APP Stakeholder Advisory Forum – 16 October 2018

I. Forest Conservation Policy (FCP) progress update

APP presented on key updates from the four areas of the FCP: protection of natural forests, peatland management, social and community engagement, and a sustainable supply chain. Major updates since the last SAF, which took place in March 2018, are included below:

- Protection of natural forests
  - March – August 2018: rate of forest cover change is 0.06% in APP and its suppliers' concessions (previous rate was 0.1% from March 2017 to January 2018)
  - Areas for restoration
    - 8,000 hectares on mineral soil (in Jambi and South Sumatra)
    - 7,000 hectares on peat
  - APP joined the Mangrove Ecosystem Restoration Alliance (MERA) initiative, in collaboration with Yayasan KonservasiAlam Nusantara (YKAN)
    - Committed USD 300,000 for a period of five years
- Peatland management
  - 3rd LIDAR mapping was conducted in 2018 in Riau and South Sumatra to monitor water levels during the dry season
- Social and community engagement
  - 46% of land disputes have been resolved
  - Since the last SAF, 4 land disputes have been resolved and 2 more are in the pipelines
  - Typology for land use conflict has been revised
  - IFFS has been implemented in 236 villages. APP is optimistic that it can reach its target of implementation in 300 villages by the end of 2018
  - September 2018: Signed a partnership with Martha Tilaar Group to train 1,000 women on how to identify and process local herbs
- Sustainable supply chain
  - SERA process
    - 12 one-time suppliers approved in 2018
  - Governance assessment
    - APP has engaged one of the big-four audit firms to conduct the governance assessment
    - Cross-checking of approximately 1,125 names from 168 forestry companies in Indonesia is ongoing
    - Review of the employee database of APP and its pulpwood suppliers on a sampling basis to ensure data consistency for e-Kinship assessment is also ongoing

Q&A and discussion

- *Does the FCP consider the restoration of rivers and areas surrounding rivers? It is crucial to consider the quality of water as a sustainability indicator. Bamboo could also be a good option to be planted in the riverbanks, as it can benefit both the environment and the community.*

- o Yes, the protection of rivers is included in the FCP. APP mills require high amounts of clean water, so APP is also considering conducting landscape mapping for water quality.
  - o APP will also look into the suggestion of using bamboo to protect the riverbanks.

- *There have been many success stories in the IFFS program, which should be more widely shared with APP's stakeholders.*
  - o The comms team is working on packaging these stories and publishing them to a wider audience.
  - o APP's focus has been the implementation of the IFFS program, but APP also recognizes the importance of knowledge sharing and making sure the success stories are distributed widely.

- *One of APP's key achievements is zero fatalities from human-wildlife conflict in the company's concession areas. Can you elaborate on this, specifically whether the result comes from APP's management, or if the number of the animals have just dwindled to zero previously?*
  - o Before the implementation of the FCP in 2013, some human-wildlife conflicts occurred in APP's concessions areas – mostly due to a lack of awareness on how workers and local villagers should interact with wildlife.
  - o APP's education programs have helped them understand how to interact with wildlife, while avoiding harm for both sides.
  - o APP has conducted various studies on the distribution of these key species in its concession areas. These key species (orangutan, elephants, and tigers) still live and roam within the concession areas.

- *Sinar Mas/APP has been quite active in community forestry programs in Indonesia, using partnership scheme. How does APP see this type of involvement on community forestry programs?*
  - o APP has identified areas which already have HTR (Hutan Tanaman Rakyat, or community plantation forests) permits.
  - o To be able to supply to APP mills, these HTR would also need to go through SERA process. The company's priority is to ensure that HTR will be able to maintain their areas with high conservation value (HCV) or high carbon stock (HCS).
  - o To ensure that the community will not only depend on the fee from the partnership scheme, in doing HTR partnership with community APP will also identify supporting programs (e.g. intercropping, cattle farming) for the community to be able to have a stable and routine income.
  - o While at the beginning of HTR operation the company involvement is still high, it is expected that as the HTR enters the second, third cycle and beyond, community role in the HTR management would be bigger than the company.

- *We understand that the Indonesian government has regulations on peatlands. Out of all APP's concessions, what is the percentage of peatland areas that will be restored or protected?*

o   All companies working with APP have completed the Business Working Plan (Rencana Kerja Utama/RKU) revision.
o   Rezoning process within the concession areas are also ongoing.
o   In addition to the 7,000 hectares committed for peat restoration, APP also has approximately 20,000 hectares in Ogan Komering Ilir (OKI), South Sumatra, that have been identified for restoration.

II.   FCP Policy Review

Now in the fifth year of the FCP, APP is continually assessing how to improve and respond to stakeholder feedback. With APP's plans to launch its Vision 2030 next year, APP is currently reviewing all policies to ensure better coherence and alignment, including its core Forest Conservation Policy. As part of this process, APP will also review sustainability policies and forest conservation commitments of customers and competitors to identify where APP can improve on its current policies. In addition, a literature review of reports and recommendations – both specific to APP and more broadly on good practices – will be undertaken to extract recommendations for a revised FCP. A key component of this process will be to discuss stakeholder views and receive specific stakeholder input, beginning with the discussion at this SAF. A draft policy will be made available via the APP webpage for further input, with a final revised policy planned to be released next year.

Discussion – Tables were asked to provide **key recommendations** for the FCP policy review process and eventual content in a revised policy -

- APP can be more ambitious in protecting the wider landscape, not only its concession areas.
- Key missing elements of the current FCP are indicators and associated targets in order to track progress.
- APP should consider referencing how the FCP is aligned with national policy and regulations in Indonesia.
- Instead of just stopping at the level of the SD Goals, effort should be made to assess alignment with SDG indicators.
- APP should have a broader engagement with experts, and consult with more experts in international groups or organizations.
- Current commitments don't capture the range of areas that APP is working on.
- It may be necessary to develop an 'illegal logging code of conduct' to help suppliers to understand how to better address this issue.
- Revised policy should address yield improvements and reducing losses in production to improve efficiency of current production, not just address new suppliers.

III.   Revisions of the Supplier Evaluation Risk Assessment and Land Dispute Typologies

An overview of the Supplier Evaluation Risk Assessment and an update on the process to revise land use conflict terminology and classification were provided by APP staff in two separate presentations. Participants were then split into two groups to discuss each topic.

Feedback shared through the working groups -

SERA process

- The 12 indicators should be defined more clearly.
  - Currently there is no scoring method for each indicator. However, some indicators can have varying degrees of compliance (beyond the simple yes/no system that is currently in place).
- There needs to be more clarity on the SERA procedure – specifically, at what point in the process does APP need stakeholder involvement?
- APP needs to add definition on industry-specific terms and/or international bodies/ratification/standards, such as IUCN, etc.
- APP SERA team has to act proactively to verify its potential suppliers, whether directly or indirectly through stakeholders.
- Eventhough the SERA scope is on pulpwood industry, APP has to check to the best of its ability whether or not the associated company of the potential supplier is involved in deforestation, and use that information as a consideration in SERA process.
- APP can consider using an online integrated system for SERA for better tracking purposes.
- APP can utilize the Corruption Perception Index (CPI) to help ascertain governance and transparency in each country.
- The primary challenge in the SERA process is how to maintain long-term compliance among APP's suppliers. APP should consider how it can offer more wide-ranging and long-term support for all its suppliers.
- APP should also think of how it can align the SERA process with other voluntary schemes.
- Consider benchmarking to other industry traceability scheme/process, such as Fresh Fruit Bunches (FFB) traceability in palm oil industry.

New conflict typologies

- Definition of the typologies should be made clearer, mentioning also the core of the dispute, so that the reader/user of the procedure can understand easily.
- APP needs to define the conflict first by their characteristic. Several inputs suggest that the characteristics that can be used are:
  - Based on power
  - Based on utilization of resources
  - Based on permits

  After these characteristics have been defined, then it would be easier to map out the typologies and their core issues.

- APP should also consider ranking typologies in terms of complexity to give stakeholders a clearer degree on the difficulty of resolving different types of disputes

- APP needs to add also the complexity of the level of the conflicts into the SOP (e.g. possibilities of dispute to widen and involve more parties, risk of disturbance to operation, etc)

- o APP responded that APP already defined level of intensity based on several parameters, such as (1) degree of claim, (2) size of area, (3) number of parties involved, (4) number of people involved, (5) disturbance to operation, (6) fatalities, etc.
  - o APP responded that it would consider to add further information on how to assess the level of intensity into the SOPs, which to date has only been provided as an attachment but has not been part of the core procedures'
  - o APP would consider sharing further criteria and appendix/attachment to the dispute resolution SOP to also be shared publicly through fcpmonitoring.com.
- What has been explained in the presentation is the generic dispute resolution process. It would perhaps be good if APP could also explain/define dispute resolution using litigation.
- APP needs to reconsider additional legislation as reference for the SOP revision, such as Permendagri 52/2014, Permen LHK 32/2015.
- APP to add additional step of "MOU Implementation" in the generic dispute resolution process (after MOU development).
- There is a suggestion to have a roadmap for dispute resolution, that is consulted with stakeholders.

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