

TFT Progress Report on Asia Pulp & Paper Group (APP)
Forest Conservation Policy Commitments
Reporting period: January, February, March 2014
Date: 27 May 2014

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

This report covers activities undertaken throughout January, February and March 2014. Earlier progress reports can be viewed [here](#) (fifth report), [here](#) (fourth report), [here](#) (third report), [here](#) (second report), and [here](#) (first report).

Section 1: Overview of key activities in the reporting period

➤ **Moratorium on natural forest clearance**

TFT verification reports were published following allegations of a moratorium breach at PT Daya Tani Kalbar (DTK) in Kalimantan, and following grievances raised at APP supplier PT Wirakarya Sakti (WKS) in Jambi province. At DTK, a joint TFT and APP investigation found that a breach of the moratorium did not occur and that the alleged forest clearing of 1,400 hectares took place prior to the 1 February 2013 moratorium. At WKS, an investigation found that WKS had not continued to supply an APP mill at Tebing Tinggi with natural forest wood (NFW) under a different name, nor had any NFW entered this APP mill after 31 January 2013. Full verification reports for DTK and WKS can be accessed via APP's [FCP monitoring dashboard](#).

➤ **Moratorium / Natural Forest Wood (NFW) monitoring**

APP's moratorium boundaries and all pre-moratorium NFW usage is monitored quarterly as part of APP's Independent Observer (IO) monitoring programme. Monitoring was conducted with independent observers in Riau, Jambi, South Sumatra, West Kalimantan and East Kalimantan provinces in the second half of January. Field checking identified a number of ongoing threats to APP's moratorium area, but confirmed the moratorium remains intact in those concession areas. IO verified NFW processing figures were compiled and uploaded to APP's [FCP monitoring dashboard](#). The next phase of IO monitoring will start in June.

➤ **Rainforest Alliance (RA)**

In January, APP announced it had engaged international environmental organisation The Rainforest Alliance to conduct an independent evaluation of its progress in implementing its FCP. The evaluation will begin with APP suppliers' concessions in Indonesia and later include an evaluation of progress in China. Indicators to evaluate APP's FCP implementation were developed by RA over January - March following consultation with stakeholders. More details of the evaluation can be accessed via The Rainforest Alliance [website](#) or via APP's FCP monitoring dashboard.

➤ **One-year FCP anniversary**

5 February 2014 marked the one-year anniversary of APP's FCP. A panel event was held in Jakarta to discuss twelve months of progress and challenges. The panel comprised TFT, Rainforest Action Network, WWF-Indonesia, Greenpeace-Indonesia, Ekologika (APP's HCV assessor) and APP. The event was recorded and can be accessed via the APP website [here](#).

➤ **Peat expert team**

APP finalised the formation of its peat expert team in January. The team comprises a consortium of organisations including Euroconsult Mott MacDonald, Deltares and Wageningen University and Research Centre. It is being led by Wageningen University and Research Centre. The team began its work in February with a three-month inception phase.

➤ **Dashboard v2.0**

Dashboard version 2.0 went live on TFT's SURE Technology platform in February following stakeholder consultation and input in Q4 of 2013. The dashboard has been designed to allow users to track APP's implementation of its FCP. Version 2.0 includes additional progress data and information, including further details of APP's approach to FCP implementation in China.

Section 2: Moratorium status

The natural forest clearance moratorium is in place across all of APP suppliers' concessions in Indonesia. In this reporting period, two moratorium breach allegations were investigated and reported. The investigations concluded that no breaches in the moratorium had occurred.

PT Daya Tani Kalbar (DTK)

On 17 December 2013, the NGO consortium RPHK (Kalimantan Forest Monitoring Volunteers) published a [report](#) claiming that a moratorium breach had taken place at APP supplier DTK in Kalimantan¹. The report alleged that DTK carried out natural forest clearance in an area of 1,400 hectares after 31 January 2013, new natural forest wood stacks had not been recorded in a September wood stock inventory (SO) and that DTK and APP had failed to prevent neighbouring palm oil concession, PT Gerbang Benua Raya (GBR) – with whom DTK shares an overlapping concession boundary – from further illegal land clearing in the overlapping concession area.

A subsequent joint TFT and APP investigation found that:

- A breach of the moratorium did not occur and that the alleged forest clearing of 1,400 hectares took place prior to the 1 February 2013 moratorium.
- The area in question had been cleared prior to 1 February and had, accordingly, been established as a non-moratorium area. This conclusion was substantiated through boundary mapping, moratorium/non-moratorium demarcation and photographic documentation.

¹ DTK was the focus of an earlier moratorium breach allegation in April 2013. A subsequent TFT verification report published in May found that APP had not violated its moratorium and that land clearing had been conducted by neighbouring palm oil supplier, PT Gerbang Benua Raya (GBR), the result of an overlapping concession licence between DTK and GBR.

- Clearing activities shown in the satellite images presented by RPHK illustrated the clearing of shrubs and bushes following removal of the natural forest logs felled prior to 1 February 2013.

As to concerns on the natural forest wood stacks, the investigation confirmed that:

- These consisted of wood felled prior to the moratorium. Although DTK did report these final wood volumes to the Ministry of Forestry in September-November 2013 (in accordance with government regulation) they failed to report them to APP's FCP implementation team for stock inventory. Thus DTK failed to properly follow stock inventory procedures.
- The FCP implementation team also failed to record estimated volumes of these wood stacks sent by DTK in July before the aforementioned final volumes were reported to the government.

With regard to land clearing activities by PT. Gerbang Benua Raya – a palm oil plantation company, the TFT verification team concluded that DTK had taken meaningful actions to compel PT. Gerbang Benua Raya to stop its oil palm operations in the overlapping concession area. Despite these actions, PT. Gerbang Benua Raya continued its operations because it claims to be legally compliant with Indonesian law.

A full TFT verification report for DTK is accessible via APP's FCP monitoring dashboard.

PT Wirakarya Sakti (WKS)

On 27 November 2013, APP received a grievance letter from a community representative in Lubuk Mandarsah village, setting out a number of grievances concerning WKS in Tebo province. Among those grievances were claims that WKS continued to sell natural forest wood to APP's mill at Tebing Tinggi and that WKS had cleared land in a riparian zone² after 1 February 2013. Issues concerning the resolution of conflict in the village, including TFT's role in mediating that conflict (concerning independence and speed of resolution), were also raised.

A TFT verification team comprising APP, Sinar Mas Forestry, TFT, Greenpeace and local community members, investigated the grievances. The investigation found that:

- WKS had not continued to supply an APP mill at Tebing Tinggi with natural forest wood (NFW) under a different name, nor had any NFW entered this APP mill after 31 January 2013.
- The riparian zone in question turned out not to be a riparian zone, based on spatial planning results from APP's 2006 Micro Delineation³ and 2009-2018 General Work Plan (RKU).⁴ Acacia planting and harvesting was therefore permissible and did not violate the moratorium.

² Riparian zones are the areas of interface between a river and the land. They provide habitat to aquatic and territorial plants and animals as well as carrying out an important role in the regulation of river bank stability and river contamination. Agricultural activities are not permitted in riparian zones.

³ Micro delineation documents are mandatory under Government law. They are used to visualise the situation on the ground and as a tool for micro planning.

Investigations concerning claims around local conflict resolution in Lubuk Mandarsah village concluded that:

- The resolution process in the village is ongoing and TFT's role in the resolution is as a facilitator and not a mediator. Lubuk Mandarsah village appointed the Jambi Farmers' Union (PPJ) as its representative and PPJ has since confirmed that it will continue negotiations according to the conflict resolution process and the conflict may take more time to settle.

A full TFT verification report for WKS is accessible via APP's FCP monitoring dashboard.

PT. Suntara Gajapati (SGP)

TFT has been working with APP to resolve a land conflict at pulpwood supplier PT. Suntara Gajapati (SGP), in Dumai, Riau. In a land conflict dating back several years, the local leader (Khalifah), Hasan Basri, has claimed traditional ancestral lands over an area of 1,600 hectares inside the concession area which was granted by SGP. As part of the agreement between SGP and Khalifah, 900 hectares of this land had been cleared and is to be established into rubber plantation by the local community with the help of SGP prior to 5 February 2013.

The Khalifah now wishes to continue to clear the remaining 700 hectares, all of which lies on forested peatland. Clearance of this land would breach APP's forest moratorium. TFT and APP have held meetings with the Khalifah to explore alternative solutions, including the offer of non-forested land in place of the forested 700 hectares. This offer has been rejected. TFT and a number of NGOs, including Greenpeace, Jikalauhari, Scale Up, WBH and WWF, recently visited the SGP area to seek clarity on the legitimacy of the land claims being put forward by the Khalifah. This issue is ongoing and APP is seeking a solution. For more background, this issue was recently covered in a mongabay.com article.

Moratorium / Natural Forest Wood (NFW) monitoring

APP and TFT conduct moratorium boundary checking in order to identify potential breaches in the moratorium area (field monitoring), and to monitor the processing of natural forest wood cut prior to the 1 February 2013 moratorium (mill monitoring). The monitoring is conducted quarterly and involves Independent Observers (IO) from NGOs and local universities.

During the reporting period, field monitoring was undertaken in Riau, Jambi, South Sumatra, West Kalimantan and East Kalimantan provinces. All monitoring was conducted between 20 – 29 January and included participants from APP, TFT, Sinar Mas Forestry, and IOs. At the same time, monthly monitoring of NFW that reached APP's mills' log yards at IKPP (Riau), LPPPI (Jambi) and SBSA (East Kalimantan) mills before 31 August 2013 continued. Monthly monitoring will carry on until all NFW stocks have been processed.

The following conclusions and recommendations were made by the FCP implementation team:

⁴ RKU document is mandatory under Government law, to describe long-term planning.

- There were no breaches of the natural forest clearance moratorium commitment by APP's suppliers. The boundary markings and warning boards identifying the moratorium area were still well secured.
- A number of threats to the moratorium boundary areas exist in the concession areas monitored. These threats have been documented and this data will be used/compared in future boundary monitoring activities
- Suppliers should proactively socialise the existence of the moratorium area, the boundaries, the purpose and objective of the moratorium to all stakeholders.
- Suppliers should be proactive in resolving overlapping concession boundaries where these exist and pose a threat to the moratorium.
- Suppliers should work with relevant authorities to resolve the illegal logging issues in their respective concessions.

Updated NFW processing figures were also compiled and uploaded to APP's FCP monitoring dashboard.

Section 3: HCV and HCS commitment progress

Policy commitment 1

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

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

High Conservation Value (HCV) assessments

HCV assessments for all 38 plantation suppliers' (HTI) concessions are being undertaken by Asia Pacific Consulting Solutions (APCS) and Ekologika Consulting.

- *APCS assessments on 11 suppliers' concessions:*
 - Draft HCV reports were submitted to peer review following an initial review and comment from APP.
 - Draft reports for TMA, WKS and RHM in Jambi province were shared with a number of NGOs in February for input and feedback. These reports are now final.
 - The remainder of APCS HCV reports have been peer reviewed and final drafts sent to APP.
- *Ekologika assessments on 27 suppliers' concessions:*
 - **Riau:**
 - Riau cluster I (RIA, MSK, BDL, RUJ, SGP, BKM): post-assessment public consultation scheduled for mid-May 2014. Target for final report to be finished is end of June 2014.
 - Riau cluster II (PSPI, BDB, RML, MHJ, SPM, BBHA): pre-assessment public consultation 15 April 2014, field assessment end April – mid May 2014. Target for final report to be finished is August 2014.

- **South Sumatra:** Full assessment completed. Stakeholder feedback from post-assessment consultation being incorporated into report. Target date for final report to be finished is June 2014.
- **East Kalimantan:** Stakeholder feedback from post assessment consultation being incorporated into report. Target date for final report to be finished is May 2014.
- **West Kalimantan:** Peer review completed. Target date for final report to be finished is May 2014.

High Carbon Stock (HCS) assessments

Following revisions to the HCS assessment schedule (communicated in the fifth TFT progress update), solid progress was made during the reporting period. The final HCS completion date was adjusted to July (from June) due to a minor delay in the commencement of the revised schedule. Progress was as follows:

- **Stage 01:** *South Sumatra (OKI and Muba) and Jambi province*
 - Field inventory and land cover stratification final checks were all completed for South Sumatra (OKI and Muba) and Jambi regions
 - Draft report preparation has now commenced for both regions
- **Stage 02:** *Riau province*
 - Field inventory in Riau commenced in March and is 50% completed
 - Aerial survey in Riau was delayed due to smoke/haze and postponed until haze clears (estimated 3-4 weeks)
- **Stage 03:** *East Kalimantan province (Kaltim)*
 - Stratification in Kaltim commenced in April 2014.
 - Field inventory is planned for May 2014
- **Stage 04:** *West Kalimantan province (Kalbar)*
 - Stratification of Kalbar to commence in May 2014
 - Field inventory is planned for June 2014

Plantation growth & yield

- TFT met with Sinar Mas Forestry and APP to communicate the results of its growth & yield assessments and to receive feedback. These inputs are being used to finalise the report. The results and recommendations from the growth & yield study will also provide additional information for the development of the Integrated Sustainable Forest Management Plan (ISFMP) of APP's pulpwood suppliers' plantation forest concessions.

Integrated Sustainable Forest Management Plans (ISFMPs)

- APP's HCV assessor, Ekologika, held a meeting with PT Wirakarya Sakti (WKS) and PT Tebo Multi Agro (TMA) (APP suppliers in Jambi province), to begin preparations for ISFMP development in Jambi. WKS and TMA will be the first APP concessions to pilot the forest management planning process.

- A meeting between Ekologika and forestry consultant group, Ata Marie, has also been scheduled to clarify outputs from the HCS study and to determine how these outputs will be integrated into the ISFMP development process.
- ISFMP development will begin in Jambi once all the feeder studies - HCV, HCS and peat - are completed for this area. ISFMPs for other regions will follow once the studies become available.

Section 4: Peatland commitment progress

Policy commitment 2

Peatland management

APP will support the Government of Indonesia's low emission development goal and its target to reduce greenhouse gas emissions.

In January 2014, APP formalised a team of independent peatland experts, who will work to provide implementation strategy and recommendations of best practices for APP's Peat Management and Monitoring Plan. The team of experts is being led by Wageningen University and Research Centre, Alterra, in collaboration with Euroconsult Mott MacDonald and Deltares. The team will carry out an independent peat land assessment.

The first phase of the team's work is a three-month inception phase that began in February 2014. In this phase, the team is collecting data, establishing a preliminary database and maps as well as analysing current peat management issues and opportunities in APP supplier concessions. The output from the inception phase will establish the work plan for the second phase. The aim of the second phase is to fill any data gaps and define best management practices on peatlands. Recommendations from this team, along with the results of the HCV and HCS assessments, will be used to develop APP's Integrated Sustainable Forest Management Plans (ISFMP).

The team is scheduled to complete the inception phase by May 2014.

Section 5: Social commitment progress

Policy commitment 3

Social and community engagement

In order to avoid and resolve social conflicts across its supply chain, APP will actively seek and incorporate the input and feedback of a wide range of stakeholders, including civil society, as well as implementing principles including Free, Prior and Informed Consent (FPIC) of indigenous people and local communities and respecting human rights.

Conflict resolution – Indonesia

TFT continues to support APP in resolving a number of ongoing conflicts with local communities within APP's Forest Management Units. We can report the following updates since our last progress update was published in January 2014.

- **Senyerang village, Jambi** – TFT has been working with SMF to monitor implementation of the MoU work plan as agreed and developed by all parties. Land compensation between the parties was agreed in January and a co-op has been established and handed over as the means by which the terms of the settlement will be delivered. TFT is monitoring the delivery of the terms of the settlement.
- **Sorek district, Riau** – Through mapping and discussions with the local community, TFT identified two villages for participation in pilot conflict resolution. TFT has begun facilitation proceedings. In the initial stage of facilitation, TFT collected and verified relevant documents, began field interviews and undertook data collection/verification with relevant parties including community and government authorities at village, sub district and regency level. As a next step, TFT will conduct dialogues with the relevant parties. Progress was delayed in March due to forest fires in Riau.
- **PT PSPI, Riau** - TFT and the mediator (DKN – the National Forestry Council) have completed mapping and delineating the conflict areas between the two land claimants – PT PSPI and Datuk Rajo Melayu. TFT began facilitating conflict mediation with a meeting in February, but due to the absence of three Datuk leaders, agreement on the land boundaries could not be reached. Further mediation progress has not been made due to the absence of the Datuk leaders and additional time has been requested.

Free, Prior and Informed Consent (FPIC)

- **FPIC implementation – OKI, South Sumatra:** Eight villages were identified as being within the scope of the AMDAL (Environmental Impact Assessment Regulations). After socialisation of the mill development plan and field verification of the land tenure system and rights in the eight villages, the TFT and APP team found that only two villages (Jadi Mulya and Bukit Batu) have land rights in the designated area for mill development. FPIC is currently being implemented in these two villages.
 - During the socialisation and mill consultation process for the other six villages, community expectations from the mill development were captured. These included:
 1. Local employment
 2. Community development programme
 3. Good waste treatment to prevent water pollution in the river
 4. Support in education and public health
 5. Communication access to the company, especially in handling any problems or community grievances
- **FPIC Implementation – PT Bumi Mekar Hijau (BMH):** FPIC socialisation was completed in five villages in BMH further to the development of HTI in the district. The team will continue with field verification of the land tenure system and rights in these villages.

Conflict mapping – Indonesia

- Following the completion of conflict mapping across all 38 suppliers' concessions (see fourth TFT progress update), TFT has organised and rolled out a capacity-building workshop designed to train SMF staff and managers on how to develop action plans for resolving social conflicts, as identified through the mapping process. Workshops were held in Riau, Jambi, South Sumatra, East Kalimantan and West Kalimantan. SMF managers responsible for managing social conflicts in their respective concessions are now developing draft action plans for the resolution of such conflicts. All concessions have completed draft action plans to address the conflicts that they identified.

Conflict mapping – China

- **RRI social performance study:** Findings of the social performance study (with key focus around land acquisition) undertaken by land rights NGO Landesa at APP plantations in Guangxi and Yunnan provinces, were shared with APP at the end of February for APP's review and comments.
- **Social conflict management:** APP-China is developing new guidelines and standard operating procedures (SOPs) for conflict management and land acquisition. TFT has reviewed and provided input into the documents and APP-China has integrated that feedback accordingly. APP-China and TFT have discussed the possibility of using pilot forest farms to implement the guidelines and SOPs.
- **Pilot community projects:** TFT and APP-China have undertaken further field feasibility studies for the deployment of trial community relationship improvement projects. The initial study was carried out on two trial farms in Hainan province. TFT and APP-China will use the findings to develop an implementation plan for the trial projects.
- **Social conflict database:** TFT and APP-China agreed and finalised the database template for social conflict mapping. Data collection will begin in Lancang, Yunnan province, and Hainan province, and later be rolled out to other business units. Once complete, the mapping database will allow APP-China and TFT to understand the full scope of social issues across its circa 13,000 compartments and to provide the foundation for further social engagement and conflict management activities.

Section 6: Third-party suppliers commitment progress

Policy Commitment 4

Third-party suppliers

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

Global suppliers

Indonesia mills – rollout of APP’s Supplier Evaluation and Risk Assessment (SERA) procedure began in January. TFT and APP socialised SERA with APP’s procurement teams and with Sinar Mas Forestry. The SERA questionnaire was then distributed to imported pulp wood suppliers by APP procurement. Responses were used to prepare a supplier evaluation report which is now being socialised with APP’s IKPP mill procurement team.

China Mills – TFT’s work has focussed on Responsible Fibre Procurement and Purchasing Policy (RFPPP) risk assessing APP-China’s third-party wood chip/ and pulpwood log suppliers for APP China’s Jinhai and Jingui pulp and paper mills:

- **Jinhai pulp & paper mill** – RFPPP assessment findings were discussed with Jinhai following the first round of on-site assessment for domestic third-party wood chip and pulpwood log suppliers. TFT and APP have also discussed and set targets for the subsequent improvement activities for 2014 and introduced a number of key documents to assist implementation, including:
 - A technical report containing key assessment findings, short-term corrective actions and a long-term improvement plan for individual domestic third-party wood chip suppliers.
 - An action plan for Jinhai mill on supplier training, inspection and monitoring mechanisms, with timetable.
 - A toolkit including tools to help individual wood chip suppliers improve their raw material traceability systems and strengthen legality inspection over input, and tools for Jinhai to inspect, monitor and record the implementation status of individual wood chip suppliers’ corrective action plans.
- Jinhai mill will be used as a pilot for establishing a mechanism for future RFPPP implementation. Experiences gained during the process can later be cascaded to Jingui and Gold East mills.
- **Jingui pulp & paper mill** – TFT and Jingui mill carried out on-site RFPPP assessment of sampled domestic third-party wood chip suppliers and are updating the assessment finding report. In the meantime, TFT is working with the mill to review the current supplier management system and identify gaps following increases in third-party fibre sourcing. TFT will work with Jingui mill to address these gaps through improved third-party supplier management and recording systems.

Vietnam supply to APP-China mills

- In February 2014, TFT Vietnam produced a ‘RFPPP findings report’ which was based on the visits undertaken in 2013. The report assessed a number of the main chip mills against the RFPPP, made recommendations to improve compliance with the RFPPP and highlighted areas of high risk to APP policies. This report has been presented and accepted by APP and has been used as the basis for current and future activities.

- In response to the findings report, TFT Vietnam has drafted a new approach for achieving traceability within the Vietnam supply chain. This is required to ensure APP can achieve the required traceability outcomes.
- In February 2014, the findings and recommendations from visits in 2012 and 2013 in Vietnam were formally presented to APP.
- The global policy approaches taken by APP have been analysed with respect to their relevance, limitations and application within the Vietnamese context.
- Based on the findings report, TFT Vietnam is in the process of developing a training package to be delivered to APP's three main supplier chip mill companies in 2014.

APP China forestry scorecard

- TFT and APP-China agreed to use Guangdong province as the pilot business unit for the development and implementation of the forestry scorecard. TFT, APP-China and the Guangdong business unit held several rounds of discussions to review and finalise the forestry scorecard framework. TFT refined the structure, elements, checkpoints and verifiers of the forestry scorecard and shared the updated version with APP-China Forestry for final review and revision. Meanwhile, the action plan and timetable for trial assessment of the Guangdong business unit, using the scorecard, has been finalised and agreed with APP HQ and APP-China Forestry.

Association Procedure

- APP's draft Association Procedure aims to ensure that any new suppliers or concessions to APP are aligned with APP's FCP commitments. APP socialised the draft procedure in a focus group discussion with the Solutions Working Group, which consists of several key national and global NGOs, and incorporated their feedback.

Section 7: China, forest restoration

Hainan Ecological Exploration Programme (HEEP)

- **Stakeholder engagement:** TFT held a meeting with WWF-China to discuss the activities and commitments of APP-China with regards to the Hainan project. WWF emphasised that it would like to maintain an independent position in the process, and requested that TFT and APP share more details around next steps and upcoming stakeholder consultation.
- APP-China and TFT are planning the first round of key stakeholder workshops to gather ideas on an ecological exploration strategy and on resolution mechanisms for the restoration of APP's plantation land by the government.

- Continuous dialogue is being held around the HEEP. This includes internal discussions between TFT and APP-China on next steps and stakeholder consultations e.g. a meeting in February with Wuzhishan and Yinggeling natural reserves in Hainan. The restoration of APP's plantation land by government for natural reserve remains a critical issue. Based on initial data collection and GIS mapping, and taking into consideration their high ecological values, these areas are identified as potential sites for kicking off the HEEP pilot.
- TFT has proposed to APP that a project-planning proposal for HEEP should be developed and submitted to the Hainan Government for inclusion as a project trial site under the new Hainan ecological compensation regulation (海南生态补偿条例) and 2014 Hainan key reform work plan (2014 海南重点改革工作方案). The regulation is under development. If selected by the government, learnings from HEEP implementation could be used during the drafting of the new regulation. APP-China is working on the proposals and these will be discussed with the Hainan Forestry Bureau in April.

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