

CODE OF CONDUCT MONITORING THE IMPLEMENTATION OF THE FOREST CONSERVATION POLICY (FCP)

BACKGROUND

APP believes in business sustainability that balances ecosystem conservation and community empowerment. It is important to APP that we implement targeted and measurable actions to responsibly manage the natural resources that we use.

In June 2012, APP launched its Sustainability Roadmap: Vision 2020 and we are committed to achieve all the targets that we have set for ourselves and continue to demonstrate to our stakeholders that we produce responsible products.

A set of policies have been developed to support our efforts to realize our Sustainability Roadmap goals. These policies include the APP Responsible & Sustainable Business Declaration and the Forest Conservation Policy (FCP) that covers commitments to protect HCV and HCS, to implement best practices in peat land management, and social and community engagement, and to ensure responsible forest management, throughout our wood supply chain.

To ensure transparency in the implementation of our FCP, APP believes that interested stakeholders can be a constructive partner to help us improve the implementation of a sustainable FCP through a monitoring mechanism. As such, a code of conduct is required to monitor the implementation of the FCP by Independent Observers (IO).

OBJECTIVES

To ensure effective implementation of FCP as stipulated in the Protocol related to the implementation of FCP.

To provide recommendations for improvements in order to increase the performance of the implementation of FCP.

SCOPE

All FCP implementations cover the Moratorium, HCV, peat, HCS and social conflict resolution.

OBJECT

Moratorium: MHW movements, land and heavy equipment.

HCV/Peat/HCS: Management plan and performance in the field.

Social: Conflict locations and progress reports on conflict resolution.

MONITORING METHODS

Moratorium monitoring: Evaluation documents (monthly), field testing (3 months and after all SO MHW is delivered to the mill), aerial observations (done once after an inventory check is conducted



and after all SO MHW is delivered to the mil), APP scorecard, monitoring and when there are complaints by parties (Grievance Procedures).

HCV/Peat/HCV: Document Evaluation of FMU internal reports (monthly), field documents (3 months), aerial observations (6 months), APP scorecard, monitoring and complaints by parties (Grievance Procedures)

Social: APP scorecard, monitoring and complaints by parties (Grievance Procedures).

Aerial surveillance will be carried out, as per the availability of the fleet.

MONITORING TEAM

Monitoring Team consists of TFT and APP, while IOs may be added.

IOs may come from:

- Parties and or people who represent those who submit complaints and grievances through channels that have been provided (see SOP Grievance). In the event that such parties appoint others to represent them, they must be demonstrated with a letter of appointment/assignment.
- Parties that are delegated by APP and TFT to become members of the monitoring team, including assignments for institutions they represent.
- Parties that voluntarily want to be involved in the monitoring process and are approved by APP parties.

IO members within the monitoring team will be as much as 5 (five) to ground check -- 2 (two) people for aerial surveillance.

IOs who participate voluntarily in the monitoring team are required to provide information to clarify their relevant expertise or particular area of interest with the objectives and purposes of the monitoring. This is to ensure that IOs are involved in monitoring that is most appropriate to their area of interest/skill set.

Priority will be given to IOs who have expertise/relevance with the objectives and purposes of the monitoring. If the number of IOs exceeds the quotas, those who did not have the opportunity to join will be given priority in the next monitoring period.

MONITORING SCHEDULE

Will be adjusted every month, quarter, by semester as per the type of monitoring.

The monitoring team continues to monitor with or without the participation of IOs.

DATA AND INFORMATION

UMH/mills shall provide the necessary information related to monitoring activities. (see Annex)

UMH/mills shall assign related officers / staff to be interviewed by the monitoring team.

All monitoring team members will use the same data and references in monitoring activities.

The monitoring team will submit a list of data/information required by UMH/mill parties to be prepared prior to the implementation of monitoring, at least 2 (two) days ahead of the scheduled event.

The monitoring team will only use the data and information obtained for the purposes of monitoring.

Some information made available to IOs by APP/UMH will be in draft form or confidential (examples include draft HCV assessments). IOs agree that any such draft documentation will remain confidential. Other data and information, such as concession maps and coordinates, may be utilised by IOs in their other work. A list of which documentation falls into these categories will be made available to all IOs.

Draft document or confidential data and information will be provided to the monitoring team members with APP approval.

MONITORING ACTIVITIES

The monitoring team is obliged to prepare Terms of Reference (ToR) every time they do the monitoring and send it to UMHS/mills. ToRs include goals, monitored objects (verifier), which FMU/mill, participants and time. The monitoring team should inform UMH/mills no later than 5 (five) days before the scheduled arrival. However, for MHW monitoring activities specific location will be defined during preparation meeting one day prior to the monitoring. Information on the updated stock inventory and MHW movement will be shared with the monitoring team during the team's preparation meeting as well. For flyover FMUs will be notified only 1 day before.

For HCVs, IOs, will be consulted by independent HCV assessment teams at the stages of identification and finalisation of assessments, focusing on IOs that are known to have relevant expertise in the process of identifying HCVs (list attached).

For the HCV/HCS/peat management monitoring refer to the SOP.....

All members of the monitoring team must comply with health and safety regulations. Risks that arise for non-compliance with health and safety regulations are the responsibility of individual team members.

REPORTING

Monitoring team shall together compose a Report and submit it to the Grievance Committee and UMH / Mills.

All members of the Monitoring Team are responsible for reporting monitoring results.

Relevant stakeholders can request a monitoring report to the Grievance Committee.

IOs agree that by participating in the monitoring process, they will make use of the Grievance Procedure if any evidence emerges of wrongdoing. If the IO finds the conclusion of the grievance procedure unsatisfactory APP understands and accepts that this may be publicised. IOs agree that



they will not make use of documentation from the list that has been agreed as confidential.

COSTS

Only APP will bear the cost of transport and accommodation incurred during monitoring activities at the site UMH / mills.

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**LIST OF DOCUMENTS TO SHARE BY REQUEST
(AS INFORMED AND AGREED DURING THE FGDS)**

- A. Moratorium:
 - i. Protocols and procedures related to the moratorium
 - ii. Stock Opname / Inventory report (land, MHW, machines)
 - iii. Maps and GPS tracking for moratorium boundaries
 - iv. MHW balance sheet per critical control point
 - v. Wood tracking system and its performance report
 - vi. Public document related to operations such as: RKU, RKT

- B. HCV/Peat/HCS
 - i. Procedure for assessment
 - ii. Procedure for monitoring
 - iii. Stakeholder consultation schedule
 - iv. HCV/Peat/HCS identification report
 - v. Draft of management plan
 - vi. Management plan – final
 - vii. Monitoring report: scorecard performance summary

- C. Social
 - i. Procedures related to social management
 - ii. Progress report of social conflict resolution
 - iii. Annual CSR report
 - iv. Monitoring report: scorecard performance summary

- D. Grievance
 - i. Grievance procedure
 - ii. Grievance list
 - iii. Grievance verification report

- E. Supplier Information
 - i. Supplier list including license number and total area
 - ii. Concession boundary map – image file
 - iii. Public document related to operations such as: RKU, RKT, AMDAL