

APP's Forest Conservation Policy

Strengthening our commitments

October 2018



APP's Forest Conservation Policy

Effective February 1st 2013 this policy applies to:

1. APP and all its suppliers in Indonesia.
2. Any Indonesian fibre utilised by APP's mills elsewhere, including China
3. All future expansion.

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

Policy commitment 1: APP and its suppliers will only develop areas that are not forested, as identified through independent HCV 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.

Peatland management

Policy 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 HCV and HCS forests.
- Best practice management 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

Vision 2020 – evolution to Vision 2030



Transition from Vision 2020 to Vision 2030

VISION 2020



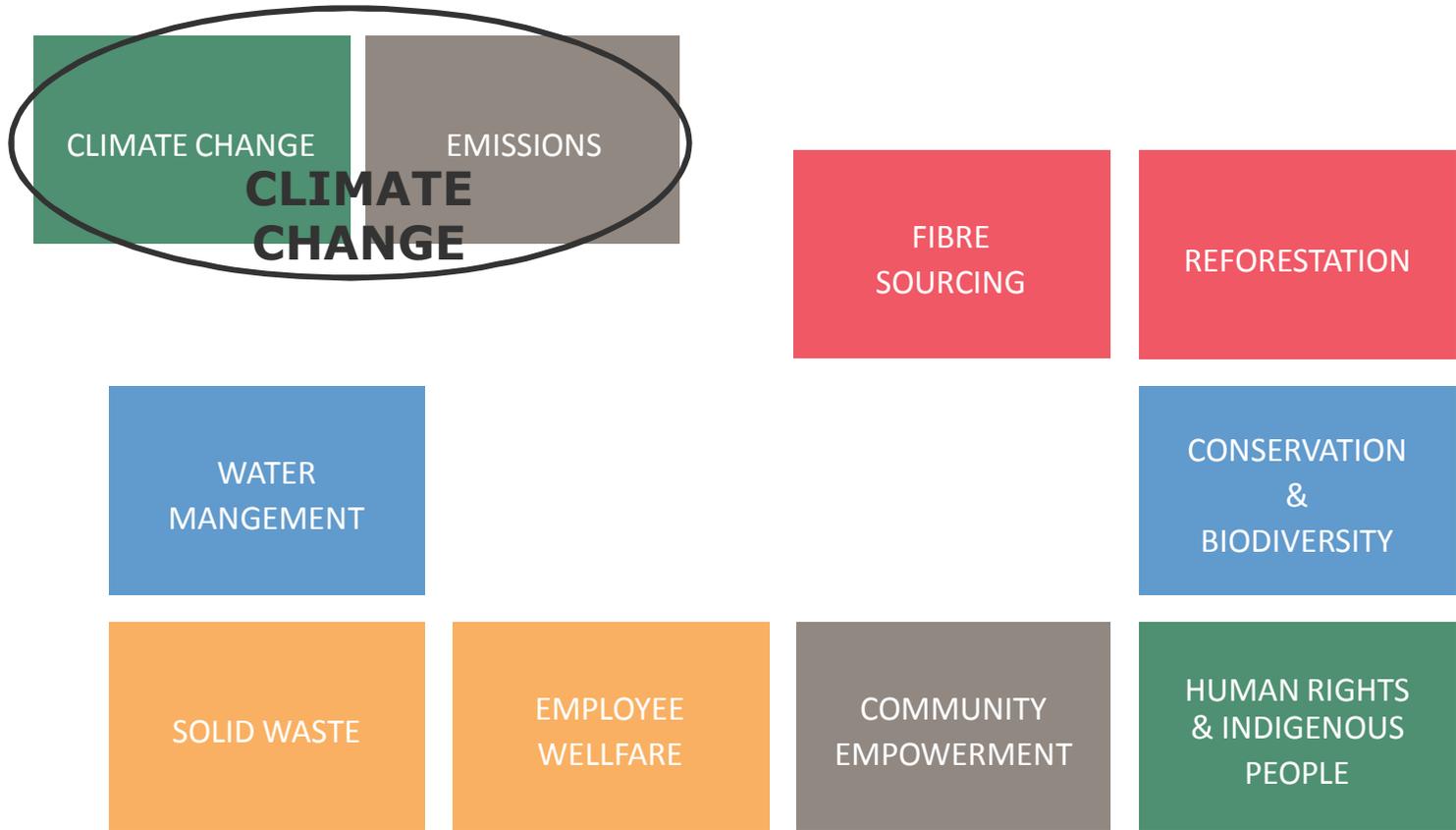
VISION 2030



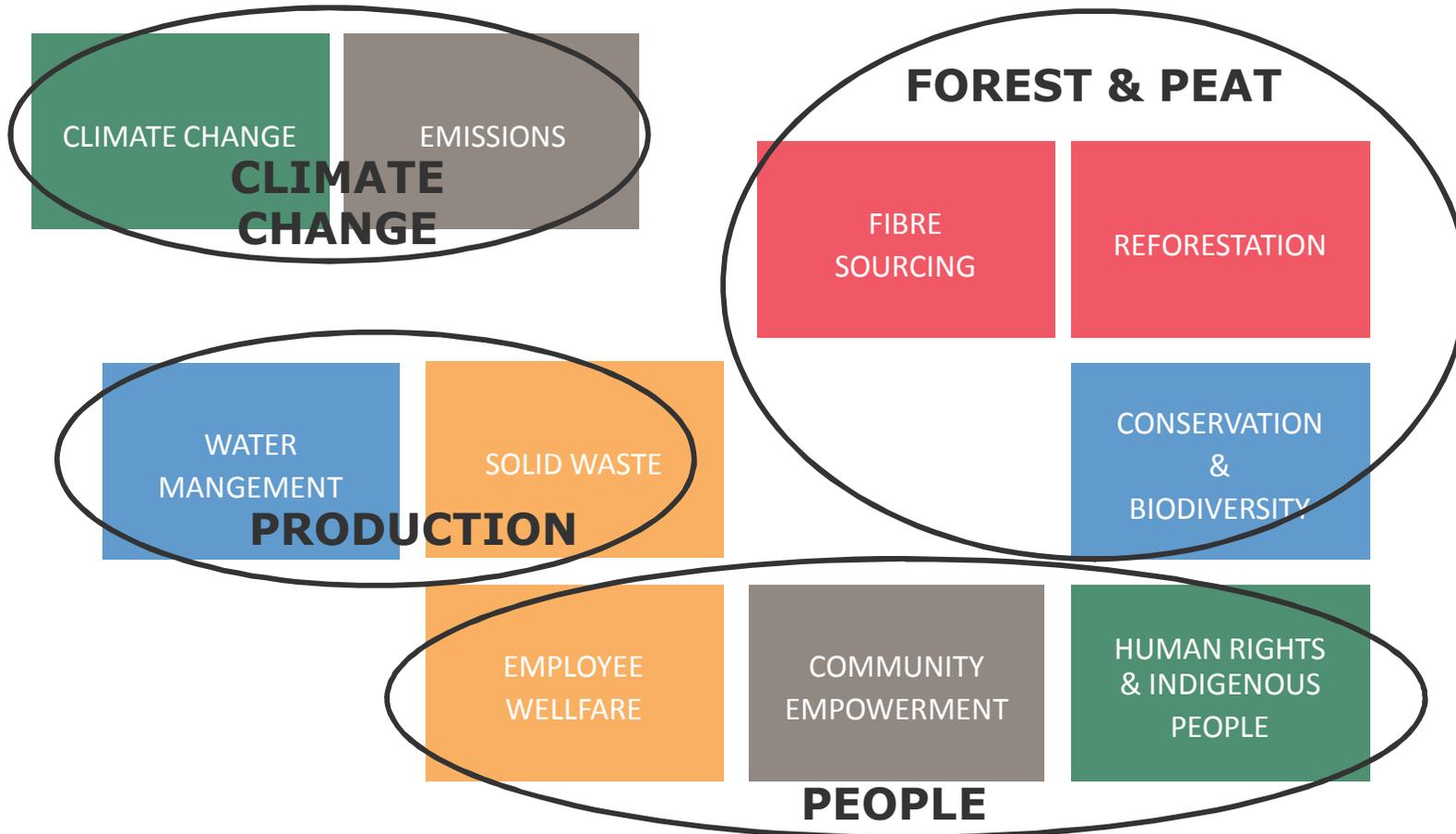
Transition from Vision 2020 to Vision 2030



Transition from Vision 2020 to Vision 2030



Transition from Vision 2020 to Vision 2030



APP Vision 2030

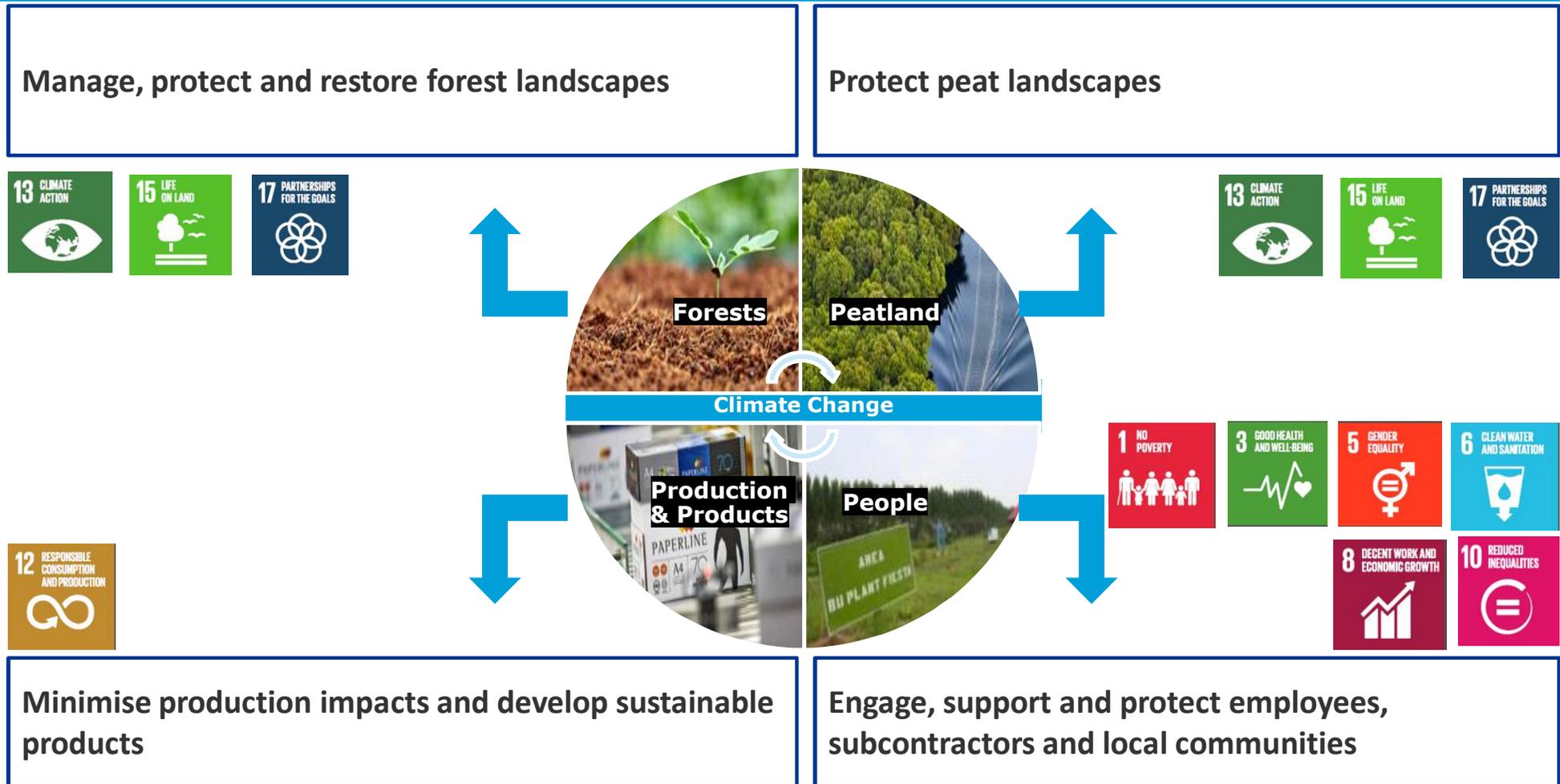
Four key themes:

- “ Forests
- “ Peatlands
- “ People
- “ Production & Products



Climate Change is a cross-cutting issue

Vision 2030 – headline goals



Stakeholder Feedback – Vision 2030



Taking account of feedback from SAF November 2017

Specific feedback relating to forest conservation:

- Promote landscape approach to protection and conservation, and also for community development
- Some vague terminology that needs to be tightened
- Place targets in context (e.g. in relation to total size of concession areas)
- Commit to increased transparency, e.g. on fire incidences and fibre sourcing
- Clarify the dependencies on key partners in the landscapes
- Governance and 3rd party oversight are key
- OKI fibre requirements cannot undermine zero deforestation commitment



Forest Conservation Policy Update

Objectives:

- To strengthen the APP Forest Conservation Policy in line with best practice and stakeholder feedback
- Ensure alignment with customer expectations
- Consider recommendations from stakeholders, through reports, SAF meetings, other dialogues
- Align with Vision 2030

Process:

- Benchmark against customers and other companies with similar policies and similar issues, operating in the landscape
- Desk review of research reports, global sustainability platforms e.g. SDGs
- Internal and external consultation
- Policy update
- Decision and implementation

Outcomes:

- New version of Forest Conservation Policy to be released in 2019

APP's Policy and Procedure Framework

Vision and Strategy Commitments

Responsible & Sustainable Business Declaration

Vision 2020

Vision 2030

Policy Statements

Forest Conservation Policy (FCP) (2013)

Responsible Fibre Procurement & Processing Policy (RFPPP) (2012)

Other related Policies e.g. Employee Welfare, CSR, Environmental Stewardship

Procedures

Procedure for Association (2013)

Supplier Evaluation and Risk Assessment Tool (SERA) (2015)

Procedure for Grievance (2013)

Procedure for Free Prior and Informed Consent (2013)

Procedure for Conflict Resolution (2013)

Guidelines and Codes

Guidelines for HCV Policy Implementation (2012)

Business Code of Conduct (2017)

Parallel timetable for review of other policies

SERA:

- Internal review process together with TFT
- Draft revision socialisation during October 2018
- Updated policy to be published by end 2018

Procedures for Conflict and Typologies:

- Internal workshop was done on 12 September
- External workshops involving social experts was done on 13 September
- Draft revision socialisation during October 2018
- Updated Procedure and typologies by end 2018

FCP Review – Step 1: benchmark and desk review

▪ Benchmark with:

- . Olam
- . Nestle
- . Unilever
- . APRIL
- . Danone
- . Golden Agri Resources
- . International Paper
- . Stora Enso
- . UPM
- . Mondi



FCP Review – Step 1: benchmark and desk review

Benchmark criteria:

- **Scope:**

Clear coverage of direct operations and suppliers, explains how new suppliers are dealt with. Issues include biodiversity conservation, ecosystem services (e.g. erosion control, water regulation), habitats, degraded ecosystems, carbon emissions, fires, third party clearance, social conflict

- **Targets:**

Timebound commitments to implement elements of the policy which cannot be immediately applied / achieved

- **Standards and definitions:**

Use of reference standards and definitions (e.g. HCV, HCS)

- **KPIs:**

Definition of the key measures of progress that stakeholders can use to assess the implementation of the policy

- **Monitoring:**

Use of independent third parties to monitor progress, and a commitment to regular assessment

- **Communications:**

Commitment to regular progress reporting, including transparent disclosure of any violations, and availability of data at a suitably detailed level to enable stakeholders to check specific cases and activities, using available maps.

FCP Review – Step 1: benchmark and desk review

Research review:

- Forest Trends (Supply Change: Tracking Corporate Commitments to Deforestation-free Supply Chains, 2017; Impacts of Supply Chain Commitments on the Forest Frontier, 2018; Zooming In: Companies, Commodities, & Traceability Commitments that Count, 2018)
- Nature Magazine (The role of supply-chain initiatives in reducing deforestation, 2018)
- Global Canopy (Forest 500 Report, 2017)
- SPOTT / ZSL (Timber and Pulp Assessment, 2018)
- Eyes on the Forest (Investigative Report, Enough is Enough, 2018)
- United Nations (SDG Knowledge Platform)
- Koalisi Anti Mafia Hutan et al. (Removing the Corporate Mask, An Assessment of the Ownership and Management Structures of Asia Pulp & Paper's Declared Wood Suppliers in Indonesia, May 2018)
- WWF-Indonesia, RAN et al. (Evaluating the Environmental, Social and Corporate Governance Performance of Sinar Mas Group (SMG) and Royal Golden Eagle (RGE) Companies-Criteria and Indicators for Assessing and Verifying Performance, 2017)



FCP Review – Step 2: Consultation

Stage 1:

- Will be invited to review results of benchmark and desk review, and to discuss recommendations from that work
 - . TFT
 - . Deltares
 - . APP PICs & Key PICs from suppliers

Stage 2:

- New draft Policy to be made available for public consultation among a wide range of stakeholders – both through APP's website and circulated for discussion to SAF attendees
- A small number of one-one meetings will be arranged

FCP Review – Step 3: Update to Policy

Recommendations:

- Based on the outputs of Steps 1 - 2, a set of recommended updates/developments to the FCP and associated policies/procedures will be prepared
- A draft updated Policy will be developed and published for final feedback through the APP website and circulated to SAF attendees
- New Policy to be published in 2019

Introduction to the Discussion

- 20 minutes discussion
- Stay on your tables
- Review copies of FCP provided
- Discuss and agree what is the key comment or input you want to give on this process?

For example:

- What are the most important current weaknesses/gaps of the FCP?
- What are the most important strengths/areas that must be kept?
- Do you have any recommendations for parties to be consulted (experts, eminent persons etc) or global best practice/international guidance that APP should adopt/follow/align with?

Write notes using the sticky notes provided

Appendix



Headline goal	Manage, protect and restore forest landscapes
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We will lead the way in developing and implementing a landscape level approach to forest management, going beyond our own concession boundaries to develop a truly collaborative approach to protection, rehabilitation and restoration of Indonesia's forests.

Our Ambitions

APP sources fibre from within some of the world's most delicate and critical ecosystems. Our long term goal is to protect and restore natural forests and High Conservation Value forests in Indonesia, minimising the risk of forest degradation through involvement of local communities. Our ambitions include to strengthen our existing Forest Conservation Policy (FCP) for managing and monitoring our Pulpwood Suppliers, and to apply Integrated Sustainable Forest Management Plans (ISFMPs) across all our forest concessions. We aim to achieve 100% sustainable forest management through credible and voluntary certification schemes. We also aim to strengthen our approach to fire management through our investments in capacity building, hot spot monitoring and fire response equipment.



Fibre sourcing

2. Maintain 100% Sustainable Forest Management (SFM) to credible & voluntary certification schemes (e.g. FSC, PEFC)
3. Improve and maintain transparent records of fibre suppliers, demonstrating governance through due diligence processes [tbc]

We will strengthen our Forest Conservation Policy commitments to ensure continued responsible fibre sourcing regardless of growth in production capacity. APP remain committed to our Forest Conservation Policy and the commitments we made in 2013, irrespective of any future growth in demand for fibre. To ensure our sustainable forest management practices and traceability systems from forest to finished product are robust, APP applies a range of third party certifications from both national and globally recognised Sustainable Forest Management schemes. We will increase transparency of our records of fibre suppliers, to demonstrate how our processes for due diligence are applied in line with the principles of good governance.



Forest protection and restoration	4. Achieve a minimum of 95% HCS forest in good condition (old scrubs & above in HCS strata) by 2030
	5. Maintain or improve the value of HCV areas, including peatlands, compared to their original HCV assessment result by 2030, using third party assessment
	6. Support the rehabilitation/restoration of one million hectares of natural forests and HCV (including peat forests) in Indonesia through our involvement with the Belantara Foundation and their other Partners by 2030
	<i>APP aims to minimise the risk of forest degradation by involving communities. We will measure and report on the impacts of our community involvement program. Having completed comprehensive HCV and HCS assessment for all our concession areas we will actively use this information to reduce the rate of forest degradation. Empowering communities and reducing dependency on forests are fundamental in protecting and restoring forests in Indonesia, addressing issues that threaten forests in Indonesia; encroachment, illegal logging and forest fire.</i>



Biodiversity conservation

7. Maintain and enhance the habitats of key species (elephant, tiger, orangutan, ramin and billian) and monitor their numbers within conservation areas in APP concessions

8. Zero fatal conflicts between humans and national priority and critically endangered species of animals within our concession areas

Through partnerships with conservation specialists and NGOs, we are committed to protecting and increasing the population of animal 'umbrella species' of Orangutan, Elephant and Tigers, and rare tree species. By 2022, we will undertake and publish a scientific study to identify baseline numbers of key species (orangutan, tiger, elephant, ramin and billian) within conservation areas in APP concessions, and to identify actions to maintain and/or increase these numbers. In addition to fatal conflicts, we will monitor and report all types of human - animal conflict. APP will also work with local communities on the edges of APP's concessions to minimize human wildlife conflicts in the wider landscape. Providing education and awareness in human-wildlife conflict seeks to reduce incidents of harm and improve understanding. These activities are further supported by sustainable forest management practices that promote good practice, such as the provision of wildlife corridors to facilitate the movement of endangered species within forest concessions.



9. APP will seek to maintain its current 'near zero' area of natural forest, plantations and peatlands affected by fire in APP supplier concession areas, on a year on year basis (measured on an average basis over the period 2016 to 2030)

Forest fire - prevention and control

We will continue to strengthen and improve our Integrated Fire Management approach. We have a focus on co-operation and partnerships for fire prevention. Our Integrated Fire Management brings together our continued investment in equipment, training and capacity building. Our Integrated Forestry and Farming System (IFFS) forms a critical part of our fire strategy by reducing threats to the forest by supporting local communities to develop alternative livelihoods, thus, reducing dependency on forests and the driving forces behind fires. The construction of dams and canals to raise and better control the water table level, as part of our approach to Peatland Management also reduces the potential of fire spread in peatland forests. Community Fire Awareness (MPA) actively engages community members to take part in fire patrol, early detection and awareness raising activities. APP have a 'No Burn Policy' which we strictly enforce across all pulpwood suppliers. Burning as a method of forest clearance is not economically viable and offers no advantage for APP.