

# Sustainable Forest Management Policy

Proudly announced by



*“Enhanced Policy exceeds any commitment we have ever made.”*

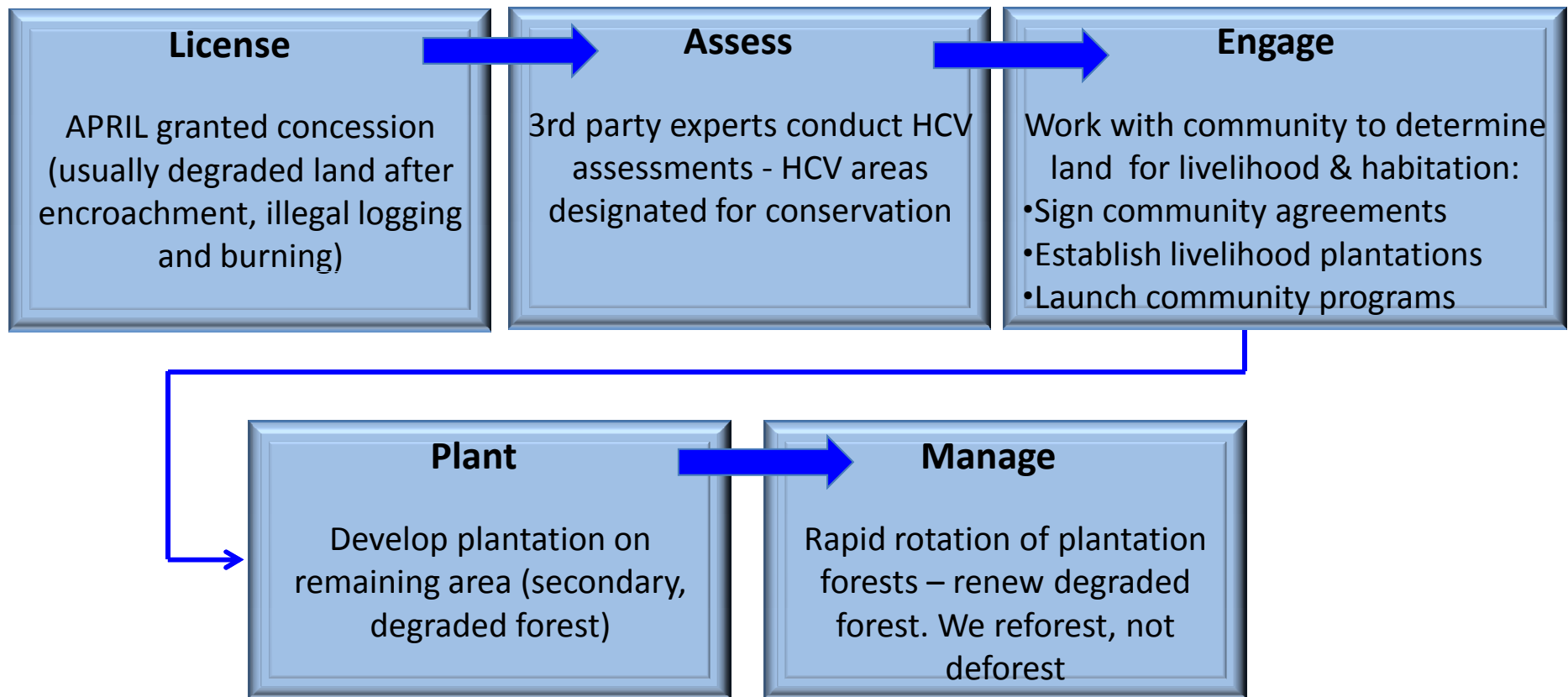
## Updated Sustainable Forest Management Policy

- Developed following wide consultation with stakeholders
- Takes APRIL's commitments to the next level – environment, community and business
- Applies to APRIL, all suppliers, current and any future mills in Indonesia
- Builds on pioneering conservation commitments since 2005 – now mandated for all suppliers

# Our SFM Approach Since 2005



# Sustainability Through Balanced Land Use



***“Enhanced Policy exceeds any commitment we have ever made.”***

*“WWF cautiously welcomed a Sustainable Forest Management Policy launched today by APRIL, noting that a commitment to support forest conservation areas equal to its plantations **sets a new standard for the pulp and paper industry in Indonesia...** If APRIL truly fulfills the entire commitment in the policy, it will lead to **a positive contribution to Indonesia’s forests, biodiversity, emissions reductions and people.**”*

**Dr Efransjah, CEO of WWF Indonesia**

*“We want to congratulate APRIL on its new Sustainable Forest Management Policy, in particular **APRIL’s promise to involve local communities and ensure the environmental integrity of the policy...**”*

**Stig Traavik, Norway’s Ambassador to Indonesia**

*“I **strongly support the policy of sustainable forest management APRIL has announced.** For Indonesia, sustainable forest management is the only option.”*

**Zulkifli Hasan, Indonesian Minister of Forestry**



# I. Long-term Sustainability

***SFM is the guiding principle for APRIL and all of its fibre suppliers' operations. APRIL renews degraded forests to improve productivity of the land and preserves High Conservation Value areas to conserve biodiversity, environmental services and community use.***

- a) Sources fibre only from non-HCVF areas identified by independent assessments – HCV toolkit and peer reviewed by HCV Resource Network
- b) Effective immediately (28.01.14), moratorium throughout supply chain where HCV assessments have not yet been completed
- c) Plantation establishment completed by end 2014 – APRIL & supply partners
- d) 100% plantation fibre by end-2019
- e) Robust CoC and sourcing monitoring to ensure only non-HCVF fibre
- f) No new pulp mills or pulp lines until plantation fibre self-sufficiency
- g) All fibre suppliers now mandated to comply with APRIL's SFM policy

## II. Forest Protection & Conservation

***Commits to protect, manage and enhance forest areas with High Conservation Value and High Carbon Stock***

- a) Reaffirms commitment to HCV assessments since 2005
- b) Protects and manages more than 250,000ha of conservation zones
- c) Already restoring 20,000ha of degraded peatland in Riau (RER
- d) Additional 20,000ha to be restored at Pulau Padang
- e) Supports biodiversity and carbon conservation initiatives on a landscape basis. Strives to support conservation areas equal in size to plantation areas
- f) Pilot study on HCS – participating in development of industry-accepted methodology
- g) New concession areas to be best practice in HCS when standards are established

# III. Peatland Management

***Supports the Government of Indonesia's target to reduce greenhouse gas emissions.***

- a) APRIL and suppliers protect and manage forest peatland areas identified as HCVF and HCS
- b) Moratorium on forested peatland areas, incl. canals and other infrastructure activities, until independent HCV assessments have been completed. HCS assessments will be conducted when relevant standards established
- c) Engaged with peat experts to implement best practice management to reduce and avoid GHG emissions within peatland landscapes



## IV. Legal Compliance & Certification

### *Beyond legal compliance toward achieving SFM*

- a) Reaffirms commitment to comply with all prevailing laws and regulations – all fibre suppliers also required to do so
- b) Participating in global SFM certification and encourages fibre suppliers to do so
- c) Has Indonesian Timber Legality Assurance System (INDO-TLAS)/SVLK and OLB/Timber Legality Origin certifications for assurance of timber legality. Annual reviews to maintain certification status

## V. Community Engagement & Social Responsibility

*Partnerships established with local communities as part of commitment to CSR.*

- a) Committed to FPIC principles in Indonesia context
- b) Will resolve any outstanding community conflicts in a fair and transparent manner with input and feedback from stakeholders

## VI. Good Corporate Governance/ Transparency

*Committed to best practices in good corporate governance  
& transparency.*

- a) Establishing Stakeholder Advisory Committee (SAC) to ensure transparency and implementation of SFM Policy
- b) SAC to appoint independent verification auditor and will oversee monitoring, verification, implementation
- c) WWF, [WBCSD] and others invited to participate in SAC
- d) Regular progress updates for stakeholders

## Major advances versus the past...

BEFORE	+	NEW ENHANCEMENTS
<ul style="list-style-type: none"> <li>HCVF assessments since 2005</li> <li>Suppliers encouraged to do HCV</li> </ul>	+	<ul style="list-style-type: none"> <li>Reaffirm commitment to HCV approach</li> <li><b>Moratorium on any areas where HCV assessments not yet completed.</b></li> <li><b>All suppliers mandated to do HCV</b></li> </ul>
<ul style="list-style-type: none"> <li>Complete plantation establishment on APRIL concessions as soon as possible</li> </ul>	+	<ul style="list-style-type: none"> <li><b>APRIL and supply partners complete plantation establishment by end 2014</b></li> </ul>
<ul style="list-style-type: none"> <li>Our aim is to be 100% plantation sourced and to stop using MHW. MHW only from non-HCV areas</li> </ul>	+	<ul style="list-style-type: none"> <li><b>APRIL will use only plantation fibre by end of 2019</b></li> <li><b>Progressively reduce MHW use over that period – MHW only from non-HCV</b></li> </ul>
<ul style="list-style-type: none"> <li>We have no plans to increase capacity at the Kerinci mill</li> </ul>	+	<ul style="list-style-type: none"> <li><b>No new pulp mill or pulp lines until plantation fibre self-sufficiency achieved</b></li> </ul>
<ul style="list-style-type: none"> <li>Committed to restoring 20,000ha of degraded peatland</li> </ul>	+	<ul style="list-style-type: none"> <li><b>Committed to restoring 40,000ha of degraded peatland</b></li> </ul>
<ul style="list-style-type: none"> <li>APRIL and supply partners protect more than 250,000ha of conservation zones</li> </ul>	+	<ul style="list-style-type: none"> <li>250,000ha already protected. <b>Will strive to support conservation areas equal to APRIL's plantation areas</b></li> </ul>
<ul style="list-style-type: none"> <li>APRIL implements HCV approach</li> </ul>	+	<ul style="list-style-type: none"> <li>Implements HCV approach</li> <li><b>Participating in and will adopt HCS – pilot study</b></li> </ul>
<ul style="list-style-type: none"> <li>Supports reduction of GHG emissions through peatland management</li> </ul>	+	<ul style="list-style-type: none"> <li><b>Moratorium on peatland areas incl. canals and infrastructure activities until HCV assessments completed</b></li> </ul>
<ul style="list-style-type: none"> <li>Engages with local communities to reach agreements and resolve disputes</li> </ul>	+	<ul style="list-style-type: none"> <li><b>Commits to FPIC principles in Indonesia context</b></li> </ul>
<ul style="list-style-type: none"> <li>APRIL is transparent and engages with a range of stakeholders – Govt MRV</li> </ul>	+	<ul style="list-style-type: none"> <li><b>Stakeholder Advisory Committee. WWF/WBCSD invited</b></li> <li><b>Independent verification auditor to be appointed</b></li> </ul>

## Major advances versus competitors...

Competitor's Forest Conservation Policy	APRIL Sustainable Forest Management Policy
Clearance completed before suspension announced. HCV/HCS assessments just started - conducted after the fact. No plantation completion date	HCV assessments required since 2005 – now mandated for all suppliers. 250,000ha already protected. Moratorium in areas where assessments not yet completed. Finished plantations in 2014. Deliberate and slow approach to plantation establishment to allow HCV protection before planting
"Moratorium" is temporary. Not transparent that MHW use will resume	Will not clear in any high conservation areas (since 2005). MHW from non-HCVF will be used in decreasing amounts to 2019
No end date for end to MHW use or land clearance	100% plantation sourcing by 2019.
Silent on forest restoration	Doubled eco restoration commitment to 40,000ha
All suppliers covered by policies. HCVF assessments just started.	All suppliers covered by SFM policies. Many suppliers already protecting HCVF
Monitored by The Forest Trust	Monitored by multi stakeholder independent committee including WWF and independent auditor
No further development on peatland until HCV completed. Supports Govt emissions reductions	Already protecting significant areas of peatland. Moratorium as HCV assessments completed. Supports Govt emissions reduction goals
Implements principles of FPIC in local community engagement	Rigorous process to support FPIC principles in Indonesia context. Community conflicts to be resolved in fair and transparent way
Silent on new mills and pulp lines	No new mills or pulp lines until 100% plantation sourcing achieved
Silent on total conservation areas target	Will support conservation areas equal in size to plantation areas – already >250,000ha
Silent on legal compliance, certification & governance	Full legal compliance, SVLK/OLB certs, complies with all laws, good governance, GRI sustainability reporting

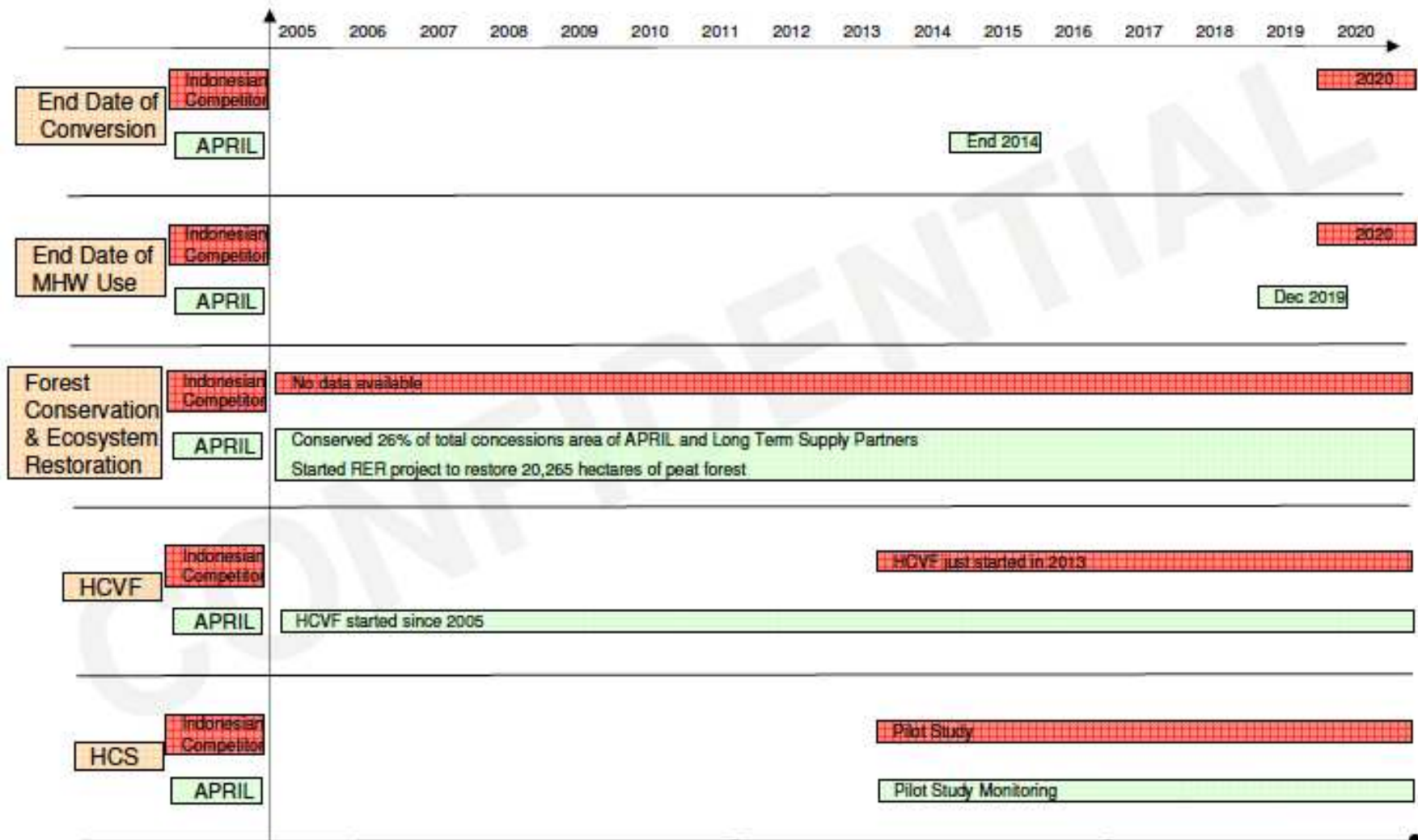
## Summary: APRIL's SFM Policy vs. Competitor's FCP

KEY ISSUE	APRIL's SFM Policy		Competitor's FCP
	Existing	New	
High Conservation Value Forest	II.a. APRIL reaffirms its commitment to HCV assessments since 2005;		"APP has conducted <u>an initial assessment</u> of all of its supply chain.." <b>(NOTE: Competitor just started HCV in 2013)</b>
High Carbon Stock		II.a. APRIL will participate in the development of an industry-accepted methodology of High Carbon Stock ("HCS"), by initiating a pilot study within its concession area;	"On HCS work has started to identify the area and quality of forest cover.." <b>(SIMILAR VIEW: HCS still at pilot stage)</b>
		II.b. APRIL will adopt for new concession areas the best practices in the industry pertaining to HCS if and when relevant standards are established.	
Moratorium in concession areas		I.b. APRIL declares a moratorium where HCV assessments have not been completed;	"From 1st February 2013, all natural forest clearance has been suspended whilst HCV and HCS assessments are completed.." <b>(SIMILAR VIEW)</b>
End of Conversions		I.c. APRIL and its Long-Term Supply Partners will complete their plantation establishments by the end of 2014;	<b>N/A. FCP did not mention an end date of conversions</b>
End Use of MHW		I.d. APRIL will only use plantation fibre by the end of 2019.	<b>N/A. FCP did not mention an end date to use MHW</b>
Future Expansion		I.f. APRIL will not establish a new pulp mill and/or a new pulp line until it achieves plantation fibre self-sufficiency for its long term sustainability;	<b>N/A. FCP actually mentioned and considered "All future expansion"</b>

## Summary: APRIL's SFM Policy vs. Competitor's FCP

KEY ISSUE	APRIL's SFM Policy		Competitor's FCP
	Existing	New	
<b>Conservation areas/zones &amp; Ecosystem Restoration</b>	<b>II.b.</b> APRIL and its Long-Term Supply Partners protect and manage more than 250,000 hectares of conservation zones identified through HCV assessments;	<b>II.d.</b> APRIL will initiate a new ecosystem restoration project to restore additional 20,000 hectares of degraded peatland at the core zone of Pulau Padang;	<b>N/A. FCP did not have information on conservation zones, ecosystem restoration projects, nor supporting conservation areas</b>
	<b>II.c.</b> APRIL has committed to restore 20,000 hectares of degraded peatland within the core zone of Kampar Peninsula through the Restorasi Ekosistem Riau (RER) initiative in Riau province;	<b>II.e.</b> APRIL will support biodiversity and carbon conservation initiatives with a focus on landscape basis. APRIL will strive to support conservation areas equal in size to APRIL's plantation areas;	
<b>Peatland Management</b>	<b>III.a.</b> APRIL and its fibre suppliers protect and manage forested peatland areas identified as HC VF and HCS;	<b>III.b.</b> APRIL declares a moratorium on forested peatland areas, including canals and other infrastructure activities, until independent HCV assessments have been completed, and HCS assessments will be conducted if and when relevant standards are established;	<b>(SIMILAR VIEW)</b>
	<b>III.c.</b> APRIL engages with peat experts to implement best practice management to reduce and avoid greenhouse gas (GHG) emissions within the peatland landscape.		
<b>Community conflicts</b>	<b>V.a.</b> APRIL commits to the Free, Prior, Informed, Consent (FPIC) principles implemented in the Indonesian context;	<b>V.b.</b> APRIL commits to resolve any outstanding community conflicts in a fair and transparent manner with input and feedback from stakeholders.	<b>(SIMILAR VIEW)</b>
<b>Transparency and Monitoring</b>		<b>VI.a.</b> APRIL will establish a Stakeholder Advisory Committee ("SAC") to ensure transparency and implementation of this SFMP;	"These commitments are being monitored by <b>The Forest Trust</b> . Competitor will welcome independent 3rd party observers to verify the implementation"
		<b>VI.b.</b> The SAC will appoint an independent verification auditor and oversee monitoring and verification of the implementation of APRIL's SFMP;	

# APRIL vs Competitor's Commitment Timeline Comparison





# Initial Market Reactions...

- Predictably – some doubters spreading false accusations ...

BUT

- Strong support from external stakeholders – Govt, foreign governments, WWF, industry & others
- Balanced global media coverage
- Intense internal commitment and confidence to implement SFM with renewed vigor

# Greenpeace Fiction vs APRIL Facts

## Fiction

Largest deforester – cutting down the last remaining rainforest.

SFM policy in response to threat from WBCSD

Continued destruction of forest for another year, six years before it stops using rainforest wood

If serious, would have put an immediate moratorium on all activity

No commitment to implement an immediate moratorium. No commitment to protect all natural forest in supplier concessions



## Fact

- APRIL plantations are < 0.5% of Indo forest areas
- Conserves > 250,000ha of forests
- Restoring 40,000ha of forest
- Plantation establishment finished in 2014

- Policy has been months in the making – involving extensive stakeholder consultation

- HCVF adopted since 2005 – 250,000ha protected
- Moratorium where assessment not yet completed
- Only uses wood from non-HCVF – none by 2019
- Competitor continues to use MHW til 2020

- Slower plantation establishment to allow for progressive protection of HCVF
- Moratorium on areas not yet assessed
- APRIL 100% plantation in 2019

- HCVF already protected – plantations done 2014
- Moratorium in areas not yet assessed
- All wood from non-HCV sources
- 100% plantation by 2019
- Policies apply to all suppliers

# What this means for you...

- **Business-as-usual – but better**
  - Far reaching commitment to environment by APRIL, your supplier
  - New level of engagement and endorsement from independent stakeholders
  - Clear, transparent, concrete commitments and agenda for next 5 years – regular updates
  - APRIL will be the first major Indonesian company to achieve 100% plantation sourcing
  - APRIL will not buy from suppliers unless confirmed non-HCVF sourcing
  - A sound and endorsed approach to cite in addressing critics and detractors
  - Continued opportunity to work with/do business with a clear industry leader

**Questions...**