

APP Roadmap Stakeholder Consultation | SUMMARY REPORT

Dear Stakeholders,

Thank you for your valuable input to the stakeholders consultation on the APP's roadmap. This document provides a summary of feedback, the results of feedback analysis and a description of next steps. FSC organized stakeholder input into 4 different categories to facilitate the revision of the roadmap:

- 1) High level concerns which required us to consult with the FSC Board. This category of input will be further discussed with stakeholders.
- 2) Input considered for the revision of the roadmap
- 3) Misunderstandings which can be addressed by further clarifications in FAQs or other info materials
- 4) Input which is outside of the scope of the roadmap or too elaborated. Such input is either forwarded to APP or considered in the implementation of the roadmap (e.g. action plan) so that it informs relevant activities/operations.

Your inputs brought fundamental changes to the roadmap. Stakeholders who jointly sent FSC a concern letter were invited to an in-person workshop that will be held in Jakarta on the 9 September 2016. At the workshop, remaining concerns will be addressed and hopefully resolved.

We will share the outcome of the workshop to you.

Sincerely,
FSC Dispute Resolution Program Team

Major changes in the revised Roadmap

- Enhance the social part of the social and environmental compensation commitments to address the impact of past violations of the PfA
- Strengthen FSC's role and involvement in setting action plans for the compensation track
- Require to demonstrate the serious implementation of APP's own corporate policies
- Enhance the independent verification of all performance related roadmap conditions

Stakeholders Responses Summary |

Consultation period:
4 April – 31 May

Consultation methods:
Online questionnaire and emails supported
by FAQs and Webinars;
In-person meetings in Indonesia

Targeted stakeholders:
FSC International members and
stakeholders affected by APP's operations

On 15 April 2016, **RAN, WWF and Greenpeace** jointly requested FSC to hold local stakeholder consultation meetings in all relevant Indonesian provinces as well as to extend the consultation by 30 additional days.

Accepting their request, FSC decided to extend the deadline for comments to 31 May, and to organize local stakeholder consultation meetings in 5 provinces (3 more than originally planned): **Riau, Jambi, and additionally South Sumatra, West Kalimantan and East Kalimantan**. In total **52 individuals participated**.

Concentrated around 31 May, FSC accepted **21 valid digital submissions*** via email and through the online questionnaire.

On 6 June, 37 International NGOs and local NGOs sent a joint letter to FSC which highlighted their high level concerns against the consulted draft roadmap and its process.

* There were 2 incomplete feedback in online survey.

Local stakeholders were relatively positive on the roadmap itself, while international stakeholders (mainly FSC international member) were more cautious due to their concern on FSC's reputation, which most of local stakeholders do not consider.

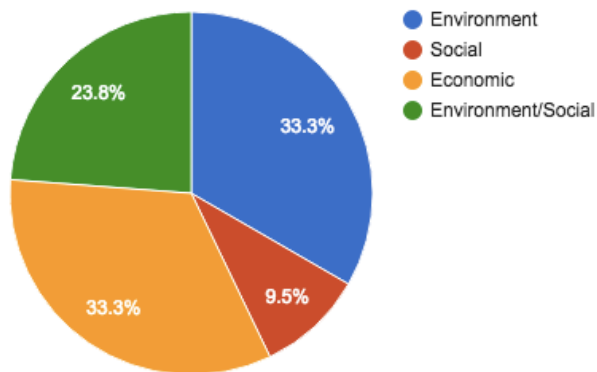
Common concerns pointed were;

- Weakness/vagueness of CW standard and FCP, especially on social issues and under poor governance condition in Indonesia.
- Independent suppliers responsibility
- Performance indicators and verification methods, who will monitor and verify?
- Accessibility of publicly available information
- Stakeholders engagement
- How the roadmap addresses hot issues of APP such as fire, peat management, 3rd party deforestation and sustainable fibre supply to Oki mill

Respondents profile |

Digital Responses

Stakeholders Interest

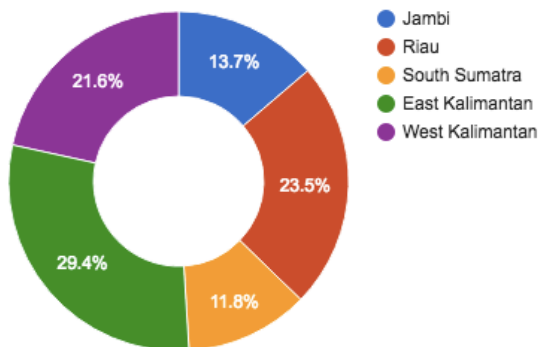


Total 21 responses.

Two thirds of the respondents (14) were international FSC members, 3 represent non-member Indonesian stakeholders and 4 non-member international NGOs. The overall distribution of stakeholder feedback across various interest groups was rather balanced.

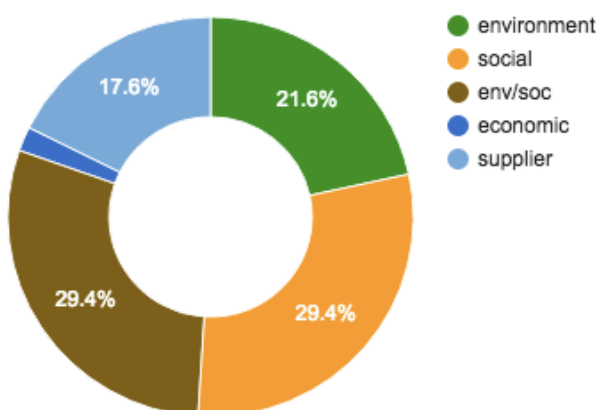
In-person Responses

Participants by Province



A total of 52 individuals participated with more participants in Kalimantan than Sumatra. Consultations were conducted during April and May 2016 in Bahasa Indonesia only.

Interest of participants

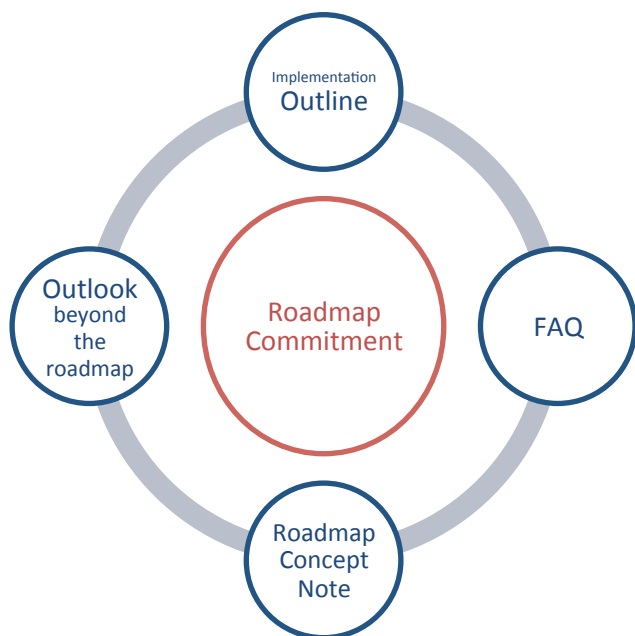


Social and environment interests were dominant in the local stakeholders meetings. Workers unions were an important part of the social constituency which also included representatives from communities in Riau as well as Indigenous Peoples and CSOs.

Next Steps | Toward finalizing the roadmap

1. Holding a workshop with key stakeholders in Indonesia to discuss and agree on the FSC proposal for a revised roadmap and further process on 9 September 2016
2. Report and negotiate resulting version of the roadmap with APP on 16 September 2016
3. Approve by Board and publish the preliminary APP roadmap – October
4. FSC led process to further refine specific parts of the roadmap – October / November
Through targeted stakeholder consultations, FSC will assess whether action plans and performance indicators related to compensation and restoration are adequate. FSC will also assess the relevance and effectiveness of APP’s stakeholder engagement and conflict resolution framework. framework are adequate. Finally, FSC will develop performance indicators to verify the serious of implementation of APP’s corporate commitments.

New Structure for the Roadmap Documents |



APP commitments under the Roadmap towards compliance with the FSC PfA – (to be revised)

A Core document. The requirements set by FSC in consultation with stakeholders and agreed by APP who will implement it. The successful implementation will be independently verified before the FSC Board of Directors takes a decision to end the disassociation (which will not result in the issuance of FSC certification).

Implementation Outline- (to be revised)

A diagram visualizes the conditions described in the Roadmap Commitments.

FAQ- (to be revised)

Frequently Asked Questions on the roadmap mechanism and commitments.

Roadmap Concept Note- (new)

Clarification of “the Roadmap” concept for ending disassociations: definitions, prerequisites, principles, purpose and decision-making.

Outlook beyond the roadmap- (new)

Explanation of what to be achieved with roadmap phase and by certification phase (P&C).

Board Principles |

July 2016, the 72nd FSC Board Meeting

Set of Principles that FSC shall consider in developing a roadmap

1. FSC shall not frame roadmap conditions based on potential or upcoming policy changes.
2. FSC should not ask a disassociated company to comply with higher standards on issues that are stipulated by PfA.
3. HOWEVER, FSC can and should ask for outstanding trust-building measures that reflect the prerequisites for entering into a roadmap process with FSC;
 - I. Changed management approach, leading to demonstrable change
 - II. Compensation for social and environmental damage
 - III. Transparency of change process and credible involvement of stakeholders
 - IV. Independent verification of corrective/compensatory and preventive measures

What this means for the APP roadmap?

Principle 1

- We do not expect supplier concessions to comply with PfA, given that the current PfA only defines control as related to majority ownership
 - Instead, FSC expects that APP's sustainability commitments are suited to address the issues of supplier concessions and APP to demonstrate serious implementation of its own commitments through regular reporting, stakeholder dialogue and independent verification.

Principle 2

- We are not asking for additional FM performance aspects to be part of the roadmap such as peatland or fire management, FPIC, etc. as these go beyond related criteria of the PfA
- We do not require APP to obtain CW/COC for all their fibre suppliers, since this is not a requirement for other organizations

Principle 3

- We expect that planned compensation measures are relevant in light of estimated damages, that such relevance is confirmed by stakeholders, and that real action taken
- We can ask APP for disclosure of non-confidential business information as far as relevant under the PfA for past and potentially present violations which includes
 - Data on conversion over at least the past 10 years in concessions owned at the time
 - information about location, size etc. of own and supplier concessions in this time period
- We ask APP to demonstrate good practices in stakeholder involvement
- We ask APP for independent verification of all performance related roadmap conditions

Summary of High Level Concerns | Highlighted by NGO consortium

List of NGOs' recommendations by NGOs and FSC responses (12 July)

NGOs: The roadmap objective is achieving conformance with the FSC's Principles and Criteria for responsible forest management

FSC: P&C is the longer term objective we see for APP. But for the roadmap only, FSC should set requirements based on PfA. FSC will publish a concept paper which includes the objective of a roadmap process.

Any re-association should follow and be consistent with the outcomes of the Working Group on Motion 12 addressing broader past plantation conversion rules and changes to FSC standards...

APP is required to negotiate its compensation action plan & model with key stakeholders. Part of them also forms M12 process so FSC anticipates the outcome will be more or less similar. In the revised roadmap will include a provision that foresees amendments in case of changes in policies.

Performance indicators for social and environmental compensation tracks.

Already foresees that will be defined in the action plan (2.1.1), but FSC can be more involved in the action plan development process with an expert panel. FSC will closely involved in the performance indicators development

Robust due diligence covering APP operations in China, Canada and other countries

FSC will compile info on APP's forest activities outside of Indonesia. If there is evidence those are not in line with the PfA, those operation will undergo a minimum performance check.

Remedying historical social and environmental harm caused by the land acquisition and forest conversion activities that led to APP's disassociation from FSC

It was already included in commitment 2 of draft 1 roadmap and partially by CW standard. However, the social aspect of compensation is further clarified in the revised version.

Expand the number of independent suppliers to conform and verified against CW standard

FSC can only base on the existing normative rules, i.e., PfA applies only to majority owned operations. FCP has a number of relevant commitments closely related to CW, and it scopes all of APP suppliers in Indonesia. FSC considers the revised roadmap can more comprehensively refer to FCP by requiring full implementation of it.

Color code:

Accepted

Not accepted/
partially accepted

Need further discussion

Augment the CW/FM with additional elements from the PfA. P&C as part of verification procedures and reference to the evaluation indicators from RA's FCP report.

The revised roadmap will address the element of human rights violation, further comprehensively refer FCP, be ensured that a formal interpretation of 'traditional people' will be provided by FSC. ASI can be commissioned for CB audit. Further discussed in the workshop

Reconfirm that APP will be bound by the five year post-conversion non-eligibility period before re-association can take place

FSC sees the past five years conversion can be a reason of disassociation but can not be the condition for ending the disassociation. The requirement to compensate for the past legacy should offset the possible waiting period. Further discussed in the workshop

Other topics which will be addressed in the workshop (9 Sept)

- Gap between PfA elements and CW/FM standard (human rights, traditional rights)
- Independent verification- who will do it? How to verify?
- Definition of key stakeholders for agreeing on action plans to compensate for past legacy (instead of SAF)

In addition, the development of a roadmap for APRIL and the process of aligning APP's and APRIL's roadmaps will be discussed.

Your inputs reflected in the roadmap revision

In the roadmap |

- 1.2.1 Revise the number of exemplary samples*
- 2.1 Clearly require **FPIC** implementation for compensation activities
- 2.1.1 Revise the approach of developing action plan (more FSC involved)
- 2.1.1 Clarifies “Proportionate” in this context.
- 2.X Require **Independent verification for compensation** activities
- 2.3 Revise target number to make it more clear
- 3. Modify the title to be more adequate to the contents
- 3.1 Make the information available to local stakeholders
- 3.1 Clearer wording of interconnection with compensation requirement
- 4.1 Make reporting and independent verification publicly available
- 5. Clarification of “publicly available” in the note
- 5.1 Add the result of gap analysis (1.2.3) in the public available list

* will be further discussed in the stakeholders workshop

In supplementary Documents |

FAQs [revised]

- What kind of concession data will be publicly available during the roadmap process? Include those committed under FCP, such as HCV assessment, social impact assessment?
- Are contractor and sub-contractors also covered under CW standard to implement the standard?
- How the FPIC specified to be implemented under the roadmap?
- What is the relevance of APP’s 1 million ha commitment in the roadmap?
- What is FSC’s role and involvement during the roadmap implementation phase?
- How the concern on sustainable supply especially to OKI mill is related in the Roadmap?
- How the APP roadmap relevant with the process for APRIL?
- Why CW standard will be used when APP used to have a CW certificate which did not prevent the APP to be disassociated?
- Why FSC rely on CW standard only based on where the national forest governance is poor and social conflict is complicated?
- Why isn’t the timeline specified?

Reassociation Outlook [new]

Explanation of what to be achieved within roadmap phase and after certification phase (FSC P&C). This document manages expectation towards FSC and its system, what the roadmap can do, what is beyond roadmap to do.

Roadmap Concept Paper [new]

Include the explanation of definition, guiding principles, purpose and FSC’s roles of the roadmap. This document provides clear concept of the roadmap itself.

Outline for roadmap revision

(D2-0)

ADDRESSING THE IMPACTS OF PAST VIOLATIONS OF THE POLICY FOR ASSOCIATION

I: APP shall provide adequate compensation for converted or cleared natural forest areas through restoration and supporting conservation measures

- restore and support the conservation of natural forests in Indonesia at a scale proportionate to the area that had been converted to plantations and other land uses or otherwise destroyed. APP shall carry out measures that are suitable to compensate for the environmental impacts caused by this conversion or destruction through stakeholder process and implementation of FPIC
- Consideration of severely degraded low carbon stock forests (3.1 from consultation draft 1-0)
- Pilot testing restoration and conservation models for feasibility and effectiveness testing
- Implementation of successful models on at least XX % of the overall targeted area

II: Compensation and resolution of indigenous peoples and local communities for and resolution of conflicts resulting from past violations of their traditional and human rights

- Action plan agreed with representatives of affected indigenous peoples and local communities through independently moderated process resulting in verifiable performance indicators
- Implementation of action plan based on FPIC
- Implementation of conflict resolution
- Completion of at least XX% of compensatory measures, reminder needs to follow an agreed implementation schedule)

III: PREVENTING REOCCURRENCE OF PFA VIOLATIONS

- APP's own concessions will have to be conforming with the FSC Controlled Wood standard for FMEs and independently verified by FSC CB
- Supplier concessions will have to meet APPs FCP, focusing on those aspects that are within the scope of the Pfa (See also III)
- Further plantation development based on HCS approach will have to aligned with forthcoming national FSC definition for 'natural forests' (3.2 from consultation draft 1-0).

IV: MEETING COMMITMENTS OF APP'S OWN CORPORATE POLICIES

- For all concessions demonstration that FCP has been fully implemented (can be extended to suppliers outside Indonesia where there are relevant concerns)
- For APP supplies, demonstration that APP's Responsible Fibre Procurement & Processing Policy is fully implemented
- FSC conducts final due diligence evaluation for all APP group operations involved in forest management and trade before Board decision to end disassociation.

V: REPORTING AND INDEPENDENT VERIFICATION

- Disclosure of information about APP's conversion activities and ownership relations
- Publication of action plans, social and environmental assessments, progress reports, audit reports
- Independent verification of all roadmap commitments and performance indicators

VI: DEVELOPING PERFORMANCE INDICATORS AND ROADMAP VERIFICATION

- Through stakeholder consultations supported by independent experts, FSC will develop performance indicators for I, II and IV.
- The fulfilment by APP of all roadmap commitments and performance indicators shall be verified by an independent body selected by FSC

NOTES:

- i) Potential amendments in case of changes in policies, structures, external factors
- ii) Grievance Procedure for issues related to roadmap implementation

Feedback to be Forwarded | to APP, to FSC or to the next step of the roadmap

1.2.1 | Criteria to be considered for selection of the exemplary samples for CW/FM full conformity within the roadmap period. The principle is not to choose from the best managed operations but from the most critical ones.

- Endangered wildlife/protected species exist in the FMU
- Bigger natural forest
- Existence of unsolved conflicts
- Threat from 3rd party deforestation is high
- Hotspot/high risk of fires

1.2.4 | “Engagement” is not strong enough and should be replaced such as fulfillment or compliance. The wording of “engagement” is from APP FCP 2013. It should be considered when APP is going to revise the FCP in the future.

Regarding to the social and communities engagement done so far, we received a couple of comments of inadequate implementation of FCP social engagement by contractors, which causes disunity in communities. Also the speed of conflict resolution process was a very high concern amongst most of the stakeholders, while some of them evaluated the high-level commitment itself is good. **There is a need of independent mediation for social and community engagement.**

3 | New Species and reduced waste harvesting

Feedback on these operational practices is too detailed for the roadmap. APP should consider those within concession management.

- Select the native species which would be planted for the next rotation and new plantation, especially on peat land plantation.
- Ensure the productivity of the forest by reducing harvesting waste (also part of risk mitigation of forest fire).

To FSC> Definition of natural forest NSFF should adopt HCS concept

3.1 | The calculation of carbon stock of HCS should be included under soil surface.

Because carbon stock on the peat land under soil surface could be bigger than upper soil surface. Or more explicitly, no new plantation on peatland.

Such feedback is too technical and specific and goes beyond what FSC can do under the PfA. However, this is an interesting point that will be considered as part of peat management under HCV4.

4 | Responsible fibre procurement & processing policy

The feedback below should be addressed under the APP responsible fibre procurement & processing policy or marketing activities:

- Disclosure of source of origin
- Stop sourcing timber from companies proved to be involved in corruption cases
- Don't source timber coming from burning/forest fire area
- Use FSC CW for COC for due diligence
- Market commitment : No sustainability claim or promotion based on PEFC