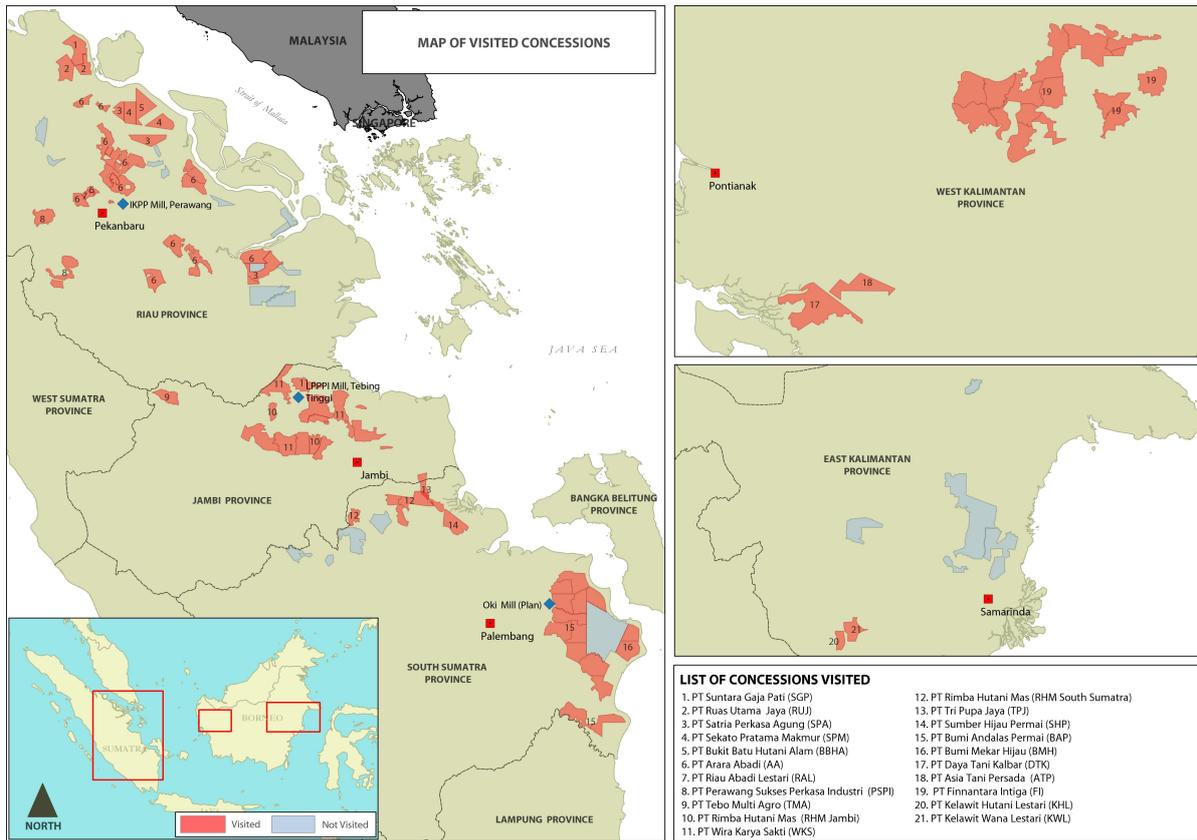
**Taryano Wijaya** has a long-standing commitment to sustainable forest management, especially community based forest management, with 14 years of field experience in Java and Nusa Tenggara working with PERSEPSI (The Association of Social and Economic Studies and Development) NGO in Wonogiri, Central Java. Taryanto has been active in preparing the National Movement of Partnership to Save Water for the provinces in Sumatra, Kalimantan, and Sulawesi, and preparing the national policy for strengthening community forest management. He is experienced in facilitating community-based forest management to achieve sustainable forest management certification, and resolve tenure conflict using a participative approach to engage stakeholders.

He works as a social auditor of SFM Certification with international certifier bodies accredited by LEI, FSC, and PEFC Standards for concessions in Java, Sumatra, Kalimantan and Maluku. His expertise and focus is in managing social issues related to forest management and increasing local institutional capacity to deal with these types of issues.

**Rudy Setyawan** is an auditor with 20 years of experience in various certification schemes such as ISO 9001, Chain of Custody, Sistem Verifikasi Legalitas Kayu (SVLK) and PHPL. He is a graduate of the faculty of forestry at Gadjah Mada University in Indonesia.

As a consultant for the Indonesian Forestry Certification Corporation (IFCC), Rudy participated in the development of IFCC's sustainable forest management (SFM) standard in 2013. He is an instructor for SVLK Auditor Training and has experience in auditing more than 75 wood industry sectors. He is a team leader and project owner on developing wood-tracking software (FTI wood tracking). He is also the co-founder and director of PT Trustindo Prima Karya, a certification body for SVLK and PHPL.

### Appendix 3: Concessions visited



## **Appendix 4: Peer Review**

Five independent peer reviewers, from a long list of some 18 potential peer reviewers, have reviewed this report. Given the complex nature of the evaluation the Rainforest Alliance sought balance in terms of environmental and social expertise, as well as Indonesian experience. Two of the peer reviewers are Indonesian nationals, the remaining three are internationals. Anonymised biographies are presented below.

### **Peer Reviewer 1:**

Ph.D. Ecology

20 years University professor, Director of several conservation or biodiversity organizations over the last 15 years

More than 15 years consulting on biodiversity, environmental governance, socioeconomic impacts, climate change, ecosystem services, environmental sustainability for UN, FAO, UNDP, World Bank, NGOs, Research Organizations, Universities, government ministries and programs

15 years experience in ASEAN Countries with 15 years work in Indonesia

Co-author of more than 26 scientific papers and publications on ecology, biodiversity, wildlife, conservation, socio-economic, forest community issues.

### **Peer Reviewer 2:**

Ph.D Forest and Resource Management

Over 20 years of experience in forest & resources management, forest management & economics, policy and governance, forest certification, timber trade and markets, forest & climate change, forest management by communities and integrated fire management, Forest management and legality auditing

More than 20 years of experience working with government ministries, foreign aid organizations, research programs, universities, NGOs, Certification Bodies, consulting companies, third party certification schemes, and certification bodies.

20 years of experience in Indonesia and other Asian countries

Author/Co-author of more than 30 publications on topics such as forest governance, resource management and certification

### **Peer Reviewer 3:**

Ph.D Biological Anthropology

More than 12 years of experience in tropical conservation: forestry impacts on wildlife and related policy guidance, forestry sustainability assessments, land use planning and management, species conservation management, environmental conservation strategies, biodiversity surveys, ecological monitoring and conservation effectiveness measures, conservation policy research and advice, environmental economics and carbon trading, and ecological, taxonomic and evolutionary research.

More than 12 years of experience working for NGOs, Research organizations, universities, governmental agencies, aid agencies, World Bank, consulting organizations in Indonesia

Member of 10 conservation, conservation research, and tropical forestry organizations  
Author/Co-author of over 120 publications on biological conservation, wildlife conservation, endangered species, logging impacts, ecosystem services.

**Peer Reviewer 4:**

B.A. International Politics

30 years of experience in human rights, community-based natural resource management, indigenous peoples rights, community climate change mitigation, governance and social policy

30 years working for government agencies, multi-laterals, foundations, NGOs, research and policy organizations.

27 years working in SE Asia, 23 years in Indonesia

Author/Co-author of more than 20 publications on community forestry, participatory resource management, land tenure reform, agroforestry, forest policy.

**Peer Reviewer 5:**

Ph.D Environmental Policy

25 years of experience in forest operations, forest certification and supply chain management, policy and governance for sustainable development and carbon and climate change issues.

15 years senior executive of a forestry consulting organization working with multilaterals, government agencies, foreign aid organizations, certification bodies and schemes. Four years working on a multilateral forestry project, six years senior manager of a forest concession.

25 years of experience in Indonesia and SE Asia.





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