

Asia Pulp & Paper Group

Stakeholder Advisory Forum – SAF #3

19th October 2016- Jakarta

Agenda

- 09:00 Opening remarks by Aida Greenbury, Managing Director, Sustainability & Stakeholder Engagement
- 09:20 FCP Progress Update
- 09:45 FCP Progress Discussion Q&A Session
- 10:30 Coffee Break
- 10:50 Report on Call for Papers to Stakeholders
- 11:00 Breakout session 1 (4 Working Groups)
- 12:00 Breakout session 2 (4 Working Groups)
- 12:45 Report back from working groups in plenary and discussion
- 13:00 Special Remarks from Government Representative (TBC)
- 13:10 Question & Answer
- 13:30 Closing remarks from Aida Greenbury and invitation for lunch

Aida Greenbury – Managing Director Sustainability and Stakeholders Engagement

Opening Remarks

Today we're gathered for the third Stakeholder Advisory Forum. We have all come a long way since 2012 when APP started to make bolder sustainability commitments and from February 2013 when we established our no-deforestation policy. Four years on we have made progress not only in transforming our supply chain and our business processes but also playing a more substantial role in tackling climate change, backing forest restoration and contributing to a global conversation about how best to protect forests.

But, being with you all in Jakarta today it is very important to remember that this work started here. With many of you all encouraging, campaigning and cajoling us into action. The decisions we make here have an impact on our business and landscapes, our colleagues and the communities they live in.

Some of the challenges we faced when we started this process have been partly resolved others are more acute. The fact we are encountering new challenges is in part due to the success we have made in tackling old problems – so in that sense these new challenges are to be welcomed.

As many of you will know this forum has also evolved alongside our Forest Conservation Policy. In its new form it remains a platform for everyone in this room to share their opinion, challenge us, identify solutions and meet our common objective of de-coupling environmental degradation from economic growth.

I hope today we can identify clear tangible steps that we can make drawing on the experiences of the past four years. As many of you will know I am proud of what we have done, and am proud to have shared our progress widely at events in Indonesia and further afield, in the media, on Twitter and more. But I also know there is so much more that we have to do. And I want to state again that we need allies to succeed on our long journey towards sustainability, we need YOU if we are to succeed.

As we start this forum I want to acknowledge that we have heard your expectation for more information and more detailed figures to describe progress made on the ground. Be sure that we are committed to giving you reliable information to allow you to understand where we are.

However, I also want to flag two constraints we face regarding reporting on FCP progress.

- Due to the complexity of the environment we are operating in, and as our own progress is dependant on many external factors, we prefer to only present data when we know it is 100% robust and accurate.
- We also operate in a competitive business environment and you will understand that there is some sensitive information we can't provide. We are committed to align with industry best practices in terms of transparency but cannot go beyond this.

I also want to set out where I think we have achieved the most. I do this in part to register our successes but also to show where we need your help to achieve more. This work has been undertaken by a unique team, working in the field, in ministries, in boardrooms and in the full glare of the public eye to deliver a change programme in businesses processes that we were told when we started this project was impossible.

So, let me flag with you:

- The **implementation of our IFFS program**: The last 6 months have been focused on implementing key projects we launched last year, including our Integrated Fire Management Programme (IFM), and Integrated Forestry & Farming System for Community programme (IFFS) which has begun implementation in 58 villages. In all of this work we continue to face ongoing challenges including social conflicts, illegal encroachment, and poverty. However, progress highlights include notable achievements like the successful avoidance of debilitating fires this dry season and the implementation of IFFS to provide local communities with alternative livelihoods.
- **Plans to restore degraded forests**: In the past year 10 key landscapes for restoration have been identified, with 450,000 hectares of degraded forest now earmarked for restoration under MoU's with various stakeholders. To this point more than 12 million US \$ in project funding has been secured.
- Jurisdictional partnerships in South Sumatra and West Kalimantan: We have signed agreements to implement projects restoring forests and ecosystems alongside the Governor of South Sumatra, IDH, the Belantara Foundation and other partner organisations. Through further collaboration we are in the process of developing forest regeneration best practice specifically for the province of South Sumatra. We are embarking on a similar process in West Kalimantan.
- Seen significant results from our peatland best practice management that we began to implement last year: Over 5000 dams have been constructed across 5 regions in our pulpwood supplier concessions. The results are promising, with increased water levels in perimeter canals in these areas. We have also made further plans to carry out a more advanced LiDAR mapping process at the end of this year to capture water level data and develop high resolution surface model and water management design that will cover 5.5 million hectares.

This is a foundation we can build on. But to do so we need to draw from the ideas we will hear today, the papers you have submitted and the feedback we will be receiving. Many thanks again to you all for coming. For those who I have not yet met please come and say hello, and to old friends welcome back. We have much more to do together and let's get on with it.

Again, many thanks for your participation and contributions.

FCP progress report

Dewi Bramono – Deputy Manager Director Sustainability and Stakeholders Engagement

The progress report covers all component of the Forest Conservation Strategy

Dewi Bramono particularly emphasized the following points:

- Development of ISFMP in all concessions - new zonation based on ISFMP increases the size of conservation as well as social management area.
- Set up of the new Social and security division and revised SOP for security vendor monitoring.
- Integrated fire management strategy implementation and trialling new technologies and innovation particularly in early detection and rapid response.
- Progress in peat management, new LIDAR mapping, assessment of canal blocking impacts, challenges in restoration of retired plantation
- Progress made in social conflict resolution and the Integrated Forestry & Farming System projects
- Update on sustainable fibre supply
- Recent developments and progress made in promoting the Landscape approach



Questions & answers session after the FCP progress report

Participants were invited to question the team of APP experts: Dewi Bramono, Agung Wiyono (Social and security), Dolly Priatna (Landscape approach and conservation), Brett Shields (Integrated Fire Management) and Iwan Setiawan (Peat and ISFMP).

1- DFID - UK Cooperation agency: We see from the FCP progress report that APP engaged in many different directions. Are there any plans to better share progress with the stakeholders' community?

APP: The Online dashboard is under review and we plan to significantly improve the reporting mechanism, providing more detailed and specific information on progress made. However, stakeholders should understand that some information remains very sensitive and will not be disclosed on a public dashboard.

2- Relief Singapore: How many villages are targeted by the DMPA programme and where are they located? What about other villages in the landscape that are not part of the 500 DMPA villages?

APP: We have identified more or less 700 villages and hamlets in our concession and in the 10km area surrounding these concessions. As the first step in our DMPA program, in the next 5 years we decided to target 500 villages and hamlets which was prioritized according to several criteria including proximity to the concessions and risk they may pose to forested area. Depending on the success of this first programme, and after alignment other similar programmes by the government and other organizations in the landscape, we may identify more villages to be included in the programme.

3- IDH: What are the main challenges and key issues with this IFFS programme?

APP: First of all, when embarking in such an ambitious programme we had to reorganize the way we work. We set up a dedicated organization, with "vertical" line of command from HQ, to provincial and district levels, with dedicated team at each levels. We also integrated "horizontally" different functions, which related to our connection with local communities: security in and around plantation, social conflict management and support to communities.

At villages' level, the key point is to ensure that the village has an economic institution that we can partner with to manage the fund, such as cooperative or village owned business entity (BumDes). Often collaboration with local economic institution is key. The biggest challenge remains to convince partners to get rid of their traditional practices in land preparation: slash and burn, which is, as we all know, one of the major source of uncontrolled fires.

4- IDH: How to extinguish fire when they start on peat? Is there any difference, in terms of fire fighting, between the provinces APP operates in?

APP: Regarding fire, the key challenge, way before fire fighting, is about detection. The earlier and the most accurate the detection is, the easier it is to fight fire. We've developed a very sophisticated model of surveillance to identify hotspots, check if these hotspots are actually fires and then act to fight the fire. The specific technic to fight fire on peat is to coordinate response from the sky - with helicopter teams- and from the ground - with excavator teams and the firefighters - in creating a physical break at the edge of the fire.

Regarding the second question, there are no big differences, in general, but what make provinces similar is communities' habits regarding slash and burn (i.e. on this feature South Sumatra and West Kalimantan have similarities).

5- Rainforest Alliance: How about encouraging other players to implement an advanced and more effective integrated fire management strategy like APP does? Are you prepared to share what you have learned from the design of your own policy and methodology to prevent fires?

APP: We are very conscious that we are on the forefront in developing a very sophisticated methodology to prevent fires. As mentioned earlier fire detection is a key component of this strategy. Using mini satellites will significantly increase the quality and the reliability of fire detection. We are looking to establish collaboration with a company providing this mini satellite service (names can't be mentioned as we are still at a very early stage), and if all goes according the plan, we expect that within the next 12 months, we will be able to provide a comprehensive report, and to demonstrate the effectiveness of a new collaborative methodology. While sharing the burden of developing all this we make it more affordable for all partners.

6- LIPI: What is APP plan to integrate other players from private sector in the Landscape approach?

APP: As mentioned previously our target is to align with other players in the 10 priority landscapes we have identified around the concessions we source from. Bringing along other companies with us is not easy. Companies are used to compete between each other. Building a collaborative approach is real paradigm shift, which takes times. However, we already managed to engage several companies to work with us in different landscapes, for example plantation companies under Sumitomo group. We also are in discussions with PT LAJ - Barito in Jambi, which is a supplier to Michelin, for elephant protection program.

7- CIFOR: Knowing that APP can't do all on its own, how is the responsibility shared between the company, NGOs and the government on restoration initiatives?

APP: As you rightfully say we can't work alone on restoration, as well as on all other components of our FCP. This is why we need all types of stakeholders working with us, and it is why the dialog we have today is so important. On the specific case of restoration, APP launched the Belantara Foundation as the platform to promote restoration activities in the 10 priority landscapes that we have identified. Belantara Foundation allows external partners to join to expand the scope of restoration activities. Beside the Foundation we also developed different types of partnership with NGOs, for example on human animal conflict mitigation, with research centres, for example on monitoring the performance of our IFFS programme, with technical experts, for example to improve peat best management practices. And there are more connections to build with stakeholders. We welcome new proposal, new ideas, because it is only when working together that we will have a chance to win in our journey towards sustainability.

7- TNC: We welcome APP's achievement with ISFMP now developed in all concessions. However, how will you ensure all your suppliers will actually enforce these ISFMP? What are the penalties in case of non-compliance?

APP: Even before the adoption of our FCP we had developed a supplier assessment scorecard. This control mechanism has been upgraded since the FCP was launched. We are now working with TFT on creating an independent monitoring team to follow-up on ISFMP implementation in all concession. Our intention is to bring all our suppliers into compliance. In practical terms, the moment we identify a problem of compliance we work with our supplier to help finding a solution to stick to commitments. If afterwards they continue to breach the FCP commitment and there is evidence of no goodwill from the concerned supplier, then we stop the contract.

8- Greenpeace: How APP can ensure that potential new suppliers will be fully compliant with FCP requirements, especially for supplying OKI mill?

APP: We have a robust association procedure for new suppliers or for renewing contracts with former suppliers. They will need to operate in accordance with our FCP policy which includes carrying out HCV and HCS assessments and developing sustainable forest management plan (ISFMP) based on the results. There will be no double standard between our current suppliers and potential new ones. We are currently considering two new suppliers for potential association and we have asked them to carry out HCV and HCS assessments.

9- Wetlands: A final remark: APP's concessions are still not fire-free areas. So it's good to reuse and disseminate the good practices from field experience, but so far, the priority should remain to focus on implementing and assessing the integrated fire management strategy inside its suppliers' concessions.

Aida Greenbury, in conclusion of the question and answer session, and reaction to the last remark from Wetlands, thanks everyone for their valuable contribution and acknowledge the fact that on fire prevention like on many other subjects there is still a lot to do. This is again why APP wants to count on all stakeholders to support the FCP implementation and challenge APP's performance in this implementation. It's also why stakeholders will be invited after the coffee break to work on more specific topics and draw recommendation for APP and, also, for other stakeholders. Because here is the objective of the SAF: guide the implementation of APP's FCP.

On this note Aida Greenbury reminds stakeholders to check that recommendations from previous SAF (October 2015 and May 2016) where implemented or are in the process of being implemented (see tables in annex of this report).

Stakeholder pre SAF survey - Bruno Rebelle Transitions

The third SAF was prepared with a call for paper to invite stakeholders to propose their own contribution to feed in the debate. We only received 6 contributions from various organisations: *Forda; Lipi; PM Haze; WARSI; Yapeka, and Chris Cheng an independent consultant*. We understand this was partly to a certain misunderstanding concerning the type “paper” that were expected.

To get a more comprehensive feed back on stakeholder expectation and additional round of consultation was organised. TRANSITIONS, a consultancy firm working for APP, managed to contact close to 30 organisations to collect their perception of APP’s commitment and performance in implementing the FCP. This new round of interaction with stakeholders was also a good opportunity to ask them what were the topics they wanted to see addressed at the SAF. Among the 76 organizations contacted, 32 proposed topics to be debated.

The overall list of subject was organized under 6 items and sub topics as follows:

Peat Management Best Practices

- “ Improve peat management to improve peat protection
- “ Promote native species development. Explore microbial technology benefits to manage tropical peat swamp forest. Promote paludiculture.
- “ Assess impact of canal blockings. Show case projects and promote duplication process.
- “ Improved governance structure for better management of peat.

Sustainable Fiber Sourcing & Supply

- “ OKI mill: Strategies for sustainable fibre supply and addressing potential gaps in supply capacity
- “ Strengthening supply chain verification for outsourced pulp

FCP Implementation Process & Progress

- “ Progress achieved so far on all components, i.e. forest protection, peat management, sustainable fibre supply, social issues, landscape approach...
- “ Stakeholder consultation process: transparency, follow-up actions from previous SAFs, decision-making processes in accepting / rejecting stakeholders proposals...
- “ Aligning FCP with national guidelines and regulations on forest management and fire prevention.

Social Conflict Management

- “ Better implementation of social conflict resolution
- “ Transparency on progress
- “ Implementation of due diligence process on human rights
- “ Stronger involvement of communities in decision-making processes for forest management

Landscape Approach & Community Development

- “ Need to explore possibilities for stronger forest communities’ inclusion in conservation projects.
- “ Increased visibility of possible benefits for communities contributing towards conservation projects.
- “ Developing platforms for multiple commodities at landscape level.
- “ Developing pilot projects to better demonstrate multiple benefits and scaling up implementation.
- “ Improved governance structure for better management of the landscape.

Wildlife Conservation

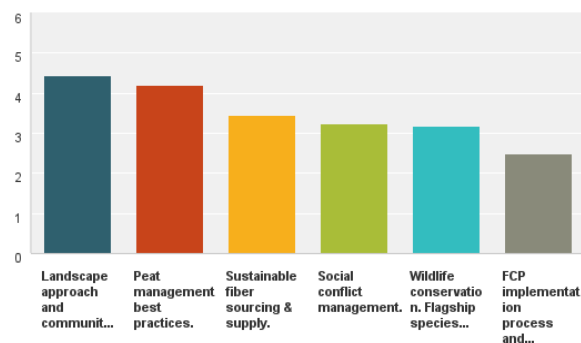
- “ Flagship species protection
- “ Human-wildlife conflict resolution (e.g. tigers and elephants)

Stakeholders were then invited to vote on this list to select the four items that will be addressed at the SAF.

More than 20 stakeholders participated to the vote, thus selecting the four topics that will structure the break out sessions:

- Landscape approach & community dev.
- Peat management
- Social conflict resolution
- Sustainable fibre sourcing and supply

Note: Stakeholders who proposed contribution to the call for paper, were invited to make their point in the breakout sessions. Each participant of the SAF was able to debate on two different topics as there was two breakout sessions of 45 minutes.



Session #1 **Landscape and community development**

Facilitator: Ying Staton- Global Counsel

Sub topics identified from the pre-SAF consultation process:

- “ Need to explore possibilities for stronger forest communities’ inclusion in conservation projects.
- “ Increased visibility of possible benefits for communities contributing towards conservation projects.
- “ Developing platforms for multiple commodities at landscape level.
- “ Developing pilot projects to better demonstrate multiple benefits and scaling up implementation.
- “ Improved governance structure for better management of the landscape.

Discussion

Most participants share the same analysis: although the “landscape approach” appears to be a very inspiring concept, it is still hard to see how one can operationalize it to actually achieve its promise of combining, on a defined territory, three objectives, previously considered as antagonistic:

- “ People: sustainable livelihood for local communities;
- “ Planet: conservation and restoration of fragile habitats and GHG emission reductions;
- “ Profit: business performance of companies producing different commodities from this landscape.

The discussion tends to distinguish two different angles to be considered when looking at key conditions for a landscape approach to succeed: The way the different partners will engage beyond the scope of their direct interest to “make it happen” at the landscape level; the “external” conditions that will ease or hamper the collective mobilisation of these different partners.

The first angle leads to defining how success will look like for each partner and for the group they form on a landscape. It is key to address this question, as stakeholders historically engaged as a reaction to emotion, external pressure, scientific evidence - we need to end deforestation / we need to do the things right – rather than through a proactive move – we can do it differently / we should do the right thing. APP’s FCP history doesn’t seem to be different in its initial phase. The move to promoting the landscape approach impose a new narrative highlighting what each party will gain – companies, local communities, local government, NGOs - and the collective benefit of working together under an innovative format. This narrative is not easy to design due to conflicting priorities between the different stakeholders and tacking into account that these parties have not the same capacity to make their voice heard. In this context, generating ownership from all parties on common goals is the challenge. To face this challenge, participants proposed the following recommendations:

1. **Local communities need to be consulted to define what they expect from the FCP and the landscape approach.** This participatory approach is a condition to generate ownership. It probably requires and leads to a stronger involvement of local communities in the decision-making processes on forest management, community development design and implementation and on the landscape governance.
2. **APP should draw on indicators used in international best practices** (e.g. WWF report on impact of FSC certification on landscapes, or CIFOR & ICRAF experience in landscape management in Sulawesi, etc.) to identify a set of criteria **to describe what would be a successful landscape approach** and then generate engagement and ownership around this objective of a successful landscape approach.
3. **Define long term goals** (15-20 years) and then set up intermediary targets (5-10 years) as local communities need long-term commitment from companies they are invited to partner with, and as, equally, companies need long-term projection to plan their investments.

Addressing the second angle means partners in a landscape should also pay attention to local and national regulations that will ease or hamper the implementation of the landscape approach. They also should consider ways to engage the government to promote a “facilitative playing field”. Participants flag that communities are often pulled in different directions by inconsistent regulation and policy priorities from companies and/or government. They also mention that APP is not always the best placed to influence the government. Participants recommend the following:

4. **APP should support FMUs:** these structures already exist and could be a good solution to build partnerships in the landscape. FMUs need support as they often lack capacity in their present form.
5. **Empowering local community leaders is a powerful tool** to influence governments (local or national).
6. **Stakeholders should use evidence-based approaches** to influence government.
7. **APP working alongside its business competitors and partners, should build industry-wide coalitions** to advocate for policy change at local, national and international level.

Session #2 **Management of social conflict**

Facilitator: Bruno Rebelle Transitions

Sub topics identified from the pre-SAF consultation process:

- “ Transparency on progress made in conflict resolution.
- “ Better implementation of social conflict resolution process.
- “ Implementation of due diligence on human rights.
- “ Stronger involvement of communities in decision-making processes for forest management.

Discussion

The facilitator reminds participants that the pre-SAF consultation process not only helped identifying specific issues to be addressed on the topic of social conflicts, but also highlights a lack of trust between parties (APP versus some NGOs) regarding the company's announcement of progress made in social conflicts resolution.

On the one hand, APP considers it has been transparent when designing the conflict resolution methodology. Information was widely shared and the SOPs to implement the methodology were established after consultation with stakeholders. In early 2016, APP commissioned TFT for a due diligence on progress made in conflict resolution. After marginal adjustment, the results were confirmed.

APP's team would prefer to focus time and energy on conflict resolution instead of answering NGOs criticisms.

On the other hand, the more critical NGOs, without providing clear evidence that the number of resolved conflicts would be wrong, consider the methodology is not precise enough to allow for a robust analysis.

Questioned on why APP doesn't provide more precise data on the conflict resolution process, Pak Agung Wiyono in charge of the security and social issues department at Sinar Mas Forestry, flags that such information is very sensitive: the company fears that any misuse of data might result in additional tensions with the directly impacted community, slowing down the resolution process or making it more complex than it should be.

Thus, participants of the breakout sessions were invited to help finding solutions to overcome this situation, and rebuild trust between APP and these NGOs, expecting more productive collaboration to help resolving as many conflicts as possible, as soon as reasonably possible.

The first challenge is to reach a common understanding on how conflicts are classified. APP's methodology recognizes 8 categories of conflicts. In some of these categories, communities can legitimately fill a complaint, that need to be addressed under the social conflict resolution process. In other categories, where the problem originates from illegal practices, it is far more difficult to consider opening a conflict resolution process because there is no violation of community right but, on the contrary, violation of the law by certain stakeholders, often at the expense of local people. So it is essential to reach an agreement on the following:

- Categories to be used to classify conflicts, and criteria to characterise these categories;
- Steps to follow in the process and indicators to move a given conflicts from one step to the other.

APP welcomes any idea to improve the current conflict resolution process. To that end, participants recommend the following:

8. Elaborating on the outcomes of the meeting organized early 2016, critical **NGOs should propose improvements to the current methodology**. This could be done during a new meeting to be schedule as soon as possible or via an online consultation process. APP would then welcome NGOs willing to implement the upgraded process on a set of real cases, to **road test the proposed improvements**. The sample of conflicts to support the test should be defined in agreement between NGOs and APP. APP sees this proposal as a constructive contribution from stakeholders to resolving more conflicts.
9. Set up a panel of NGOs and APP representative to **monitor a sample of conflict resolution processes**, with the objective of identifying possible improvements of the current methodology. APP expressed its concern that this option might slow down the resolution processes to be monitored, then going against NGOs expectations to see more conflicts resolved as soon as reasonably possible.
10. **Set up a network of regional platforms to share experience** among different stakeholders on best practices in social conflict resolution, commenting on specific cases in APP's concessions and in other companies' concessions with the objective of further improving the current methodology. Participants consider that a regional network would allow observations to be more rooted in local realities. Lessons from this regional network could be then brought to a national level, for example the "Conflict resolution platform".

Session #3 **Peat management best practices**

Facilitator Loic Jacqueson - Transitions

Sub topics identified from the pre-SAF consultation process:

- “ Improve peat management to improve peat protection
- “ Promote native species development. Explore microbial technology benefits to manage tropical peat swamp forest. Promote paludiculture.
- “ Assess impact of canal blockings. Show case projects and promote duplication process.
- “ Improved governance structure for better management of peat.

Discussion

Participants immediately highlight that peat land should not be considered as an isolated topic but, on the contrary, need to be addressed as a key component of the landscape and thus of the landscape approach. As an obvious example, perimeter canal blocking generates impact inside the peat area and outside of it. Like wise canal blocking not only influences the water table level, but also generates a set of new constraints and opportunities for the communities leaving close by.

Looking at what could inspire them to work together, stakeholders see water management at the landscape scale as a first important topic. This common approach is particularly important, as there is no agreed regulation so far to govern water management at landscape level. Even worse, different companies might approach the same peat area with different options resulting in conflicting actions, lack of effectiveness and poor efficiency in efforts to promote best practices. Coordination is particularly needed to manage canal blocking in a comprehensive way, or to share water resources between communities and companies and between different companies. All participants underline the fact that improvement in law enforcement is urgently required at both national and provincial level (KPH).

Participants consider that the second topic requiring efficient collaboration among stakeholders is the management of peat retirement areas. This is a new topic and as usual with new topics, exchange of experience, analyse of successes and failures are essential to speed up the collective learning curve. Experience of natural and assisted regeneration should be shared and compared to see what would be the best options. Likewise, there are so many factors to monitor – hydrology, carbon stock above and below ground, biodiversity, productive activities, paludiculture, governance, etc. - that a large range of skills and expertise is required and need to be efficiently mobilised on the long term if one want to succeed.

Participants discussed alternative species that would fit in rewetted area. On this subject, they recognized that APP is the organization with the most sophisticated expertise. Stakeholders invite APP to continue collaborating with universities and research centre on this subject. They would be interested in participating to a field visit, which ideally could be organized in April-May 2017 (meaning 3 to 6 month after the first planting season, scheduled in November 2016).

Participants agreed on the following principles:

- “ Collaborative approach is the only way to progress and achieve any significant results on the long run, on the complex issue of peatland management.
- “ Future action plans will have to consider both micro and macro operational plan (at landscape scale).

Participants provided the following recommendations:

11. **Set up a working group dedicated to peatland management** (see first list of participants below).
 - a. Identify a pilot landscape to focus on. All participants agreed to select the MUBA landscape – Musi Banyuasin Regency in South Sumatra as the pilot landscape for peat.
 - b. Define and agree on the working group governance rules and management (such rules should be agreed upon at the first meeting of the group).

APP is invited to organize the first meeting then the designated leading organization will manage.

Stakeholders to join peat working group (proposal): Watershed forum, BKSDA, PPKL, KPH Lalan, University Sriwijaya, Belantara Foundation, ZSL, GIZ, Wetlands, HAKI, IDH, ICRAF, Deltares, Greenpeace

12. **Stakeholders should provide options for improving law enforcement on water management** at national and local level. Options would be shared and refined with the government (MoEF and BRG) and with local authorities (KPH at landscape scale). Stakeholders will then engage in implementing and monitoring operational recommendations.

Session #4 **Sustainable fibre sourcing and supply**

Facilitator Arief Perkasa TFT

Sub topics identified from the pre-SAF consultation process:

- “ OKI mill: Strategies for sustainable fibre supply and addressing potential gaps in supply capacity.
- “ Strengthening supply chain verification for outsourced pulp.

Discussion

Participants consider that sustainable fibre sourcing and supply is an area where APP did already a lot to improve its practices. These efforts have been recognised through the different certification schemes applying to APPs and its suppliers' concessions. It was also mentioned that the current negotiation process to define a road map for a potential re-association with FSC is another sign of APP doing its best to implement the FCP fourth pillar. However participants also highlight the many challenges the group is facing to stick to its commitments: increasing pulp and paper production capacities, impact of 2015 fires, retirement of some plantations on peat areas, etc. They acknowledge that APP consistently repeated there is no question that the commitments made in the FCP come first, and the OKI mill entering into production will not affect this commitment. However, some NGOs still expect more detailed figures on how APP will do this while recognizing the commercially sensitive nature of some of the information they ask for.

Participants identified three areas where APP should further progress to secure its sustainable fibre sourcing.

In the first place, APP should continue working to **increasing plantation yield and wood handling efficiency**. As reported by Dewi Bramono, MAI improved on average by ~13% in 2016, and wood loss percentage reduced on average by 29%, as a result of efforts done in implementing better working practices along the chain. In addition to what APP has been doing, participants identified the following recommendations:

13. **Define clearer responsibilities** at HQ down to the operations in terms of inter-departmental coordination, supervision, quality control, response, monitoring & evaluation.
14. **Increase exchange of experience from local champions** regarding pest management, tree genetics improvement, wood extraction & transport.

The second priority should be to work on reducing any risk of disturbance of production capacities. Obviously, fires were mentioned as a major risk, although participants recognized efforts made by APP with the design and the implementation of the integrated fires management strategy (IFMS) combining four components: prevention, preparation, early detection and rapid response. Beyond fires, encroachment is another element of pressure on production capacities. To address these issues participants recommended the following:

15. **All stakeholders to develop a platform to promote clear land allocation** and support government initiatives serving this purpose.
16. **APP should look for support from relevant governmental bodies and law enforcement authorities**, to ensure APP's and its suppliers' capacities to operate in their concession get fully respected, while ensuring **human rights** are also respected in implementing the law.
17. **To further improve the effectiveness of its IFMS, APP should further develop cooperation** with neighbouring companies and land managers.

The third area concerns opportunities to be developed particularly through engaging with communities. This is very consistent with APP's commitment to embrace community into its supply chain in line with government regulations and guidelines. The Integrated Forestry & Farming System program should be further developed with the idea of generating additional sourcing capacities from local communities. To succeed such an approach requires first securing land tenure status and proper implementation – this is the subject of recommendation #15 above. Participants also recommend the following:

18. **APP to further develop its IFFS programme to provide supports to the farmers:** financial support, technical advices, access to market for other commodities to support short and medium term incomes, before pulpwood trees are ready to be harvested.
19. **Seek support from the government** through the various programs proposed such as the 12.7 million ha community based forestry initiative.