



## **Asian Agri and Apical Sustainability Policy Implementation – Q4 Progress Report: October - December 2015**

### **1.0 Introduction**

This report updates the progress of Asian Agri and Apical implementation of its sustainability commitments during the last quarter of 2015. Consistent with our plan, our core areas of focus were:

- Engagement with identified priority suppliers;
- Conducting field visits to mills and their FFB suppliers;
- Developing the format for collecting FFB traceability data;
- Development of some simple and easy to understand guidelines to support our suppliers in their plantation practices;
- We also jointly conducted a workshop with TFT to socialize the commitments of the Apical Sustainability Policy to our main suppliers.

### **2.0 Traceability**

#### **2.1 Traceability to Mills**

Apical completed its 2015 traceability list to its CPO and PK supplying mills, maintaining 100% traceability to all three of our refineries in Indonesia.

#### **2.2 FFB Traceability**

As per our plan to achieve progressive traceability to our FFB sources, we have developed a FFB traceability data form, which we have sent to our main suppliers to obtain FFB traceability data on their various categories of FFB suppliers: i.e. plantations (>500 ha) including plasma smallholders, small to mid-size growers (25-500 ha) and independent smallholders (< 25 Ha).

Face-to-face meetings were held with a number of our suppliers during which we provided an explanation on how to complete the FFB traceability data form. We also took the opportunity to obtain



some feedback from these suppliers in order to drive continuous improvement of our FFB traceability approach.

For Asian Agri's 20 AA mills, FFB traceability as of December 2015 reached 73%. This represented an increase of 2% traceability, as a result of additional third party suppliers that we engaged in 2015, covering around 7,337 ha. The focus of our efforts in 2015 was the engagement process with suppliers. Once this process is complete, most of our suppliers will be able to provide us with full FFB traceability statistics for the whole of 2015, subject to some volatility of production sources. In 2016, we plan to engage with our third party suppliers in Jambi, which will allow the traceability percentage to increase further.

As of December 2015, we have been engaging with a growing number of smallholders, now covering about 18,600 ha, to further increase FFB traceability in our operations. We have also conducted a project to further improve the FFB traceability of our third party suppliers in four mills in the Jambi area. The project is for 3 years and involves data collection, smallholder engagement and empowerment (e.g. sharing knowledge on sustainable practices and cooperative / group management).

### **3.0 AA SOP Revision**

Asian Agri is currently reviewing TFT recommendations for enhancements to our internal SOPs on Traceability, GHG calculation, FFB purchase, Conflict management and Book-keeping.

### **4.0 Site visits of selected priority suppliers**

In this last quarter, we visited three selected priority mills supplying to our SDS Refinery in Dumai. Two of the mills are located in South Sumatra and the other one is located in Riau.

Before each field visit, a pre-visit meeting was conducted with the company management to explain the objectives of the visit. Any public reports concerning their operating units were also discussed and clarified during the pre-visit so that suitable verification activities could be carried out on the visit.

During the actual field visit, our field team assessed various sustainability issues such as legal compliance, management of existing peat areas, protection of HCV areas, health & safety management, FFB traceability procedures and challenges faced by smallholders.

Relevant policies, documents and procedures were checked by the field assessment team and the mill and estates' management teams explained how they handled them. They were also invited to



demonstrate their current progress in adopting Apical's Sustainability Policy and provided supporting documents where necessary.

In addition, the assessment team also interviewed members of local communities, including independent smallholders and FFB dealers, in order to gather more information on the various FFB sources.

The field visit summary reports with recommendations on improvements were completed within one month from the visit and submitted to the managements of the respective visited suppliers for verification and corrective actions.

### **5.0 Regional Haze problem due to illegal open-burning**

The regional haze (affecting large parts of Indonesia, Malaysia and Singapore) which happened from August to November 2015 was regarded as one of the worst instances of its kind in history. Illegal open-burning was identified as a primary cause, and a large percentage of fires were set by independent smallholders and particularly on peat areas in Sumatra and Kalimantan, which may then have spread to neighbouring plantations.

Apical has taken the initiative to provide a guideline on "[Prevention, early detection and control of open-burning in oil palm plantations](#)" to guide our suppliers in taking precautionary actions and preventative steps against future open-burning. In addition, our Sustainability Policy specifically prohibits land clearance by burning, which is emphasized in our policy socialization with suppliers.

Additionally, TFT formed a Fire & Haze Task Force, tasked with launching a field study to help determine the facts, motives, and actors related to 2015 fires, and to detail existent company-level efforts and systems to address the fire threat. Drawing upon a host of primary and secondary data, the study was designed to help Apical better understand the root causes of fire incidence, to inform and strengthen the existing action plan and fire prevention/suppression programmes, and to ascertain the relevancy of broader fire research efforts for Apical's supply chain.

### **6.0 Sustainability Policy Socialization Workshop**

A sustainability policy socialization workshop was jointly conducted with TFT on 11 November 2015 in Jakarta. This interactive event was attended by 47 participants from 22 main Apical suppliers, which allowed us to explain to them the main commitments in our Sustainability Policy and to get their feedback and commitment to work with us.



The primary objective of the Workshop was to influence them to fully comply with our sustainability commitments of No deforestation, No new peat development and to drive positive socio-economic benefits for people (especially smallholders) and the local communities.

Topics were jointly presented by TFT and Apical during the Workshop. The topics discussed were the Aggregator/ Refinery Transformation Plan (ART Plan), High Carbon Stock (HCS) concept, High Conservation Values (HCV), Free Prior and Informed Consent (FPIC) and Protection of Labour & Human Rights. The last of these focused on ethical recruitment, especially no use of child labor, bonded & forced labor and also dealt with health and safety requirements in the workplace.

TFT delivered a session on the HCS process and explained that the purpose of a HCS study is to distinguish between non-forest areas that can be used sustainably for oil palm development and forest areas/patches for conservation. The matter of the 35 tonnes carbon/ha threshold was addressed: that it is based on the aggregation of many sample studies done in several countries, taking into consideration local government policy and socio-economic factors. The session also dealt with land use planning in a broader sense and TFT explained that it does not favour any particular institution or approach/method used. Rather, it is important to focus on ensuring that processes are implemented credibly on the ground.

The problem of regional haze due to illegal open burning was also discussed. In peat areas, it was stressed that preventive measures and early fire warning are vital.

The procedure and action plan to achieve full mill and FFB traceability were also explained to the participants.

We allocated much time during the Workshop to discuss the challenges in implementing the sustainability commitments and to identify areas for improvement. One such challenge was to find practical ways to overcome the difficulty of getting FFB traceability data from the large number of independent smallholders. To minimize this problem, it was suggested that the mill work with FFB dealers to zone the independent smallholders according to the areas where they are collecting their crops. In order to ensure progressive transformation of Apical's supply chain on the ground, Apical will continue to maintain a dialogue with all of its suppliers, preferably through one to one engagement.

## **7.0 Neste Workshop on Social and Labour Issues**

Apical participated in this 2-day workshop organized by Neste Oil, a major Apical customer. Much emphasis was placed on ethical recruitment and especially no child labour and human trafficking and avoidance of all forms of harassment in the workplace. Freedom of association and the importance of a grievance procedure were also discussed.



## **8.0 Launching of the HCS+ Methodology**

The official launching of HCS+ Methodology was conducted at the Le Meridien Hotel, Kuala Lumpur on 11 December 2015.

This science study was funded by the signatories of the Sustainable Palm Oil Manifesto (SPOM), of which Asian Agri is one, with the objective of proposing a new pathway for sustainable oil palm development with HCS thresholds which take into account environmental and socio-economic values, and addresses the concerns of all stakeholders including NGOs, local communities, smallholders and local government. More information on this science study can be found [here](#).

However, there are some criticisms of the HCS+ Methodology. With a high threshold of 75tC/ha used to define what is a High Carbon Stock forest, the methodology is not focused on achieving 'No Deforestation' but rather 'sustainable development' and no net carbon emissions. Further, the 'carbon neutral development' proposed by this study may sound simple but achieving it on the ground may prove to be very difficult when safeguards, uncertainties in the protection of the conservation areas and monitoring are considered.

Asian Agri and Apical will continue to explore the application of both the HCS Approach and HCS+ Methodology and support the suggestion that joint trials and field testing are conducted, with a view to achieving some degree of convergence.

## **9.0 Launch of the Asian Agri and Apical Sustainability Progress Dashboard**

The Asian Agri and Apical Sustainability Progress Dashboard was successfully launched on 21 December 2015. The dashboard will be the main communication platform to share our sustainability progress with stakeholders. The dashboard will also provide easy to understand guidelines to assist our suppliers in complying with all the commitments in our sustainability policy.

## **10.0 Apical guidelines for suppliers**

The following guidelines have been prepared and published on the dashboard:-

- i. [Prevention, early detection and control of open-burning in oil palm plantations;](#)
- ii. [Drainability assessment prior to replanting on peat.](#)

Further guidelines to support our suppliers in complying with our policies will be published in due course.