

PROTOCOL FOR THE MORATORIUM ON NATURAL FOREST CLEARANCE

BACKGROUND

APP believes in business sustainability that balances ecosystem conservation and community empowerment. It is important to APP that we implement targeted and measurable actions to responsibly manage the natural resources that we use.

In June 2012, APP launched its Sustainability Roadmap: Vision 2020 and we are committed to achieve all targets that we have set for ourselves and continue to demonstrate to our stakeholders that we have the capacity to produce responsible products.

A set of policies have been developed to support our efforts to realize our Sustainability Roadmap goals. These policies include the APP Responsible & Sustainable Business Declaration and the Forest Conservation Policy (FCP) that covers commitments to protect HCVF and HCS, to implement best practices in peat land management, and social and community engagement, and to ensure responsible forest management, throughout our wood supply chain.

One implementation of the FCP is the suspension of natural forest clearance (Moratorium of Natural Forest Clearance) for the development of forest plantation that would be raw material sources for APP's pulp and paper production until HCV assessment and HCS study are complete.

Based on the assessment of independent suppliers using a scorecard system based on compliance to RFPPP, APP has announced a moratorium on natural forest clearance, which begins on 1 February 2013, for all its suppliers through an official letter dated 13 December 2012 to the respective suppliers.

The suppliers are given time to respond to the moratorium announcement at the latest on 25 January 2013. This protocol shall apply to suppliers which have agreed to the moratorium.

OBJECTIVES

As a reference for the staff and management of APP and its suppliers in the implementation of the natural forest clearance moratorium throughout APP suppliers' concession.

GENERAL TERMS

1. Mixed Hard Wood (MHW) is wood sourced from natural stands which can be round wood (KB), small round wood (KBK) or waste (for example: hollowed and rotted wood, stumps, branches/twigs).
2. MHW that is acceptable in APP mills after the 31 January 2013 are:
 - a. MHW logs which **resulted from clearance until 31 January 2013, and:**
 - i. Are reported on the clearance report (LHP) which is in line with Critical Control Point (CCP)

- node until 31 January 2013; or
 - ii. have undergone a Stock Inventory (SO), according to CCP nodes, and come with Round Wood Transport Receipt (FAKB)/ Round Wood Legality Certificate Letter (SKSKB) documents with previous wood freight copy document attached:
 - iii. Logs already stacked in a CCP node.
 - iv. Logs not yet stacked in CCP node, based on the inventory result and the estimated logs in the cutting block, which will then be stacked and stock counted.
- b. MHW logs which resulted from clearance after January 31st, 2013, and:
- i. From areas that have undergone HCV studies based on the HCV Indonesian toolkit and identified to not contain and/or not come from HCV areas.
 - ii. From areas outside HCS according to the provisional threshold identified after stratification analysis of land cover in the third quarter 2013.
3. Land cover classifications of Open Area (LT) and Young Shrubs (BM) are not considered HCS area.
4. APP's pulpwood suppliers consist of:
- a. Forest Management Units (FMU) under the management of a business entity or individual that supplies timber raw materials.
 - b. Business entities that supply wood chips.
5. A Moratorium on Natural Forest Clearance is the suspension of logging and land clearing in the natural forest areas (logged over area/LOA), including LT and BM.
6. Land clearing for plantation development purposes is allowed on:
- a. Land cover classification which is identified as open area (LT) or young shrubs (BM) based on land cover assessments with the latest SPOT imagery verified in the field by TFT team together with APP/SMF, to ensure that the area does not have HCV potential.
 - b. Non-HCV areas.
7. SO is an inspection conducted jointly by APP, TFT and relevant suppliers related the implementation of moratorium.
8. The scope of SO activity is information collection on cutting blocks, land clearing equipments, and cut MHW logs.
9. The monitoring team is comprised of APP/SMF, TFT and independent observers (IO), if available. IOs are parties that voluntarily want to be involved in the monitoring process and are approved by APP parties.
10. Roles, duties and responsibilities between APP, TFT and each supplier that have not been provided for in this protocol will be defined in separate protocols/agreements on moratorium implementation.

Moratorium on Logging and Land Clearing Activities in Natural Forest Areas.

Activity Phases for SO Land and A2B.

1. Each FMU shall stop logging and land clearing, construction of roads and canals in natural forest area within their working area no later than 31 January 2013.
2. Each FMU must prepare HCV identification plan in accordance with the HCV Indonesian toolkit. Implementation of HCV will be determined by SMF with support from TFT.
3. Each FMU that has agreed to implement moratoria is required to submit information and plans for January 2013 land clearing and for any other remaining area that has not been developed to SMF. This information will be forwarded to TFT no later than January 25th, 2013, which consists of:
 - a. Location, land size and contractors and related maps.
 - b. Plots that have not completed extraction activities (plot number and estimated potential).
 - c. List of equipment (type, quantity, identity number of the heavy equipment or A2B) for land clearance, road and canal construction. They have to be in line with the list of equipments on valid RKT, complete with the location plan for A2B storage in a map.
 - d. List of equipment (type, quantity, identity number A2B) for activities other than land clearing or road and canal construction. For example roads and canal maintenance, extraction, stacking, loading, or transport of A2B to other locations, complete with information of new work location.
4. Stock Inventory activity on natural forest clearance is carried out by TFT, APP and FMU team from 1 February 2013 for all areas that have been opened up to 31 January 2013.
5. SO activity implementation on natural forest clearance is performed as follows:
 - a. The boundary of the last land clearing in each working/cutting block will be marked with an "X" at every 10 meters using red paint. Additionally, coordinate data will be recorded at every 100 meters using GPS and the information is overlaid on a SPOT satellite imagery map.
 - b. For areas where infrastructure is mainly completed but there is still no land clearing activities, the coordinate information of the location and the endings of these canals and roads will be taken using GPS. The information is overlaid on a SPOT satellite imagery map.
 - c. All heavy equipments (A2B) which are not used will be stored in predetermined locations. They will be inventoried and their storage location coordinate recorded.
 - d. All A2B units used for activities other than land clearing and roads and canals construction will also be inventoried.
 - e. Cutting blocks will be marked with markings that are easily seen from the air for fly over monitoring purposes.
 - f. All the activities of SO will documented in photos.
6. A formal report on the result of natural forest clearance SO will developed and signed by TFT, APP and related FMU;
7. A separate protocol has been developed for cutting and land clearing on natural forest after 31 January 2013 (New Area Development Protocol).

Monitoring Compliance to Protocols of the Moratorium on Natural Forest Clearance

1. Data and information used for monitoring must have the same reference:
 - a. Land/locations: Boundary coordinates if the Moratorium include map overlay locations and corresponding SO BAP.
 - b. A2B: A list of heavy equipment according to SO BAP.
2. Monitoring will be carried out by the monitoring team through:
 - a. Aerial observations (fly over) will be done once after the SO is complete, and once after the MHW has been sent.
 - b. Ground checks will be conducted periodically every 3 (three) months and after the MHW has been sent.
 - c. Ground checks will be conducted periodically every 1 (one) month by UMH and reported to APP/SMF and TFT.
 - d. Opening a grievance hotline for stakeholder related to the implementation of this Moratorium.
3. The monitoring team will conduct field verifications if the monitoring results in paragraph 1 (one) above indicate a violation in the implementation of this protocol.
4. The monitoring team will produce an official report on the verification results, which will be reported to the management of APP/SMF and TFT, for follow up.

Control of MHW Movements

Activity Stages for MHW Inventory Taking

1. Every supplier is required to make a list of location for all transport nodes where MHW is present starting from the cutting block in the forest to the last intermediate log storage area (TPK) before the mill gate, including its coordinates. The list is to be handed over to APP and received by TFT on the 25 January 2013.
2. SO of logs and their documents by APP and TFT starting 1 February 2013.
3. MHW logs that have had SOs are:
 - a. MHW logs in all nodes (forest, log yards (TPn), transit log storage areas (TPK), forest TPK, intermediate TPK, TPK for MHW wood chips industry).
 - b. MHW logs on transport vehicles, both trucks and barges that have not left for the mill.
 - c. MHW logs on transport vehicles that have not been received by mills or have had its documents concluded.
 - d. MHW logs that have been unloaded at the port, but not yet entered the mill gate.
4. The SO activities are documented in photographs
5. Results of MHW SOs as stated in SO MHW official reports at each node, and signed by APP and related suppliers.

6. Summary of SO MHW as stated in official SO MHW reports, An official summary report combining the SO results as stated in point 5 (five) is signed by TFT, APP and related supplier.

For MHW logs that were cut on or before 1 February 2013

1. Transport of MHW logs will only be permitted for MHW logs that have been undergone SO.
2. For MHW logs in TPK, if there is on-going loading activity onto barges during SO, the loading process must be suspended until SO is completed for all logs in that TPK.

For MHW logs that are cut from non-HCV or LT and BM areas after 31 January 2013

1. FMU submit a copy of Forest Production Report (LHP) after the second half of January 2013 to APP which will be forwarded to TFT.
2. The decision on which areas are allowed for or prohibited from land clearing is regulated in a separate protocol (Protocol for New Area Development).
3. MHW logging in areas which has been allowed as stated in point 2 above, can be performed after a verification process by TFT and APP is completed. Verification is carried out according to the results of delineation and line marking from to the identification of HCV and land cover stratification (LT and BM).

Monitoring MHW Logs

1. Data and information used for monitoring must have the same reference:
 - a. Wood: Volume at each node/CCP, according to BAP SO.
2. SO procedures on the logs:
 - a. MHW logs movement is monitored at every node that has been determined and reported to APP and TFT every 2 (two) weeks.
 - b. Monitoring is done through:
 - i. Wood Administration (TUK) document checks based on LHP periods.
 - ii. Documenting the movement of MHW logs that enter or leave the wood transport nodes which are regulated under separate wood tracking protocols and becomes an integral part of this protocol.
 - iii. Field inspection done every 3 (three) months and when MHW logs are sent, or if there is indication of a violation.
 - c. PICs in each node are required to make a stock balance every week.
 - d. PICs in each node are responsible for making transport voucher (bon trip) then sign and apply a special stamp for ex-SO as specified by the monitoring team.
 - e. PICs in each node are required to review transport voucher (bon trip), check the name and

signature of the sender, and verify the special ex-SO stamp before unloading and determining the stack location.

- f. Legal documents (FAKB) accompanying the MHW transport vehicle must be examined and documented before the truck enters mill weigh station, for land transportation, and after the barge docks at the mill port, for river/ocean transportation.
 - g. If irregularity or violation on MHW logs is identified during monitoring process, APP mill is prohibited from receiving the logs and the logs will be placed on special holding area in every node. The special holding area is to be determined later.
 - h. If there is indication of violation in the implementation of the protocol from monitoring report or other information sources, the delivery process of the logs to the next location will be suspended until it can be proven there is no violation. The verification process is carried out by the verification team (see Grievance SOP).
 - i. Verification Team will produce official report based on their investigation.
3. If MHW is logged and land cleared in non-HCV and non-NCS areas after 31 January 2013, then:
- a. The monitoring team will periodically monitor MHW resulting from land clearing in the forest areas though:
 - i. Inspection of timber movement in each node through the wood tracking system (as described in item 1 (a) above) every 2 (two) weeks.
 - ii. Inspection of Administrative Wood (TUK) documents made during every LHP period.
 - iii. Direct physical inspection performed every 3 (three) months and when MHW is sent, or if there are indications of violations.
 - b. If there is indication of violation in the implementation of the protocol from monitoring report or other information sources, the delivery process of the logs to the next location will be suspended until it can be proven there is no violation. The verification process is carried out by the verification (according to the Grievance SOP).
 - c. The team will prepare an official report starting the results of their investigation.

Handling Protocol Moratorium Violations

If an investigation suggests a violation of the protocol, then:

1. Logging activities in natural forest area of the FMU in violation must be stopped.
2. For MHW logs:
 - a. If MHW logs are outside an APP mill, they are prohibited from entering the APP mill.
 - b. If MHW logs are inside an APP mill, the FMU in violation of the protocol is required to move the logs from the mill no later than 2 (two) days after the investigation report is signed.
3. APP will implement strict sanctions to FMUs that violate this protocol implementation. Sanctions



range from warnings to the termination of a wood supply contract and a halt on all forms of support from APP to FMUs. Decisions to the sanctions are made by a moratorium committee comprising of APP and TFT.

Reporting

TFT and the APP will produce a periodic (monthly) report on the implementation of the Moratorium. It will contain data/information, photographic documentation and explanations of Moratorium implementation, the results of monitoring, and actions taken to ensure that all stages of the Moratorium are implemented correctly.

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