

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

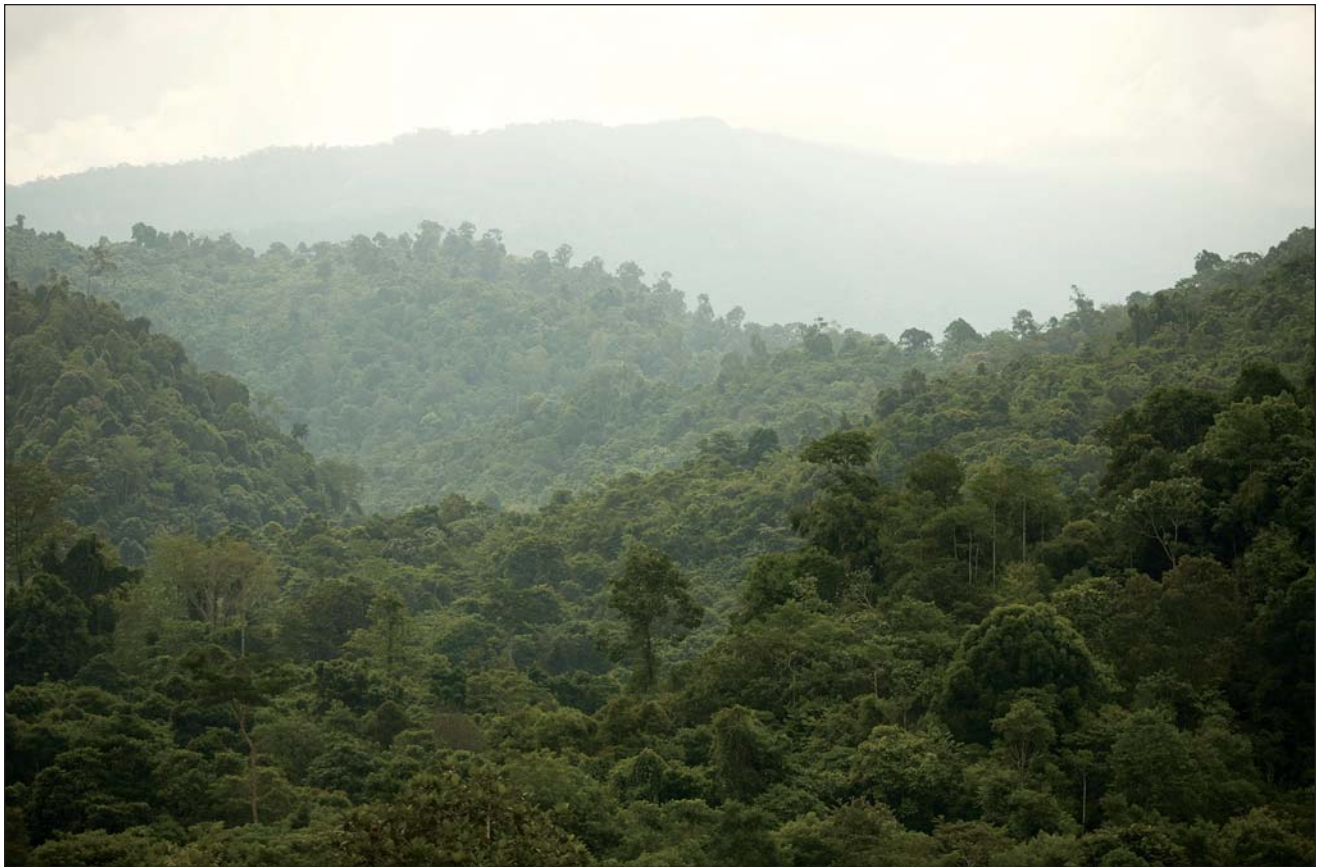


**Environmental
Paper Network**



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Background to APP's Roadmap and Forest Conservation Policy

Asia Pulp & Paper (APP) has been criticised for extensive clearance of rainforest areas in Sumatra and Kalimantan, many of which are located on peatland. This includes the clearance of vital rainforest habitat for species including the critically endangered Sumatran tiger. The development and operation of plantations in these areas is a major source of Indonesia's greenhouse gas emissions. Further, development of these areas has led to numerous conflicts with local and indigenous communities.

In June 2012, APP launched its *Sustainability Roadmap – Vision 2020*¹ as the company's guide for achieving a 'whole business' sustainability operating model. This Roadmap now covers eleven impact areas, each of which has a number of subsidiary and specific goals.²

On 5 February 2013, APP announced its Forest Conservation Policy (FCP)³, providing further policy developments to its Roadmap.

Together, the Roadmap and FCP are important broad level goals and commitments by APP to end its role in deforestation and address the impacts of its operations. If properly defined and implemented, these policies represent significant steps forward from the company.

However, in some cases, further commitments and actions are still required by APP to demonstrate its commitment to addressing the legacy of its past impacts on forests, peatlands and communities. For example, NGOs are urging APP to participate in a process to support landscape level conservation measures across its operations and other important forest, peatland and wildlife landscapes in Indonesia, as well as calling on APP to end the acceptance of any Mixed Tropical Hardwood in any of its mills by 1 January 2014.

Implementing APP's Roadmap and Forest Conservation Policy

As APP's Roadmap and FCP will take time to fully implement, the performance targets and milestones listed below have been developed by a group of civil society organisations affiliated with the Environmental Paper Networks⁴ to guide customers and other stakeholders in determining whether APP's policy commitments are being delivered effectively on the ground.

These milestones are grouped to correspond with commitments APP has made in its FCP and Roadmap respectively and cover the next 12 month period, up to September 2014. After 12 months, a further set of milestones will be developed incorporating progress during the first year.⁵

Finally, whilst civil society organisations will continue to monitor and report on the implementation of APP's commitments, this document assumes that APP will agree to undergo independent auditing by auditors engaged to do assessments jointly agreed by APP and stakeholders⁶ and that will verify APP's compliance with its commitments and the milestones outlined in this document.



A. Performance Targets and Milestones Associated with APP's Forest Conservation Policy (FCP) Commitments⁷

FCP COMMITMENT 1: "APP and its suppliers will only develop areas that are not forested, as identified through independent High Conservation Value Forest (HCVF) and High Carbon Stock (HCS) assessments."

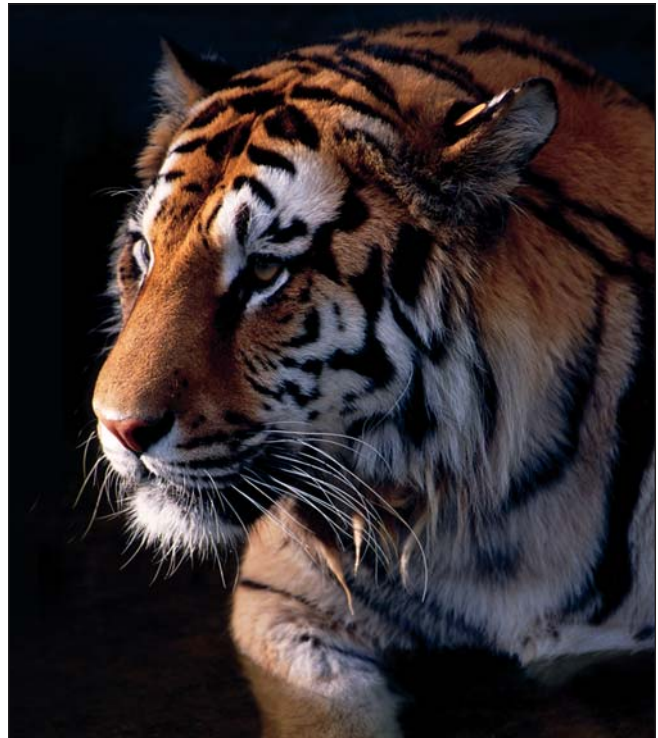
AIM: This policy commitment aims to maintain and enhance High Conservation Value & High Carbon Stock areas, as well as ensure that no natural forest fibre will be used by APP mills that was felled after the 1 February 2013 deadline.

APP's 5 February 2013 commitments must meet the following performance targets and associated milestones.

1. High Conservation Value (HCV) & High Carbon Stock (HCS) areas and landscapes are maintained and enhanced

Performance Milestones:

- 1.1 Further logging, land clearing and peat canal or other infrastructure development in any location is avoided until all HCV, HCS and peat expert studies are completed and management and restoration plans are determined (see 2 and 7 below).
- 1.2 High Conservation Value (HCV) assessments following HCV Resource Network and HCV Indonesian Toolkit guidelines are completed, recommendations by peer reviewers are sufficiently incorporated⁸, concerns raised by stakeholders are sufficiently addressed and final assessment reports and maps are published.
- 1.3 High Carbon Stock (HCS) assessment methodology has been agreed on by stakeholders and the cut off threshold between forest / non-forest areas has been correctly applied. Assessments are completed, recommendations by peer reviewers are sufficiently incorporated, concerns raised by stakeholders are sufficiently addressed and final assessment reports and maps are published.
- 1.4 Management plans and prescriptions are developed (including stakeholder review and incorporation of measures to address concerns raised by such review) that sufficiently incorporate:
 - results of HCV and HCS studies;
 - recommendations coming out of landscape level conservation and restoration assessments (see 7 below);
 - recommendations of a peatland experts working group acceptable to stakeholders (see 2 below);
 - results of social conflict mapping (see 3 below).
- 1.5 Management plans and prescriptions are adopted by APP and suppliers and are being implemented, and conservation values are being maintained and enhanced.



A. Performance Targets and Milestones Associated with APP's Forest Conservation Policy (FCP) Commitments⁷ (Continued)

FCP COMMITMENT 2: "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."

AIM: This policy commitment aims to protect peatlands and minimise CO₂ emissions associated with any plantation development on peatlands.

2. Peatlands are protected and CO₂ emissions are minimised

Performance Milestones:

- 2.1 A peatland experts working group is established with membership, terms of reference and assessment criteria that are acceptable to stakeholders and include, but are not limited to, identification and recommendations for areas that should be protected/restored or can be managed/developed⁹
- 2.2 The final peatland assessment reports and maps are published.
- 2.3 Recommendations of the experts working group are incorporated in APP and supplier concessions' management and restoration plans and prescriptions (see 1 above and 7 below) and are implemented.¹⁰
- 2.4 Annual public comprehensive reporting of GHG emissions, using full life cycle analysis that includes emissions from land use, land use change and peatlands, is agreed with stakeholders and initiated involving an expert team acceptable to the stakeholders.



FCP COMMITMENT 3: "APP will implement the following set of principles: Free, Prior and Informed Consent (FPIC) 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; Recognizing and respecting the rights of its workers; Compliance with all relevant laws and internationally accepted certification principles and criteria."

AIM: This policy commitment aims to respect the right to Free, Prior and Informed Consent (FPIC) and resolution of social and land conflicts.

3. Social and land conflicts are resolved and the right of affected communities to Free, Prior and Informed Consent (FPIC) is respected

Performance Milestones:

- 3.1 Methodologies for respecting FPIC and conducting social/land conflict mapping, undertaking participatory mapping, resolving conflicts and associated standard operating procedures (SOP) are agreed with stakeholders.
- 3.2 Results of conflict mapping are shared with stakeholders and conflict resolution plans are developed and agreed with stakeholders and incorporated into management plans (see 1 above).
- 3.3 Three current conflicts in Riau (Datuk Rajo Malayu), Jambi (Senyerang) and South Sumatra (Riding) are resolved and the resulting agreements are implemented to the satisfaction of the affected parties.
- 3.4 New conflict resolution focus areas are agreed with stakeholders and initiated in West Kalimantan, East Kalimantan, Riau, Jambi and South Sumatra.
- 3.5 Communities impacted by APP's proposed new mill, port and associated roads and canals in OKI South Sumatra have exercised their right to give or withhold their FPIC, and APP and suppliers abide by the results.¹¹

*A. Performance Targets and Milestones Associated
with APP's Forest Conservation Policy (FCP) Commitments⁷ (Continued)*

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

AIM: The FCP applies to 'APP and all its suppliers in Indonesia', 'any Indonesian fibre used by APP's mills elsewhere including China' and 'all future expansion'. Hence existing and future fibre suppliers need to comply with the zero deforestation and other commitments in the FCP.

4. All APP fibre suppliers and acquisitions comply with the FCP

Performance Milestones:

- 4.1 APP publishes an Acquisitions Policy to ensure its commitment to no further association with deforestation after 1 February 2013 is applied to any new acquisitions or third party fibre sources.
- 4.2 The Acquisitions Policy includes the following criteria:
- No areas of HCV or HCS forests and/or peatlands of any depth in the concession have been cleared, degraded and/or drained since 1 February 2013.
 - Any area for plantation development in the concession is not located within HCV, HCS or peatland areas.
 - Affected communities have given their Free Prior Informed Consent to any proposed commercial or conservation activities in the area.



B. Performance Targets and Milestones Associated with APP's Sustainability Roadmap - Vision 2020 Commitments.¹²

"In June 2012 APP launched our *Sustainability Roadmap - Vision 2020*, the company's comprehensive guide for achieving a 'whole business' sustainability operating model. It covers eleven impact areas, each of which has a number of subsidiary and specific goals."

APP's policy commitments under its Roadmap are very limited in detail and scope. The company needs to go beyond these and develop them into comprehensive policy commitments and procedures, particularly in relation to two key impact areas quoted below. This document therefore seeks to provide detail of where the shortfalls lie and what appropriate performance targets and milestones are needed to address such gaps.



2020 Roadmap impact areas: Fibre Sourcing

APP POLICY COMMITMENT BY 2020: "100% plantation wood for its pulp production."

AIM: This policy aims to ensure that its mills only source plantation wood by 2020 (i.e.; no Mixed Tropical Hardwood is sourced by its mill after 2020.

The authors of this document firmly believe that APP is able to move this date forward to 1 January 2014.

5. Acceptance of any Mixed Tropical Hardwood (MTH)/ natural forest fibre for pulp and paper production is permanently phased out by 1 January 2014

Performance Milestones:

- 5.1 For fibre deriving from Indonesia or other tropical regions, APP issues public statement confirming its decision to only accept 100% plantation wood in any of its mills starting on or before 1 January 2014. This would mean that any APP or Sinar Mas Group affiliated mills would no longer accept any Mixed Tropical Hardwood or natural tropical forest fibre on or before 1 January 2014.
- 5.2 A working group is established with stakeholders to help APP innovate and implement responsible ways to utilize non HCV and non HCS MTH fibre resulting from clearing of non HCV and HCS areas for plantation development.
- 5.3 Implementation is audited by a mutually agreed third party and stakeholders that wish to do so are provided access so they may independently monitor supplies to all mills to verify the above.

B. Performance Targets and Milestones Associated with APP's Sustainability Roadmap - Vision 2020 Commitments.¹² (Continued)

APP POLICY COMMITMENT BY 2020: "100% independent third party verification for pulpwood legality."

AIM: The policy is limited to the legal verification by an independent third party auditor of its plantation wood supply.

Independent verification of legality will not provide the assurances needed to demonstrate that the commitments made in APP's Roadmap and its FCP are being thoroughly implemented. Therefore, the NGO authors of this document firmly believe that these policy commitments, any subsequent commitments, and the targets and milestones in this and subsequent documents must be independently monitored and verified by mutually agreed third party to ensure that APP delivers on the ground

6. Transparency is assured and independent verification is conducted

Performance Milestones:

- 6.1 Transparency is assured and stakeholder engagement practices / processes are mutually agreed upon, including access to forest sites and to relevant information such as maps, full consultant reports etc., to allow sufficient independent monitoring and verification of compliance.
- 6.2 Terms of Reference (TOR) are agreed with stakeholders for an FSC accredited certifier to independently audit performance against the targets and milestones outlined in this document and its forest conservation commitments.
- 6.3 APP enables and cooperates with independent scheduled audits as agreed with stakeholders per 6.2. Scheduled independent audits verify that APP is performing in full compliance with its forest conservation commitments and the targets and milestones in this document have been met.
- 6.4 Independent auditing includes verification of wood supply for new OKI mill, including possible changes to APP's land bank and suppliers base resulting from meeting targets and milestones above.



B. Performance Targets and Milestones Associated with APP's Sustainability Roadmap – Vision 2020 Commitments.¹² (Continued)

2020 Roadmap impact areas: Reforestation, Conservation and Biodiversity

APP POLICY COMMITMENT BY 2020: “APP policy commitment supports the national targets to a) reforest degraded land; b) preserve designated protected and conservation areas and c) increase the endangered species population.”

APP needs to work with mutually agreed independent conservation and peatland experts and stakeholders to conduct and support landscape-level conservation assessments and initiatives, inside and beyond its supply concessions. APP should focus restoration and conservation activities on ecosystems within or in the vicinity of priority landscapes in its supply chain such as Kampar, Senepis, Kerumutan, Bukit Tigapuluh and Berbak, and when not feasible contribute to the conservation of selected large ecosystems elsewhere. APP should develop a mechanism agreed with stakeholders to identify location and size of the sites based on the forest and peatland ecosystems impacted by the company's past operations.

7. Priority conservation landscapes in Indonesia are restored and protected

Performance Milestones:

- 7.1 A public commitment is made by APP to adopt a restoration/compensation mechanism and implementation plan that is agreed by stakeholders.
- 7.2 A restoration/compensation mechanism including priority conservation/restoration landscapes is developed with and agreed by stakeholders.¹³
- 7.3 An expert team is established with Terms of Reference and members that are mutually agreed by stakeholders to carry out landscape level conservation assessments that identify priority conservation/restoration landscapes where APP is a major actor and measures needed to maintain/restore them.
- 7.4 Assessment findings are incorporated into concession level HCV/HCS/peatland management plans (see 1 above) and are used to develop landscape level restoration/compensation strategies and plans.
- 7.5 An independent multi-stakeholder organisation (MSO) with Terms of Reference and members mutually agreed by stakeholders is established for the purpose of facilitating and securing funding, training and other activities needed to identify, maintain, restore and enhance conservation values within the priority landscapes.
- 7.6 Financial assistance in line with the agreed restoration/compensation mechanism is provided by APP to support establishment and operation of the independent MSO and to undertake management/restoration plans.



Notes

1. *Asia Pulp & Paper* (5 June 2012) Asia Pulp & Paper Group (APP) charts a course to world-class industry standards in sustainable business. <http://www.asiapulppaper.com/news-media/press-releases/asia-pulp-paper-group-app-charts-course-world-class-industry-standards>
2. *Asia Pulp & Paper Vision 2020 Targets and Components* <http://www.asiapulppaper.com/sustainability/vision-2020/targets-and-components> APP's Sustainability Roadmap – Frequently Asked Questions http://www.asiapulppaper.com/system/files/120906-APP-Sustainability-Roadmap-FAQs-PDF_o.pdf
3. <http://www.asiapulppaper.com/system/files/APP%20Forest%20Conservation%20Policy-ENGLISH.pdf>
4. The Environmental Paper Network and the The European Environmental Paper Network (EPN and EEPN) are coalitions of North American, European, Indonesian and other non-governmental organisations working toward the Common Vision for Transforming the Paper Industry (see: <http://www.environmentalpaper.org/> and <http://www.environmentalpaper.eu/>)
5. Six month progress updates are planned by the EPNS
6. Throughout the document, the use of the term "stakeholders" is defined as civil society stakeholders engaged in APP's Forest Conservation Policy (FCP) consultations, but may include other interested civil society parties, businesses and government agencies both in Indonesia and internationally, who will be monitoring milestones and outcomes of implementation.
7. <http://www.asiapulppaper.com/system/files/APP%20Forest%20Conservation%20Policy-ENGLISH.pdf>
8. As determined by an independent auditor.
9. Peatland assessments are completed by the experts working group with priority given to peatland landscapes where APP is a major actor. These assessments are made available for stakeholder review and stakeholder concerns are sufficiently addressed.
10. In case recommendations by peat experts working group are not ready within 12 months, an indicator will be commitment by APP to incorporate recommendations in management plans as soon as they are ready.
11. This would entail APP undertaking mediated negotiations with the communities that are willing to receive APP infrastructure on their lands, and ensuring that the resulting agreements are implemented to the satisfaction of the affected parties.
12. As published in *Asia Pulp & Paper Vision 2020 Targets and Components* <http://www.asiapulppaper.com/sustainability/vision-2020/targets-and-components> on 14 August 2013
13. The mechanism will describe how APP will design and calculate its contribution to biodiversity and ecosystem restoration and conservation in selected priority landscapes. The contribution would be expressed in numbers of hectares restored, set aside or managed primarily to conserve biodiversity. The number of hectares shall be calculated based on the area of forest or peatland cleared. This contribution can be made by way of a financial contribution to an independent multi-stakeholder organisation (MSO) established for the purpose of financing activities to identify, maintain and enhance conservation values within the priority landscapes, in which case the contribution in terms of hectares will be converted to a monetary value at a specified monetary rate per hectare.

SUMATRAN TIGER PHOTO, PAGE 5:
Daniel Beltra

ALL OTHER PHOTOS:
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