

Interim Report on APRIL Group's Implementation of Sustainable Forest Management Policy 2.0

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1. Summary and Conclusions

This report provides information to APRIL Group's independent Stakeholder Advisory Committee (SAC) on selected indicators of APRIL's progress in implementing Sustainable Forest Management Policy 2.0 (SFMP 2.0) between July 1, 2016 and March 31, 2017. The report is an interim report to bridge the gap between our first full report on APRIL's SFMP 2.0 implementation (issued December 2016) covering the period from June 3, 2015 to June 30, 2016) and the next proposed full report, which will cover the period from January 1, 2017 to December 31, 2017 and be completed in 2018.

Objective of the engagement

We were engaged by the Stakeholder Advisory Committee (SAC) of APRIL to undertake a limited assurance engagement over:

- APRIL's progress in implementing action plans related to the three non-conformances and 28 opportunities for improvement identified in our December 2016 limited assurance report, which covered all 44 SAC indicators developed to monitor SFMP 2.0 implementation.
- APRIL's performance under seven selected SFMP 2.0 indicators for the period from July 1, 2016 to March 31, 2017 and related conformance with SFMP 2.0

SFMP Performance Indicators

APRIL's Stakeholder Advisory Committee engaged KPMG PRI to provide assurance over 7 of the 44 SFMP 2.0 performance indicators that were determined to be relevant to the interim reporting period and of specific interest to the Committee.

Given the nature of the subject matter and the available methods for determining quantitative and qualitative performance data for indicators of this type there are inherent limitations in the degree of precision that can be achieved. Management has developed methodologies for each of the indicators, which may change over time and can impact measurements and comparability.

Management's responsibilities

APRIL Management is responsible for the preparation and presentation of the SFMP Performance Indicator Data in accordance with APRIL's internal guidelines and definitions for SFMP reporting. APRIL Management is also responsible for the development and implementation of the action plans to address the identified nonconformities and opportunities for improvement which are detailed in Appendix 1.

Our responsibility

Our responsibility was to perform a limited assurance engagement and to express a conclusion based on the work performed. The engagement was carried out having regard to ISO 17021, which is the standard most commonly applied globally for sustainable forest management certification engagements.

Our approach

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected SFMP Indicator performance data, and applying analytical and other evidence gathering procedures to the data, as appropriate. Our procedures included:

- Inquiries with relevant staff at the corporate and operational level to understand the data collection and reporting processes for the selected SFMP performance indicator data;
- Comparing the reported data to the underlying data sources;
- Inquiries of management regarding key assumptions and where relevant, the re-performance of calculations;
- Field inspections on 2 PT. RAPP sectors and 4 supplier concessions to assess field conditions for consistency with reported data;
- Site visits to the Kerinci millsite and port of Futong to assess fiber flow and tracking processes and,
- Review of findings generated by Rainforest Alliance as part of a collaboration with APRIL to examine and address fundamental ways in which APRIL can improve its forest and community operations in Indonesia at the field level.¹

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is obtained. ²

Our Findings and Conclusions

Selected SFMP 2.0 Performance Indicators - Based on the procedures performed, nothing came to our attention that would cause us to believe that the selected APRIL SFMP 2.0 performance indicator data for the seven SFMP 2.0 indicators reproduced in Section 3 of this report has not been prepared and presented, in all material respects, in accordance with APRIL's internal guidelines and definitions for SFMP reporting.

Conformance with SFMP 2.0 for the selected Performance Indicators - During the reporting period, APRIL identified and reported to us the following non-conformity with SFMP 2.0. The non-conformity had already been addressed by APRIL during the reporting period:

- In March 2017, APRIL was required to close canals at seven specific points and remove Acacia from approximately 600 hectares of newly planted peatland in the Pelalawan sector following direction from the Ministry of Environment and Forests under the revised peatland regulations (PP. No. 57/2016 and Circular Letter No. S. 494/MENLHK-PHPL/2015).

Status of Action Plans Developed to Address Previous Assurance Findings - Based on the procedures performed, nothing came to our attention that would cause us to believe that APRIL's assessment of action plan status, presented in Section 3 of this report has not been prepared and presented, in all material respects, in accordance with the criteria for determining action plan status described in Section 3.

In the course of our work, we also identified four opportunities for improvement, which are described in Section 4 of this report.

¹ Findings were reviewed for evidence of non-compliance with SFMP 2.0 during the reporting period. Where future actions are required by the Company to address a historic issue, the implementation of Company action plans to address this issue will be reviewed in the next reporting period.

² A limited assurance engagement was determined to be appropriate, given that this is the most common form of assurance applied globally to sustainability data.

Use of the Report

Our assurance report is provided solely to the Stakeholder Advisory Committee of APRIL in accordance with the terms of our engagement. Our work has been undertaken so that we may report to the Stakeholder Advisory Committee on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than the Stakeholder Advisory Committee for our work, for this assurance report, or for the conclusions we have reached.

KPMG PRI

KPMG Performance Registrar Inc.

Vancouver BC Canada

October 2017

2. Background

APRIL Group

APRIL Group (APRIL) maintains an integrated pulp and paper mill in Pangkalan Kerinci, in Riau Province, Sumatra. The mill is capable of producing 2.8 million tonnes of pulp and 1.15 million tonnes of paper per year.

Fiber for the pulp and paper mill is derived from approximately 480,000 hectares of plantations maintained by PT. Riau Andalan Pulp and Paper (PT. RAPP) and 40 supply partners located in Sumatra that together supply approximately 79% of the mill's fiber needs. The remaining fiber is procured as logs from supply sources in Jambi, Kalimantan and Malaysia.

SFMP 2.0

APRIL Group announced Sustainable Forest Management Policy 2.0 (SFMP 2.0) on June 3, 2015. The policy describes the commitments made by APRIL in relation to sustainable forest management for both its own operations and those of its suppliers. Critical elements of the Policy include a commitment to halt the harvest of mixed hardwoods and only develop non-forested areas, to apply a landscape approach to optimize forest conservation, to establish an Independent Peat Expert Working Group to provide inputs and recommendations to APRIL on management of its peatland operations and strengthened processes for working with local communities and indigenous peoples. The policy also re-commits to the maintenance of an independent Stakeholder Advisory Committee (SAC), originally established in 2014 to monitor and provide transparency over APRIL's implementation of SFMP 2.0 and to oversee independent verification of progress.

In order to track the implementation of SFMP 2.0 and establish a baseline against which future performance could be evaluated, 44 SFMP 2.0 performance indicators were developed to assist the independent Stakeholder Advisory Committee in monitoring APRIL's progress in implementing its commitments under SFMP 2.0. The first assurance report on progress in implementing SFMP 2.0 was issued by KPMG Performance Registrar Inc. in December 2016 and provided limited assurance over APRIL's progress on all 44 performance indicators.

KPMG Performance Registrar Inc.

KPMG PRI is an independent certification body with experience in sustainable forestry and environmental management certification.

KPMG Performance Registrar Inc. (KPMG PRI) was appointed by the SAC to provide an interim report on APRIL's continuing progress during the second year (July 1, 2016 to March 31, 2017) of SFMP 2.0 implementation. This involved the assessment of seven key indicators and a review of progress on action plans developed by APRIL to address findings from KPMG PRI's *Report on APRIL Group's Implementation of Sustainable Forest Management Policy 2.0* (December 2016).

The KPMG PRI engagement team comprised team members with forestry, environmental and social audit experience and included both local Indonesian team members and KPMG PRI staff with International experience.

Summary of the assurance process

The assurance engagement was undertaken by KPMG PRI in multiple phases as follows:

- On-site interviews and review of documents and records supporting indicator and action plan status were conducted at the Kerinci millsite in May, July and August 2017;
- Field inspections were undertaken at two PT. RAPP sectors as well as two supplier concessions in Sumatra, one supplier concession in Kalimantan and one supplier concession in Sarawak, Malaysia between July and September 2017.
- Our draft report was reviewed with APRIL's Stakeholder Advisory Committee in September, 2017; and,
- Action Plans were subsequently developed by APRIL in relation to each of the findings identified in our current report, which were reviewed and accepted by KPMG PRI in October 2017.

Consideration of other information in completing our work

During the period, Rainforest Alliance (RA) was engaged by APRIL to provide technical support to management on ways in which APRIL can improve its forest and community operations for a sample of PT. RAPP sectors and supplier concessions. Draft results of RA's findings and observations were reviewed by KPMG PRI for evidence of non-compliance with SFMP 2.0.

Treatment of findings

Where identified, new findings were classified as either *non-conformities* or *opportunities for improvement*.

Non-conformities are raised where the indicator data or the lack of indicator data is associated with a breach of the requirements of SFMP 2.0.

Opportunities for improvement are raised where KPMG PRI identifies opportunities for improvement in the scope of the indicator, the indicator data collection and quality control processes, or in the nature of the underlying SFM practices and monitoring undertaken by APRIL in relation to the indicator. In such cases, a specific breach of SFMP 2.0 has not been identified

Action plans are developed by APRIL and reviewed by KPMG PRI for appropriateness in relation to each of the identified non-conformities and opportunities for improvement.

Disclosures related to suppliers

In previous APRIL indicator data and KPMG PRI reports two types of supplier were identified:

- long-term suppliers, which were APRIL suppliers with which long-term supply partnerships have been in place and that contribute to APRIL's 1:1 commitment for the ratio of plantation to conservation area; and,
- short-term suppliers, which are market plantation wood suppliers that do not contribute to the 1:1 commitment.

In this report, the terminology related to long and short-term suppliers has been updated on the recommendation of the independent Stakeholder Advisory Committee to better reflect the nature of the supplier contracts:

- "supply partners" to reflect those suppliers that have longer-term partnerships with APRIL and contribute to its 1:1 commitment; and,
- "open-market suppliers" to reflect those suppliers APRIL contracts for open-market log purchases and do not contribute to the 1:1 commitment.

3. Summary of Action Plan Status

SFMP 2.0 Policy Element	#of action plans developed	# of action plans closed to date	# of action plans in progress to date
Long-term sustainability	5	5	-
Forest protection and conservation	1	1	-
Peatland management	1	1	-
Continuous reduction of carbon footprint	0	-	-
Proactive support of local communities	2	1	1
Respect the rights of indigenous peoples and communities	5	5	-
Responsible practices in our work places	6	5	1
Legal compliance and certification	2	2	-
Good corporate governance, verification and transparency	7	7	-
Data Reporting	2	-	2

KPMG Comments and Findings

The current status of each action plan is rated as either Closed (the required actions to address the issue have been undertaken and the issue is being addressed), In Progress (the required actions are in the process of implementation but are not yet complete), Under Development (the approach to implementing the action plan has not yet been finalized and the issue has not yet been addressed) or Open (the approach to implementing the action plan has not yet been initiated).

The action plans identified in the table above were developed to address the three non-conformities and 28 opportunities for improvement identified in KPMG’s December 2016 assurance report. Of the 31 action plans, 29 were due to be implemented on or before June 30, 2017 and this timeline was achieved for 27 of the 29 action plans, while two action plans remain in progress.

Two of the in progress action plans are not scheduled to be completed until the next full assurance engagement in relation to SFMP 2.0 progress in 2018. These relate to the status of data to support full assessment of all suppliers against APRIL’s SFMP 2.0 commitments and are critical to APRIL’s ability to effectively monitor and report on progress across its full supply chain. Multiple actions have been implemented to initiate or improve the gathering of this data and these are being implemented across suppliers on a prioritized basis in 2017. However, there remain challenges in gaining full supplier participation in this monitoring process, particularly amongst newer suppliers. Successful completion of these action plans will be an important focus area for APRIL in the lead up to the 2018 assessment.

Further details of the status of individual action plans and our findings in relation to their implementation can be found on APRIL’s sustainability dashboard at www.sustainability.aprilasia.com.

4. Summary of Interim Indicator Performance

Overall indicator performance

Opportunity for Improvement #1

One general opportunity for improvement was raised in relation to the quality of supply partner records. During our procedures, a clear difference was noted between the quality of supply partner data and PT RAPP data associated with the SFMP 2.0 performance indicators, specifically those indicators addressing community and employee grievances. There is opportunity to improve the quality of supply partner data through the supplier monitoring program developed to assess SFMP 2.0 conformance.

Indicator specific performance

I	Long Term Sustainability:
<i>Overall objective: By increasing the productivity of our own plantations and those of our suppliers on our existing plantation footprint and eliminating mixed hardwood from natural forest from our supply chain.</i>	
b.	# of Ha developed by category
III	Peatland management:
<i>Overall objective: Minimize greenhouse gas emissions and impacts on peatland function by halting further development of forested peatland and developing and implementing best practices on peatland that is currently non-forested or has established plantations.</i>	
c.	Total Ha developed on peatland.

Total Ha developed: APRIL data for the period from July 1, 2016 – March 31, 2017

	PT RAPP (ha)	Suppliers (ha)
New mineral soil development	0	No new development was identified on supply partner concessions. Data is incomplete for open-market suppliers.
New peatland development	0	

Evidence Reviewed

Planting records for first time planting of new plantations were reviewed to assess whether the planting was related to areas being newly developed or areas that had been historically cleared for a variety of reasons.

Findings

This is a key indicator of conformance with SFMP 2.0 commitments to:

- Only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments.
- APRIL will not acquire any new land, or forestry licenses; or receive wood from land licensed to third parties, where after 3 June 2015 the seller has knowingly cleared HCV or HCS forests or forested peatlands.
- No new development by APRIL and its suppliers on forested peatland.

First time plantings on PT RAPP and supply partner concessions were reviewed to assess whether they related to new development.

Testing a selection of areas identified as first time planting, including a sample of field inspections on PT RAPP and supply partner concessions, did not identify instances where new development of forested land occurred.

Clarification of SFMP 2.0 Expectations for Suppliers

The following good practice was noted during the period:

Good Practice #1

During the reporting period, APRIL developed a policy for association, which was subsequently endorsed by APRIL's Stakeholder Advisory Committee. The policy, found on the APRIL sustainability dashboard at www.sustainability.aprilasia.com, formally expands the scope of APRIL's commitments regarding indirect involvement of its suppliers in violation of SFMP 2.0 commitments. Indirect involvement includes activities such as clearing of natural forest by a supplier's parent company.

Changes in Peatland regulations

Significant changes in the regulatory framework for plantation development and management occurred during the reporting period. One non-conformance and one opportunity for improvement were identified in relation to the ongoing implementation of these changes:

Non Conformance #1

Non-conformance #1 was reported to us by APRIL and relates to SFMP 2.0 commitments to legal compliance.

Between March and September 2016, PT. RAPP planted approximately 600 hectares of recovered peatland in Dayun Village, Pelalawan which were previously encroached. This was based on the company's approved business plan and annual work plan. Subsequently, in December 2016, the Ministry of Environment and Forestry (MOEF) instructed the Company to suspend all activities, pull out planted Acacia trees and close completed canals at seven points, invoking Circular Letter No. S. 494/MenLHK-PHPL/2015 and PP No. 57/2016 (Peat Ecosystem Protection and Management regulation issued in December, 2016).

As of the date of this report, the Company indicates they have completed all requested actions by the MOEF specific to the recovered peatland in Dayun Village.

On October 18, 2017, APRIL informed stakeholders of the suspension of forestry operations of PT. RAPP as a result of the cancellation of PT. RAPP's current long-term work plan (Rencana Kerja Usaha, RKU) by the MoEF. The long-term work plan was cancelled based on the rejection by the MoEF of the company's latest RKU revision, which it considers does not meet the current ministerial decree on peatland forests. The Ministry requires PT. RAPP to immediately designate a significant part of its current plantations into protection areas. PT. RAPP states this would

result in the loss of more than 50% of APRIL's production areas and lead to significant socio-economic losses and environmental risks, and seeks to continue working with the MoEF to resolve the situation.

PT. RAPP's operations, excluding planting on areas identified on the MoEF's map, were subsequently permitted to resume on October 24 pending resubmission of a revised RKU on October 30.

KPMG PRI notes this will be a focus area of the 2018 assurance process.

Opportunity for Improvement #2

In light of significant recent changes in peatland regulations in Indonesia and the possibility that these could lead to regulatory non-compliance by suppliers, there is an opportunity for APRIL to:

- develop a more detailed operational interpretation of the requirements for circulation amongst suppliers;
- ensure all of its Indonesian suppliers operating on peatland are fully aware of APRIL's interpretation of these requirements and,
- understand how its suppliers are applying these Regulations.

Gaps in supplier data

Nine open-market suppliers (all of whom supply plantation Acacia wood), located in Jambi, Kalimantan and Malaysia, have been engaged by APRIL as a result of the elimination of mixed hardwood logs as a fiber supply source for the Kerinci mill upon implementation of SFMP 2.0 in 2015.

During the interim period, APRIL only had full access to monitoring data for two of these nine suppliers. However, APRIL has implemented a Land Cover Change (LCC) monitoring system which is based on analysis of landsat imagery for changes in land cover across all fiber supply concessions. Potential areas of land cover change are followed up with individual suppliers and assessed for conformance with SFMP 2.0. This monitoring system is part of a broader SFMP 2.0 monitoring system being implemented by APRIL which is currently being rolled out on a priority basis across suppliers. However, a number of suppliers are currently not responding to information requests from APRIL related to possible land use change, limiting the effectiveness of the system, resulting in the following opportunity for improvement:

Opportunity for Improvement #3

In 2016, APRIL began tracking the nine open-market supplier concessions using the LCC monitoring system that uses landsat imagery to identify and follow-up on potential new development through confirmation of vegetation change and root cause of the change. As of the date of the report, sufficient feedback and information had not been received for more than 50% of the land cover change detected during the reporting period, preventing reliance on the effectiveness of the system and adequately concluding with respect to conformance with SFMP 2.0 requirements for new development. There is opportunity for APRIL to determine how to work with incomplete data to manage risk and assess conformance with SFMP 2.0.

Canal development on Pulau Padang

During the reporting period, concerns were raised by stakeholders that the development of a canal on Pulau Padang was inconsistent with the Company's SFMP 2.0 commitments regarding development. In attempting to address these concerns, APRIL provided inaccurate information to key stakeholders, mis-referencing specific clauses of the Forest and Land Fire Control regulation (PerMenLHK No.32 year 2016) as the basis for the canal construction. This led to publicly expressed concerns that APRIL had deliberately misled its key stakeholders and that the Company was not being transparent about its development actions.

In response to the incident, APRIL posted a public statement that included a clear apology for the provision of incorrect information and reaffirmed that it was not its intention to deliberately mislead. The apology is posted on www.aprildialog.com. APRIL also committed that:

“APRIL will cooperate fully with a joint task-force including Indonesia’s Peatland Restoration Agency (BRG) and the Ministry of Environment and Forestry to review and address the social issues and any other matters on its forestry concessions at Pulau Padang.”

No further development has taken place on Pulau Padang since the incident, which remains the subject of administrative sanctions issued by the Ministry of Environment and Forestry in response to fires that occurred in 2015 and gaps in fire facilities and infrastructure.

Ongoing transparency on compliance issues and other concerns such as the events on Pulau Padang is essential to the success of SFMP 2.0. In response, a draft 2018 indicator has been developed for consultation with stakeholders that requires APRIL to track and report on issues that arise from SFMP 2.0 implementation that led to a non-conformance or concerns over a potential non-conformance.

V	Proactive support of local communities:
<i>Overall objective: To continually seek opportunities to consult and align with the interests of communities.</i>	
g.	# and status of agreed actions arising from stakeholder forums.

APRIL data for the period from July 1, 2015 - March 31, 2017

Status of Agreed Actions	# of Agreed action – PT. RAPP	# of Agreed action – Suppliers
Not yet started	257	Supplier information regarding this indicator is unknown by the Company at this time.
In progress	382	
Completed	75	

Evidence Reviewed

APRIL provided a listing of all community stakeholder actions agreed to and budgeted for by PT. RAPP resulting from stakeholder forums held during the period. On a sample basis, we traced the information for those actions marked as “completed” back to a signed acknowledgement of completion between PT. RAPP and the community, for those actions marked as “in progress,” to procurement records demonstrating the progress on budget spent for this specific action, and for those actions marked as “not yet started,” to approved work plans signed off by the Community Development Officer and the Estate Manager.

Findings

This indicator is intended to track PT. RAPP’s fulfillment of the commitments made resulting from community stakeholder forums. The actions relate to requests by the local community for community development and include items such as social infrastructure projects, healthcare support and education support.

During our procedures, we noted approximately 60 actions that were budgeted during the period for a specific village or activity were subsequently transferred to another village or activity based on a change in priorities or identified community needs. All budget transfers were approved by the Estate Manager, the Social Grievance Resolution team, and the Community Development Officer. No approval for the transfer in budget was deemed necessary from community representatives.

While a number of community development activities result from the annual community stakeholder forums held throughout the concessions, PT. RAPP does not formally communicate back to the communities which specific actions they have allocated budgeted for. As such, the indicator does not necessarily represent “agreed” actions resulting from these forums and has subsequently been dropped from the 2018 SFMP 2.0 performance indicators.

VI	Respect the Rights of Indigenous Peoples and Communities:
<i>Overall objective: To demonstrate respect for the rights of indigenous peoples and rural communities throughout operations.</i>	
c.	% of grievances addressed within 10 days
d.	% of grievances resolved in accordance with the grievance standard operating procedure (SOP)

APRIL data as of March 31, 2017

Total # of grievances received	Related to APRIL's activities	Related to supplier activities
Grievances received during the period	6	No grievances regarding supplier activities were received by APRIL during the period
% of grievances addressed within 10 days	83% (5 out of 6)	
% of grievances resolved in accordance with the grievance SOP	17% (1 out of 6)	

Evidence Reviewed

Review of the newly developed grievance standard operating procedure, public communication on the grievance process and the grievance tracking database available online:

<http://sustainability.aprilasia.com/category/grievance-mechanism>

<http://sustainability.aprilasia.com/category/raise-a-grievance>

<http://sustainability.aprilasia.com/category/grievance-tracking>

For all grievances received, we reviewed the grievance tracking file, communications with the complainant and internal communications to determine if the grievance was received and addressed within 10 days.

For a sample of grievances received, including the one grievance that has been resolved, in addition to the evidence described above, we reviewed the grievance verification document (if applicable), the development of an action plan and monitoring, and closure of the process to ensure all steps were taken in accordance with the SOP.

Findings

These indicators address APRIL's responsiveness to grievances raised by local communities and the implementation of the grievance SOP. APRIL developed a new publicly available grievance SOP during 2015-2016 which became available on line as of August 30, 2016. Of the six grievances received, one was received in September 2016 and the remaining five were received in March 2017. As such, as of March 31, 2017, only one grievance was resolved, the remaining five continue to be ongoing.

Of the six grievances received, one was not addressed within the 10 working days as specified by the SOP as the Grievance Processing Unit did not have an email address for the complainant and the earliest they were able to get in touch with the complainant by telephone was on the 13th working day.

APRIL is still in the process of gathering data in relation to supplier grievance mechanisms as part of the supplier monitoring program developed to assess SFMP 2.0 conformance across the supply chain.

Opportunity for Improvement #4

From our field observations, we note where supplier grievance processes do exist, there remains an opportunity to improve implementation of these processes through improved socialization of the grievance mechanism as well as through provision of support to communities in submitting grievances once the supplier is aware of a complaint.

VII	Responsible Practices in Our Work Places:
<i>Overall objective: To provide a safe, productive and conducive work environment throughout its wood supply chains where employees including those of sub-contractors, can contribute and advance.</i>	
c.	% of PT. RAPP, supplier and contractor operations covered by OHS certification

This table tracks the percentage of operations that have completed some form of occupational health and safety certification by March 31, 2017.

	% covered by OHS certification¹
PT. RAPP Sectors	83%
Supplier concessions	9%
TOTAL	35%

¹OHS certification is defined as the SMK3 certification which is required by local Indonesian law or an equivalent certification for those suppliers operating outside of Indonesia.

Evidence Reviewed

An APRIL developed listing of certifications by concession and by supplier was cross-checked to certificates of occupational health and safety (OHS) certifications for PT. RAPP and individual suppliers. In addition, OHS certification tracking and plan was reviewed for PT. RAPP sectors and Supplier concessions.

Findings

This indicator tracks the extent to which a formal health and safety management system is in place to address APRIL’s commitment to ensure the health and safety of workers is protected and that workers are equipped for protection against occupational health and safety hazards.

SMK3 certification is required by local law for all companies who are either assessed as “high-risk” by the Ministry of Labor or for companies with greater than 100 workers. As of March 31, 2017, PT. RAPP had completed SMK3 certifications for 10 of it 12 sectors with the remaining two certification audits planned for mid-2018. Two suppliers have now also completed SMK3 certification and the remaining 13 are scheduled to be certified in Q2 2018.

VIII	Legal Compliance and Certification:
<i>Overall objective: To go beyond legal compliance toward achieving Sustainable Forest Management (SFM).</i>	
a.	# of Instances of fire on concessions by cause (APRIL initiated, supplier initiated or third party initiated)

APRIL data for the period from July 1, 2016 - March 31, 2017

	# of instances caused by APRIL or supplier	# of instances caused by third parties
PT. RAPP	0	7
Suppliers	No known instances on supply partner concessions Data incomplete for open-market suppliers	239 known instances on supply partner concessions Data incomplete for open-market suppliers

Evidence Reviewed

An APRIL-developed listing of fires during the period on PT. RAPP and supply partner concessions was cross-checked on a sample basis to fire incident reports. Interviews with management were completed during PT. RAPP and supplier field visits regarding fire monitoring and tracking and data was cross-checked to reported fires.

Findings

Fire management is a critical element of APRIL's compliance commitments. This indicator tracks the number of instances of fire that occur on APRIL and supplier concessions and the associated cause of the fires. During the period, seven instances of fires caused by third parties occurred on PT. RAPP concessions and a total of 239 instances of fires caused by third parties occurred on supply partner concessions for which data is available.

APRIL maintains an active fire suppression program to address instances of fire on concessions. As a result of the fire suppression program, the total hectares lost to fire on concessions was limited to 77 hectares for PT. RAPP and 1,290 hectares for supply partner concessions during the reporting period.

While fire data is not reported for APRIL's nine open-market suppliers, the Company is in the process of implementing a fire monitoring system with these suppliers to provide details of fires on concessions or details of any related government sanctions.

5. Future Reporting

In 2018, KPMG will conduct a limited scope assurance report covering APRIL's implementation of SFMP 2.0 for the period from January 1-December 31, 2017. The updated performance indicators for this assessment have been drafted and APRIL's Stakeholder Advisory Committee is currently seeking input on these indicators, which can be found on APRIL's sustainability dashboard at www.sustainability.aprilasia.com

Further Information

The 2016 assurance report and related action plans are publicly available and are located on APRIL's sustainability dashboard at www.sustainability.aprilasia.com.

Sustainable Forest Management Policy 2.0 and the SFMP 2.0 performance indicators are also located on the sustainability dashboard along with information on the Stakeholder Advisory Committee and the Independent Peat Expert Working Group and their related roles, meetings and recommendations.

Appendix 1: APRIL Action Plans

APRIL SFM Policy 2.0 Implementation – Draft Action Plans Non Conformities October 2017		
Indicator I.b Indicator III.c	# of Ha developed by category Total Ha developed on peatland	
Non Conformance #1	During 2016 PT RAPP planted 608 ha of previously encroached area, recovered from within the Dayun block of Pelalawan concession that had been previously cleared but not planted. The MoEF issued an administrative sanction 09 March 2017 ordering the removal of the newly planted Acacia trees and closing of new canals.	
APRIL Action Plan(s) - COMPLETED	APRIL completed all requested actions by the MoEF by the end of May 2017 and have updated its operational interpretation of the new peatland regulations. APRIL reported this incident in advance of the Interim Assurance Review to KPMG PRI.	Timeframe: Already Complete.
APRIL Root cause analysis	N/A	
KPMG PRI review of Action Plan	Completed in June 2017	

APRIL SFM Policy 2.0 Implementation – Draft Action Plans Opportunities for Improvement October 2017		
	Performance Indicator Data Reporting Limitations	
Opportunity for Improvement #1	There is a clear difference noted between the quality of Supply Partner data and PT RAPP data associated with SFMP2.0 performance indicators, specifically those indicators addressing community and employee grievances. There is opportunity to improve the quality of supply partner data through the supplier monitoring program developed to assess SFMP2.0 conformance.	
APRIL Action Plan(s)	<ol style="list-style-type: none"> 1. Review data requirements to assess SFMP2.0 conformance. 2. Develop appropriate data management and reporting standards. 3. Socialize to all Suppliers. 4. Re-enforce implementation of the data management and reporting standards with all Suppliers. 	Timeframe 30-Sept-18
APRIL Root cause analysis	Inconsistent Supply Partner data collection and reporting; historically less intensive than APRIL processes. Need to continue building Supply Partners' understanding of policy compliance monitoring and transparency to stakeholders through continuous engagement.	
KPMG PRI review of Action Plan	Accepted - October 2018	

Indicator I.b Indicator III.c	# of Ha developed by category Total Ha developed on peatland	
Opportunity for Improvement #2	In light of significant recent changes in Peatland regulations in Indonesia and the risk that these could lead to regulatory non-compliance by Suppliers, there is an opportunity for APRIL to develop and socialize detailed operational interpretations of the new regulatory requirements.	
APRIL Action Plan(s)	<ol style="list-style-type: none"> 1. Develop more detailed operational interpretations of the requirements 2. Socialize to Indonesian suppliers on Peatland, and 3. Monitor the implementation of the regulations by Supplier 	Timeframe 31-Sept-18
APRIL Root cause analysis	There have been several new peatland regulations enacted by the government since December 2016 and many companies needed time to clarify their understanding of these, particularly in relation to earlier government regulations that are in force, and also to ensure correct operational interpretations.	
KPMG PRI review of Action Plan	Accepted - October 2018	
Opportunity for Improvement #3	The Land Cover Change (LCC) monitoring system is receiving insufficient feedback from the field verification process following the circulation of LCC reports to provide confidence in the effectiveness of the system. There is opportunity for APRIL to determine how to work with incomplete data to manage risk and assess conformance with SFMP2.0	
APRIL Action Plan(s)	<ol style="list-style-type: none"> 1. Analyze the data to determine location(s) of insufficient feedback 2. Re-socialize the field verification component with the Suppliers not responding in a timely manner 3. Develop alternate methods to confirm compliance with SFMP2.0 4. Implement those methods and measure effectiveness; provide feedback to senior management 	Time Frame 31-Sept-18
APRIL Root cause analysis	Need to continue building suppliers' understanding of policy compliance monitoring and transparency to stakeholders through continuous engagement.	
KPMG PRI review of Action Plan	Accepted - October 2018	

Indicator VI.c Indicator VI.d	% grievances addressed within 10 days % of grievances resolved in accordance with the Grievance SO	
Opportunity for Improvement # 4	Although Supplier grievance processes do exist, there remains an opportunity for APRIL to improve implementation of the processes through improved socialization of the mechanisms to communities; and to provide support to communities in submitting grievances once the supplier is aware of a complaint.	
APRIL Action Plan(s)	<ol style="list-style-type: none"> 1. APRIL to review grievance mechanisms currently utilized across all Suppliers; 2. Socialize both the mechanisms and the need to support communities when a complaint is recognized; and 3. Monitor for change in habits regarding grievances. 	Time Frame 31-Sept-18
APRIL Root cause analysis	The mechanisms require more focused socialisation from Supply Partners with the communities. The resolution 'concept' for isolated communities requires flexibility of tools and approach.	
KPMG PRI review of Action Plan	Accepted - October 2018	