

APP response to Joint NGO Statement on 5th Anniversary of Asia Pulp & Paper's Forest Conservation Policy

Jakarta, 8 February 2018 - In the 5 years since APP launched our [Forest Conservation Policy](#) (FCP), we have made significant progress in achieving our goals as part of our new way of doing business. Whilst there have been challenges, we have sought to address these by working together with all our stakeholders, including NGOs.

The NGO groups who put their names to this statement are all important stakeholders of ours, whom we engage with frequently through a variety of platforms, including our bi-annual Stakeholder Advisory Forum where we review together how we can improve on our progress in implementing the FCP.

We are already in dialogue directly with these groups on the issues raised in the statement, but would also like to take the opportunity to share more widely our response to the areas of concern:

1. Wood supply and involvement in deforestation

The statement alleges that APP's plantations will not provide enough fibre to meet the demand of our mills on a sustainable basis. As a business, it is the utmost priority that we have enough supply for our production. With the support of The Forest Trust and Ata Marie, APP has made several projections on the sustainability of the pulpwood supply, using methodology that has been verified by Rainforest Alliance. The result suggests that APP will have enough supply for its production. We are confident that our fibre supply can be improved sustainably in order to meet our future demand. Over the last 5 years we have already achieved significant improvements in yield, efficiency, and reducing wood loss and leakage.

As for the observation that APP concessions continue to be deforested by third parties, we agree that third party deforestation is a critical issue not just for us but for all forestry companies across Indonesia and worldwide. We have been working to address encroachment alongside local and national authorities and will continue to do so, actively seeking to improve on the lessons we've learned to date. APP has repeatedly stated that it is open to working together with stakeholders/organisations in addressing the issue of third party forest clearance and welcomes the opportunity to work with the NGOs identifying this as a critical issue.

On the alleged relationship with PT. Muara Sungai Landak, we would like to reiterate that there is no business nor ownership relation between APP and PT.MSL. If any of our employees have involvement in other business, as a result of which a conflict of interest which violates our business code of conduct could occur, we will undertake disciplinary action which can include the termination of employment.

2. Progress in resolving land conflicts

In response to the claim that we have failed to show enough progress on resolving social conflict in our suppliers' concessions, we would agree that we hoped to be further along

in resolving conflicts. However we are also committed to resolving conflicts in a lasting way. As of end of 2017, 43% of the identified conflicts in our suppliers' concessions have been resolved. In resolving conflict, we have developed multi-stakeholder working groups at regional level, improving coordination and communication with relevant stakeholders and the Government, and engaging with professional consultants to act as mediator in conflict resolution process.

Many of the remaining conflicts to resolve involve multiple parties with multiple terms and combine issues related to land tenure and livelihoods - all of which take careful attention to ensure that all parties are satisfied with the way conflicts are resolved. APP is in dialogue not only with communities involved but also the social NGOs supporting them and welcomes the engagement of the NGOs listed to be part of the working groups that we have established.

3. Protecting peatlands

In response to the concern that APP is not making fast enough progress on peatland restoration, we would again share the eagerness of the NGOs listed to see this move faster. APP is committed to restoring peatlands and needs to align this with the requirements of the Indonesian Government, particularly the processes under the peat regulation. APP has focused its initial efforts on two LiDAR mapping exercises, building canal blocking to maintain water levels in peat forests directly bordering to the production areas, as well as research into alternative peat species which can be used for production, restoration and community use. APP's suppliers impacted by the peat regulation have also revised their long-term workplan (Rencana Kerja Usaha/RKU), which has been approved by the Government. Currently we are continuing to the next process on field verification. Any land swap that would be granted by the Government as part of the process under the peat regulation, will be subjected to our FCP and all associated impact assessments, as well as achieving the Free, prior and informed consent of nearby communities.

4. Relationships with our suppliers

We have never sought to mislead our stakeholders about our relationships with our suppliers. In the course of 2013/14, APP subjected itself to an independent assessment on APP relationship with not only its suppliers but also several other companies proposed by NGOs that allegedly have ties with APP. The assessment covered not only ownership relationship but also business and economic influence APP might have over these companies.

APP confirms that there is no ownership link with the 29 third party suppliers declared by the assessment. Furthermore all 29 third party suppliers are committed to compliance with the FCP.

APP also enforces business code of conduct to its employees. If any of our employees have involvement in other business, as a result of which a conflict of interest which violates our business code of conduct could occur, we will undertake disciplinary action which can include the termination of employment.

5. Independent monitoring

We are committed to independent monitoring of our performance against our sustainability commitments. Since the launch of our FCP, APP has sought to engage and involve its stakeholders, through:

- The independent assessment of FCP progress undertaken by Rainforest Alliance, as part of which public consultations were conducted
- Public consultations, focus group discussions and working groups that are part of the ISFMP (Integrated Sustainable Forest Management Plan) development process
- The Independent Observer (IO) platform, where stakeholders including NGOs are invited to observe the implementation of the FCP
- Our formal Grievance Mechanism, where the public can log any suspected violations of the FCP, guaranteeing an on-the-ground investment involving TFT and other relevant stakeholders
- Regional Social Working Group, now active in Riau, Jambi and South Sumatra
- Our Stakeholder Advisory Forum, held twice a year, as part of which APP presents its progress in FCP implementation and a wide group of stakeholders is invited to contribute their views to help us improve our performance.

We will continue to engage and take on board views of all stakeholders as we implement our FCP, and look forward to doing this both in the next Stakeholder Advisory Forum on 22nd March, as well as through bilateral dialogue. We are open to work with the NGOs listed in this statement, and all other interested stakeholders, on improving how we report on progress so that concerns can be put to rest.



We would also like to encourage our stakeholders to utilise APP's Grievance Mechanism to report any concern of violation of the FCP commitment. Through this mechanism, APP team will undertake ground verification and the report will be made public.

Finally, we are finalising a more detailed progress report on progress against our FCP over the last 5 years and plan to publish it later this month.