

Notes on a meeting with APP 19th September 2012

Introduction:

On 15th May 15th 2012, the international paper company, Asia Pulp and Paper Group (APP), announced a new initiative to strengthen sustainability in its production and supply chain with new targets to achieve a reformed approach as from June 1st 2012. In its announcement about the initiative APP mentioned that it was to implement a moratorium on all natural forest clearance in its owned concessions while it carried out HCV assessments of its holdings, and it would progressively seek to persuade all its independent suppliers to bring their holdings up the same standard by 2014. APP announced it would be operating in line with the standard of the High Conservation Values Resource Network (HCVRN) and that it would respect the Free, Prior and Informed Consent of local communities in its operations. (<http://www.rainforestrealities.com/newsroom/press-releases/asia-pulp-paper-app-announces-new-policies-on-high-conservation-value-forest/> and <http://www.rainforestrealities.com/newsroom/press-releases/asia-pulp-paper-group-app-charts-a-course-to-world-class-industry-standards-in-sustainable-business/>)

As the HCVRN had not previously been informed of APP's plans, the matter was discussed by the Steering Group of the HCVRN and it was agreed that a letter should be sent to APP seeking clarification of APP's commitments with the aim of ensuring that APP's approach was indeed in line with the HCVRN Charter. Accordingly the Co-Chair of the HCVRN sent a letter to APP on 1st June ([see link](#)) and a reply was received which responded to the specific questions and provided further details of the planned transition to sustainable practices ([see link](#)). APP also invited follow up meetings to further clarify any outstanding issues. APP's reply was further discussed by the HCVRN Steering Group and it was agreed that HCVRN should take up the offer of further dialogue. Accordingly, after confirming dates and times, Marcus Colchester as Co-Chair of the HCVRN travelled to Indonesia for a meeting with APP on 19th September 2012.

These notes summarise the main points clarified in the meeting and are not a verbatim record. The sequence of points raised has been altered to simplify comprehension.

Meeting arrangements:

10-11 am: Meeting between Marcus Colchester (as Co-Chair of HCVRN and Director of FPP) accompanied by Patrick Anderson (Policy Advisor, FPP) and Aida Greenbury (Managing Director, Sustainability, APP).

11-2.30 pm: Meeting joined with Elim S, Head of QA / Deputy to CEO in Sinar Mas Forestry; Dewi Bramono, Deputy Director of Sustainability APP and project leader for APP's sustainability road map; and HCV assessment team members Loy Jones, Dwi Muchtaman, Philip Wells and Iwan.

Framing Comments:

APP: Aida opened by welcoming Marcus and Patrick. She explained that APP's new commitments were ambitious and demanding, requiring HCV assessments of 2.6 million hectares while the matter of 'free, prior and informed consent' was totally new for APP. The high carbon stock surveys were likewise new for the company. To meet this challenge a

significant number of dedicated personnel are required. Between APP, the consultants, assessors and NGOs being engaged to help guide the company, together the team could increase to around 100 personnel from October 2012.

Marcus and Patrick: Marcus noted that he was there as Co-Chair of the HCVRN (although he is also Director of FPP), while Patrick was there as FPP which is a member of the Network. We would make as clear as possible in the meeting if the issues being raised were being raised in the name of HCVRN or FPP (and the notes accordingly follow this distinction).

HCVRN: Marcus noted that the purpose of the HCVRN as a multi-stakeholder body engaging both NGOs and industry was to ensure that the HCV concept was applied according to the best practices set out in its Charter and that it sought to achieve this by ensuring participation, transparency and science-based peer review. Noting that the Network sought to build trust by operating openly, accordingly the meeting should be on the record and the notes of the meeting shared with all parties.

This was agreed. It was also agreed that APP and the assessment team should feel free to respond to the notes to further clarify the issues raised. The aim of the meeting was to generate transparency and not foreclose discussion.

APP: Aida also noted that the company had committed to implementing changes in its operations according to the Roadmap but was also aware that it still had to manage criticism from NGOs. So the company wanted to move fast and would initially focus on its operations in Jambi and Riau provinces, which were the areas of the most evident concerns of NGOs. Issues in West and East Kalimantan would be addressed in a second phase. She noted that while meeting the environmental challenges seemed readily achievable the social issues were going to be more challenging. The HCV field teams were already finding that some communities were refusing engagement and resisting mapping.

The overall process that is underway is in two parts. The first stage is for the owned subsidiaries of APP and the second stage is for APP's independent suppliers. For the former HCV pre-assessments are now near completion and from October HCV full Assessments will then get underway. The HCV assessment team clarified that the steps they would undertake would be:

- Pre-Assessment (underway)
- Finalising TORs for full assessments
- Carry out assessment with parallel stakeholder engagement process
- Final Reports for all APP concessions with HCV management proposals. The target date is to have these by the third quarter 2013.
- Management Plans would then be developed

(see Roadmap first quarter updates including HCV assessment as of September 13th <http://www.rainforestrealities.com/newsroom/4gq26z8kx3fx/>.)

For the 46 existing independent suppliers their operations will be scored using a score card system which will include reviews of issues such as legality, contracts, HCV status and the extent of community involvement. An action plan will then be developed based on the scoring, with areas requiring more urgent action being prioritised over others. In parallel, additional information from NGOs regarding critical areas will also be analyzed and used to

develop the Action Plan. APP will seek to get independent suppliers to place a moratorium on their own cutting of natural forests until HCV areas are defined and community conflicts are resolved. The results of the scoring will be made public in 2013.

HCVRN asked if there was a minimum score that would lead to suppliers being excluded. APP is seeking to provide incentives to suppliers to reform and comply with the APP's new standards and so would only disengage as a last option.

APP explained that there will also be a methodology rolled out to carry out a High Carbon Stock assessment. The company has yet to decide what is the cut off level of carbon stock that would define an area as 'no go'. APP is working together with an NGO partner to start a process to conduct the HCS pilot projects and it will report early next year.

Specific clarifications:

APP and the HCV assessment team also gave the following specific clarifications in response to prepared questions:

- Supply chain maps: APP said that maps of its own 1,082,934 hectares of gross HTI areas are already available. Maps of the 1,558,731 hectares of APP's independent suppliers gross areas would be provided along with the results of the score card process and the approval of concession holders. This information is not yet fully available even to the HCV assessment team.
- Supply chain: Data on the full supply chain will be presented to all assessors prior to the score card assessment process in September.
- Ownership of independents: Information about the ownership of all the independent supplier companies will be provided during the score card assessment process
- Equivalent to a Chain of Custody review? The data to be made public should allow knowledge (if not yet a method of traceability) of the full supply chain
- Self sufficiency: APP predicts that its mills in Indonesia will rely 100% on fibre from plantations by 2015 of which 40% will come from its own HTI and the rest from independents.
- East Kalimantan: APP currently has no plans for a mill in East Kalimantan. It has acquired an existing HTI - Sumalindo Hutan Jaya . At present this fibre is treated as fiber reserve; at times it is used to supply the Indah Kiat mill but it is costly to transport the fibre from Borneo to Sumatra
- West Kalimantan: APP owns Finnantara Intiga, another fiber reserve concession, which also supplies fibre to Indah Kiat. The tenure situation there is very complex. According to APP, the community itself has objected to the moratorium on forest clearance this year.
- Papua: APP currently has no plans to build a mill in Papua.
- New mill in SumSel: APP is currently in discussion with several investors regarding the development of a new pulp mill in South Sumatra. At this stage, no decisions have been taken to proceed or not with any projects related to pulp and paper mill expansion. Assessing the economic viability of a new pulp and paper mill is dependent on several key issues, such as market demand, the scale of financial investment required and the availability of sustainable raw materials. Regarding the sustainability aspects, APP is clear that should any future expansion take place, this will (a) abide by the relevant laws and regulations in Indonesia; (b) be in line with APP Sustainability Roadmap's High Conservation Value Forest policy and

responsible procurement guideline; (c) rely only on sustainable plantation wood. APP will update its stakeholders should any expansion plans be put in place in the future. Currently a new mill would depend on independent suppliers not APP HTI. The company has none of its own HTI in South Sumatra. The mill will not rely upon MTH

- New operations: APP affirmed that any new mill or acquisition would now routinely require HCV assessments, FPIC and conflict resolution. After 2015 APP will also apply their high carbon stock criteria.
- All 6 HCVs: APP's HCV Assessments and management plans will address all 6 HCVs.
- Peer Review (HCVRN explained the service it can provide): Assessments will be submitted to peer review but APP has not yet decided who should do that. APP will consider the option of making use of the HCVRN's own peer review process.
- Participation: Participation will be integral to the assessment process and is recognised as being crucial for management also. APP and the HCV assessment team welcome advice and inputs to improve the stakeholder engagement.
- Tenurial assessments : Participatory tenure mapping is also planned. The Assessment Team noted that this will be challenging. They estimate that there are as many as 101 desa overlapping APP's HTI in Jambi: as many as 600 *dusun* (hamlets). There was a discussion about whether a sampling method could be used. It was broadly agreed that while screening could be used to find out who and who does not have land claims in the area, HCV assessments will need to include all communities (that had been) making use of lands in the concessions. FPP noted that exclusion of groups would risk generating instead of resolving disputes.
- Identifying HCV5 and the limitations of the Indonesian HCVF toolkit: FPP field studies have shown that HCV assessments in the palm oil sector often set aside no land for livelihoods as the HCVF toolkit - designed for natural forest management - does not consider on forest areas of use. The assessment team agreed that the Tool Kit does not class areas being used for growing betel nut, cacao, palm oil and food crops as potential HCV5 areas.
- Legality of set asides: Legally up to 25% of HTI can be set aside for environmental and social values. There is a legal challenge setting aside more and APP is facing a challenge in the Kampar peat dome where it wants to support its supplier to set aside its HTI licensed area as a conservation concession (RE) but legally it would have to relinquish the area and then bid for it again in an open market.
- Overcoming mistrust and land disputes: It is recognised that there is a legacy of land disputes which need to be resolved. There was a discussion about how the assessment should deal with communities that refuse access to disputed areas. Assessments might have to show data free zones on any maps to clarify where it was not able to make assessments. APP noted that resolving land conflicts was necessary but would be very challenging, especially in Riau. The assessment team is seeking to class communities into prior occupants, claimants with land use prior to clearance and recent encroachers.
- FPIC: This is a new area for APP and for communities and for government. For independent suppliers the score card will provide a first level assessment of the degree of compliance with FPIC. For owned areas APP is piloting the process to address social conflicts in Senyerang in Jambi and Soreg in Riau with the help of its NGO partner. For existing independent suppliers APP will seek to apply FPIC retrospectively to resolve land disputes and is open for advice on how to realise this. For new concessions, FPIC would be required before they supply APP. Since

February 2012 APP together with its NGO partner have been assessing APP's SOPs against requirements under the new Responsible Fiber Procurement & Processing (RFPPP) principles, which include HCVF and FPIC.

- NGO partner: APP mentioned that it was also receiving advice from an NGO with which it has a contractual relationship but that the identity of this NGO will not be made public until certain steps have been achieved to the satisfaction of both parties.

Specific clarification in response to points raised by FPP:

FPP made clear that it does not accept monies from the private sector and, while open to engaging in further discussions, it would only do so as an independent NGO and not in any consultancy role. FPP's primary concern was with the communities whose lands had been, or were about to be, taken control of by the companies.

- Gap analysis of FPIC: it was recommended by FPP that APP do a gap analysis comparing its current SOPs to best practice respecting FPIC.
- Customary rights and customary land transfers: the assessment team queried the right of communities to transfer customary lands to other parties. FPP noted that this was actually common in some customary law regimes and noted that the process had even been recognised by the High Court in Miri, Sarawak.
- Issues of representation: there was a discussion about the need to complement representation through local officials such as kepala desa with wider engagement.
- Right to remedy: FPP noted that communities had a right to remedy if FPIC and land rights had not been respected. This was a crucial part of conflict resolution.
- Mazars audit: FPP asked if the human rights audits being carried out by Mazar's for APP would address the wider issues of land conflicts, customary rights and land rights and how these would be coordinated with the HCV assessments and conflict resolution processes. APP responded that the scope of the Human Rights audit being conducted by Mazar is focusing on APP's mills and the areas surrounding its mill operations (<http://www.rainforestrealities.com/newsroom/press-releases/asia-pulp-paper-follows-un-lead-commits-to-first-ever-human-rights-audit/>). Social, human rights and FPIC issues in APP's and its suppliers concessions will be addressed by APP and its suppliers together with the HCV Assessment and APP's NGO partner's team. APP is finalising the 'gap closing process' of its SOPs against the UN principles. APP will share the 'gap closing process' results with HCV Assessment and NGO partner's team to ensure that the SOPs are in line with the new RFPPP principles.
- PSPI case: FPP noted that communities complain of being seriously impacted by the operation of PSPI and that they have taken their complaint to the Government. Community alleges forced evictions, destruction of properties and destruction of crops. APP confirmed that PSPI is a supplier but that they did not know about the case and will now look into it. APP requested more information so they could engage with the supplier and have the area prioritized during the score card assessment.

Agreed follow up:

HCVRN will:

- share the notes of the meeting with all HCVRN and with APP and assessors (these notes)

- send information about its peer review process

APP will:

- invite informal comments on the draft TORs for the Assessment process
- release the results of Score Card process in 2013
- consider Peer Review
- think about setting up an advisory group to the transition process

FPP will:

- contribute further information about FPIC
- be prepared to comment on APP's draft SOPs on FPIC
- provide further information about the PSPI land conflict to help company hear community concerns (this has already been done)

Ends.