



## 2.2 Experiences of the Asia Pulp & Paper Group

AIDA GREENBURY

### Why zero deforestation?

The demand for a range of global commodities has increased rapidly over the past two decades, contributing greatly to economic growth in tropical forest countries such as Indonesia. However, this has given rise to deforestation as producers in developing countries try to meet this demand, which originates primarily from developed countries. Eventually, through the efforts of various stakeholders including NGOs, unsustainable practices and the companies engaged in them have been brought to the attention of a global audience.

Established in 1972, Asia Pulp & Paper Group (APP) is one of the largest producers of pulp and paper in the world, with supply chains covering more than one million ha of pulpwood plantations across Indonesia. In the past, APP was one of the companies that converted natural forest into pulpwood plantations.

APP realized the need to transform its business-as-usual practices if it wanted to remain a market leader. Four years ago, it began forging a new business model that placed sustainability at its core – striking a balance between people, planet and productivity. This also responded to a shift in consumer demand for sustainably sourced commodities, since continuing as before would have resulted in significant reductions in sales.



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### APP's sustainability commitments

Building a new business model required developing and implementing an integrated, holistic and sustainable solution to land-use planning and natural resource management. APP embarked on its journey by developing commitments in its Sustainability Roadmap Vision 2020 and Forest Conservation Policy (FCP), launched in June 2012 and February 2013, respectively. APP has since strived to change practices in the pulp and paper industry with a range of commitments, the most fundamental of which is ending all further clearance of natural forest. These commitments were set out on the global stage when APP Chairman Teguh Ganda Wijaya signed the landmark New York Declaration on Forests in September 2014, making APP the first pulp and paper company to do so.

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The Forest Conservation Policy underlines the company's overall commitment to immediately end all natural forest conversion across its supply chain, and to ensure that no natural forest fibre reaches APP pulp mills. It has four key pillars: 1) protecting natural forests; 2) implementing peatland best management practices; 3) improving social engagements and resolutions; and 4) ensuring sustainable fibre supply and sourcing. This policy marks a pivotal departure from business-as-usual practices by bringing sustainability to the core of all operations, effectively uncoupling economic development from environmental degradation. To date, APP has invested more than US\$ 200 million for implementing this policy, and has collaborated with a wide range of sustainability experts and stakeholders. In addition, APP has supported the establishment of the non-profit Belantara Foundation in 2015 to implement landscape-level forest protection and restoration in ten critical landscapes in Indonesia.

## Progress to date

### *Protecting natural forests*

Protecting natural forests requires a comprehensive approach to land-use planning that emphasizes both social and environmental aspects. APP integrated results from three years of identification and evaluation of areas of high conservation value (HCV), high carbon stock (HCS), use of free, prior and informed consent (FPIC), peat studies, and fibre supply assessments to develop Integrated Sustainable Forest Management Plans (ISFMPs) for its concessions and all those of its suppliers. The ISFMP approach identifies and prioritizes areas for protection versus areas for production, restoration or retirement, based on scientific evidence and inclusive decision-making. Land-use and zoning plans are developed using data collated from HCV, HCS and FPIC assessments and peat studies, and are supported by high-resolution Light Detection and Ranging (LiDAR) 3D mapping, community mapping and input from stakeholder working groups. See Table 1.

**Table 1. Land use on APP concessions following implementation of the Integrated Sustainable Forest Management Plans**

Moratorium		ISFMP	
Spatial use	No. ha	No. ha	Land management category
Conservation forest	383,387	542,510	Environmental management
Production area	1,642,517	1,486,217	Production
Infrastructure	85,471	Absorbed as production and social management	
Indigenous species	230,763	429,783	Social management
Livelihood plantations	140,774		
Non-effective area	158,518	182,921	Non-effective
Total	2,641,431	2,641,431	

### *Implementing peatland best management practices*

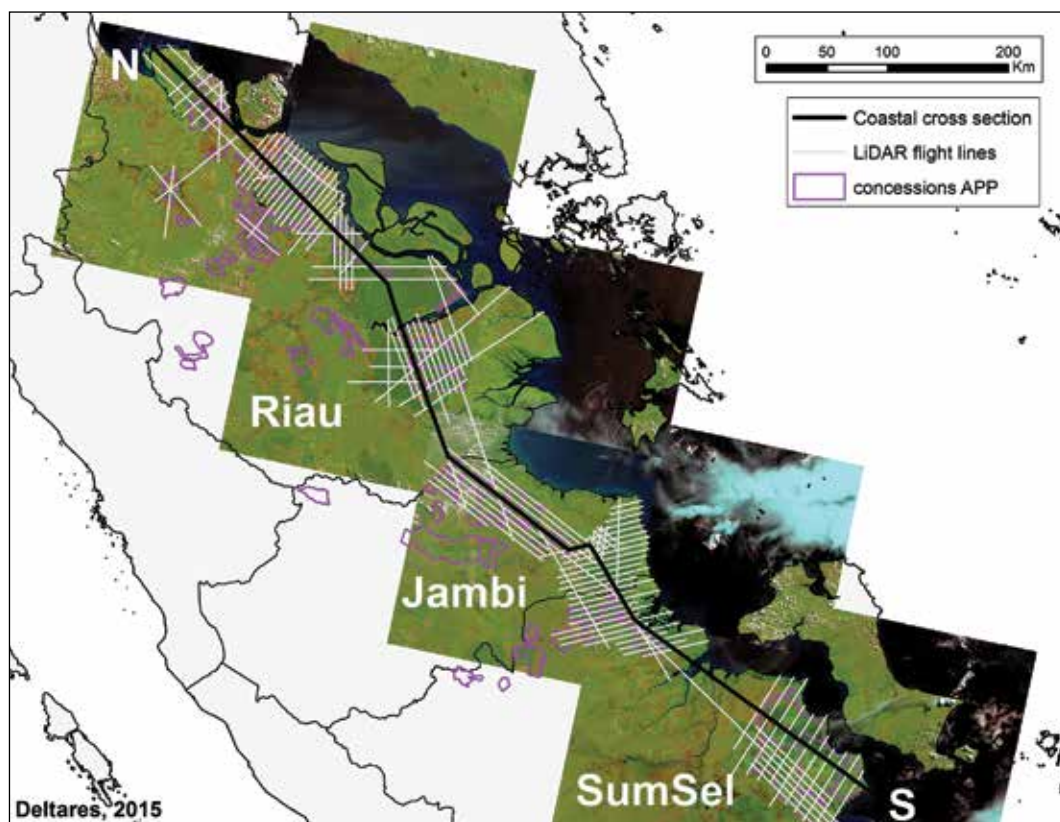
A report for the UNFCCC estimated that 63% of greenhouse gas (GHG) emissions in Indonesia result from peatland fires and land-use change; 60% of the company's and its suppliers' plantations are located on peatlands. Implementing Peatland Best Management Practices (PBMP) is thus crucial to maintain the balance between production and protection, while reducing risks of fire, soil subsidence and flooding associated with degraded peatlands, and supporting the Indonesian government to achieve its GHG abatement targets. APP uses innovative technologies to develop an effective approach to peat management.

To ensure consistency with international best practice, APP partnered with peat and water management expert Deltares to complete LiDAR mapping of 4.5 million ha of peatland and lowland on the eastern coast of Sumatra and West Kalimantan — one-quarter of Indonesia's total peatland area — that identified high-priority areas for immediate conservation (Figure 1). As a result, APP retired 7,000 ha of producing plantations for conservation purposes in 2015, becoming the first private-sector company to do so. To reduce fire risk, APP built more than 5,000 perimeter canal blockings to raise the water level around plantations. To increase efforts to restore peatlands, APP's Alternative Species Programme is conducting pioneering research with partners to identify species that will adapt and thrive in peatland with high water levels, complemented by studies on the application of mycorrhiza root symbionts in restoring and maintaining plant, soil and forest ecosystems.

### *Improving social engagements and resolutions*

The basis of APP's interaction with local communities is the principle of free prior and informed consent (FPIC), which states that community members have the right to give or withhold their consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use. With comprehensive input from various stakeholders, APP developed a Responsible Conflict Resolution Procedure, a Collaborative Conflict Management Approach, and a Grievance Protocol to better address and resolve any conflicts arising over land rights and tenure within its concessions. APP also introduced the Integrated Forestry and Farming System. This agro-ecology programme supports and enhances alternative livelihoods for communities in and around APP and its suppliers' concessions, and those with high exposure to land conflict, forest fires, encroachment or illegal logging. The programme aims to reduce forest and land degradation and pressure on natural forests, and build closer ties with communities, providing planting materials and other farm inputs, equipment, tools and training.



**Figure 1. LiDAR flight path, west coast of Sumatra**

### *Ensuring sustainable fibre supply and sourcing*

Through its Responsible Fibre Procurement and Processing Policy (RFPPP), APP is strengthening its chain of custody with effective traceability systems and consistent monitoring mechanisms. This aims to ensure that its global supply chains adhere to responsible forest management and uphold its commitment to zero deforestation. APP only accepts wood with verified legal origin and chain of custody that has not violated traditional or civil rights and complies with the International Labour Organization's eight core conventions considered as fundamental principles of rights at work. All current and potential APP suppliers must demonstrate that they are in line with APP's RFPPP and Forest Conservation Policy by complying with the Supplier Evaluation and Risk Assessment framework, which is conducted on an annual basis. The framework uses 12 indicators that combine qualifications from internal and external policies (such as the FSC Controlled Wood standard) to categorize the risk level of a supplier. If significant risk is involved, suppliers are given the opportunity to comply by following prescribed and time-sensitive corrective actions. APP is also integrating smallholders into their supply chains, which improves local economies and reduces the risks of fire and encroachment; smallholders will also be subject to RFPPP.

## Monitoring and reporting

APP developed the FCP Monitoring Dashboard ([www.fcpmonitoring.com](http://www.fcpmonitoring.com)) to provide easy access to detailed information on all of its pulpwood suppliers and allow external monitoring of progress in the implementation of its Forest Conservation Policy. All data is publicly available, including reports from investigations following the use of its Grievance Procedure. To further assist in monitoring, an Independent Observers platform of NGOs and academics was established in April 2013. Supported by The Forest Trust, the platform periodically conducts ground checks, including the integrity of moratorium boundaries, and reports its findings. Furthermore, by integrating standards on legal and responsible procurement, APP developed the Scorecard System for its mills and suppliers. This ensures that they operate in compliance with the Forest Conservation Policy and with national and international standards that APP aspires to. APP has also invited external evaluation of its progress against its various commitments (Rainforest Alliance 2015). In the future, monitoring and progress reporting will be embedded in the auditing process within each forest management unit.

## Challenges to putting commitments into practice

### *Lack of expertise*

APP is the first pulp and paper company to make such commitments, and understanding the range of actions necessary to halt natural forest loss continues to be an iterative process. Since it is a pioneer, APP's efforts have been subject to trial and error, but they have benefitted from support from scientists and experts as the company seeks to create a blueprint for the industry. APP is committed to sharing its experiences, challenges and successes to help others embarking on a similar journey. It is aware that the only way to scale up these actions is through partnerships and sharing knowledge.

### *Defining zero deforestation*

A major challenge has been the lack of an agreed definition of zero deforestation, which makes it difficult to compare and assess pledges made by various companies against the demands of NGOs. APP is working with other stakeholders as part of the High Carbon Stock Approach (HCSA) to develop and implement a common methodology on determining areas for production and protection. They reached an agreement in late 2016 for a single, coherent set of principles for companies that implement zero deforestation commitments. Fundamental elements include protection of High Carbon Stock forests, high conservation value areas and peatlands, forest stratification, decision-making on young regenerating forest within fragmented landscapes, the role of carbon, and robust implementation of FPIC and other social requirements.

### *Monitoring progress*

Creating a transparent and robust monitoring system is integral to quantifying reductions in deforestation rates and GHG emissions, and to empirically develop the most effective approach to sustainable landscape-based management of forests and lands. Finding or

developing an acceptable approach that is not excessively costly continues to be a challenge for the companies who operate in this arena, including APP. Furthermore, it is important that monitoring and reporting frameworks align with national and global indicators.



### *Regaining trust*

APP accepts that this is a timely and delicate process with considerable legacy issues to address, that rebuilding trust with stakeholders will take time, and that transparency is key. This applies not only to what is achieved, but also to the challenges of developing and implementing such initiatives. Given its limited resources, APP must also strike a balance between implementation and reporting. To ensure transparency

and invite feedback, APP engages with civil society and other stakeholders through various platforms and meetings; this has resulted in partnerships with many NGOs that APP hopes will continue to develop.

### **Roles and contributions of the financial sector and public policy**

It is APP's hope that in the future, public financing will be available to support landscape-level conservation. Thus far, APP has financed all its own sustainability efforts and initiatives. APP's operations do not stand alone; there are many other actors active in the landscape. To ensure consistency and continuity, it is necessary to mobilize more resources to extend programmes over the entire landscape, including areas outside of APP's pulpwood suppliers' concessions. A successful funding mix — combining contributions from the private sector with results-based payments from REDD+ — is required. Some up-front funding should be provided to communities, using a combination of indicators related to both carbon and non-carbon benefits.

Deep-rooted operational, social and political challenges remain. They continue to stand in the way of fulfilling sustainability commitments, and will be solved only through multi-stakeholder efforts. To this end, APP is engaging with communities, NGOs and local governments to address the range of issues and priorities across an entire jurisdiction. This allows all the components to be accommodated (forest protection, restoration, sustainable development, etc.), while addressing leakage and reducing pressure on forests. APP is one of a number of partners that have signed a Memorandum of Understanding in South Sumatra and West Kalimantan, with the aim of supporting both provinces' commitments to sustainable landscape development and green growth.

## Benefits

### *The bottom line*

APP has realized a host of benefits following the implementation of its Forest Conservation Policy and zero deforestation commitments, including a clear return on investment within its operations and business. Restoring, rehabilitating and rewetting peatlands have led to direct improvements in soil quality and the surrounding ecology. Investments in fire management have translated into reduced risks and losses. And by taking greater control of its supply chain, the company has increased the mean annual increment of pulpwood trees by 13% while reducing wood waste by 29%. All these changes have positive impacts on APP's profits.

### *Greenhouse gas (GHG) mitigation*

APP strives to play a key role in supporting the Indonesian government's pledge to reduce GHG emissions by 26% by 2020. Initial calculations by APP indicate that in 2015, the company avoided 14.29 million tCO<sub>2</sub>e in emissions as a result of improvements in carbon management in forestry activities. As APP continues to scale up its efforts, it aims to achieve 33.8 million tCO<sub>2</sub>e GHG emissions in 2020, which would account for approximately 4% of the total national GHG Reduction Target of 26% by that year.

### *Increased social engagement*

APP firmly believes that improving the welfare and livelihoods of local communities is the key to forest conservation and restoration. Initiatives in place under APP's Integrated Forestry and Farming System show progress; they aim to increase the incomes of initial benefactors by 20–30%, with this figure forecast to increase to 50–75% in the third year. APP have also improved conflict resolution: 40% of reported conflicts started implementing resolutions as of August 2016 (due diligence processes verified by The Forest Trust). This reduction in conflict decreases disruptions to the supply chain, and improved relationships enable APP to scale up efforts in working with communities to conserve and restore natural forests in and around suppliers' concessions.

## Conclusions

Implementing APP's zero deforestation pledge has been a complex and challenging process, and it is far from complete. Progress shows that partnerships are the key to success. APP is now more committed than ever to building a business model that delivers real returns to forests, people and Indonesia's economy. Continual assessment of progress is required to ensure that APP continues to effectively uphold its zero deforestation pledge and to develop policies that can adapt to new issues as they arise. For zero deforestation to become a reality there must be a clear understanding that no single actor is responsible for



protecting the forest — everyone has a role to play. The commitments and efforts of one company alone will not suffice. Conserving primary forests and significantly reducing global greenhouse gas emissions can be achieved only through collective efforts from all stakeholders within the landscape.

APP's zero deforestation commitment has helped the company to start to regain the trust of both stakeholders and customers. Zero deforestation goes beyond forests; working with communities and understanding conservation values across an entire landscape are key to upholding zero deforestation pledges. There remains a critical need for robust and commonly accepted monitoring and reporting frameworks to communicate progress and challenges accurately and transparently. The responsibility for creating models of best practices relies on companies leading the way.

## Reference

Rainforest Alliance. 2015. *An evaluation of Asia Pulp & Paper's progress to meet its Forest Conservation Policy (2013) and additional public statements*. Progress Evaluation Report, February 1, 2013 to August 15, 2014. New York, USA: Rainforest Alliance.