



APRIL Group's Sustainable Forest Management Policy 2.0



APRIL Group—Interim report on SFMP 2.0 Implementation

In January 2016 a team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a specified auditing procedures engagement on APRIL Group's (APRIL's) implementation of key Sustainable Forest Management Policy (SFMP 2.0) commitments related to the implementation of a moratorium on mixed hardwood logging and fiber sourcing for the Kerinci pulp and paper mill.

Summary of APRIL's Operations

APRIL Group 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 850,000 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 a number of long-term supply partners. These plantations currently supply approximately 68-78% of the mill's fiber needs, the remainder being met by short-term suppliers.

Further information on APRIL's operations can be found at www.aprilasia.com. A sustainability dashboard, located at <http://sustainability.aprilasia.com> will be used to provide additional information on APRIL's implementation of SFMP 2.0.

Independent Stakeholder Advisory Committee

APRIL maintains a Stakeholder Advisory Committee (SAC or Committee) of independent sustainable forestry and social experts that was created to oversee implementation of APRIL's Sustainable Forest Management Policy. The SAC appointed KPMG PRI to undertake an assessment of APRIL's progress on its SFMP 2.0 commitments over the first year of policy implementation. KPMG PRI reports its findings directly to the SAC. Minutes of SAC meetings and recommendations made by the SAC can be found at www.aprildialog.com/category/stakeholder-advisory-committee-sac/



SFMP 2.0

SFMP 2.0 was announced publicly on June 3, 2015 and is the second iteration of APRIL's Sustainable Forest Management policy. The policy can be found at www.aprilasia.com/en/sustainability/sustainability-policy

The policy contains commitments in relation to:

- Long Term Sustainability;
- Forest Protection and Conservation;
- Peatland Management;
- Continuous Reduction of Carbon Footprint;
- Proactive Support of Local Communities;
- Respect (for) the Rights of indigenous Peoples and Communities;
- Responsible Practices in Our Work Places;
- Legal Compliance and Certification; and,
- Good Corporate Governance, Verification and Transparency.





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In 2015 and 2016, APRIL worked with its independent SAC and external stakeholders to develop a set of indicators to track implementation of key commitments under SFMP 2.0. The resulting set of indicators is being reported on by APRIL for the first reporting period under SFMP 2.0, which extends from the date of announcement to June 30, 2016. As an interim initiative, this report addresses progress in implementing three key commitments made in SFMP 2.0 that relate to the phasing out of mixed hardwood (MHW) fiber from APRIL's supply chain.

Interim Report Scope

The scope of the specified auditing procedures covered the following SFMP 2.0 commitments:

- *Effective immediately, APRIL and its suppliers will only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments;*
- *By 15 May 2015, APRIL and its suppliers halted all harvesting of mixed hardwoods¹. Mixed hardwoods harvested before 15 May 2015 will be utilized by APRIL's mill before end December 2015;*
- *No new development by APRIL and its suppliers on forested peatland.*

¹*Under de minimis rule, small isolated areas within existing plantation concessions could be harvested only if they are not classified as HCV or HCS through the assessment process.*

KPMG PRI's specified auditing procedures covered the period from May 15, 2015 (the date that the moratorium on harvesting of mixed hardwoods was implemented) through to January 8, 2016 (the date up to which data was available at the time the work was completed and 8 days after the date by which APRIL's mill was committed to utilize any MHW harvested prior to May 15, 2015).

Conduct of the Engagement

Team – The engagement team comprised 6 professionals:

- 3 KPMG PRI employees experienced in conducting forest certification and assurance over sustainability data;
- 2 local forestry consultants; and,
- 1 local (KPMG) assurance professional.

Site visit – A 2 week site visit was undertaken in January 2016 to the Kerinci mill. Information on mixed hardwood use was gathered based on scale data and visual inspection of inventories on hand directly at the mill site and at the port of Futong (where mixed hardwood is offloaded from more distant short-term supplier concessions).

Information on mixed hardwood logging and plantation development at the concession level was gathered based on satellite imagery supplemented by field data gathered by KPMG at the Pulau Padang concession at the time of the policy announcement and by field and satellite data gathered by independent consultants from PT. Hatfield at both the Pulau Padang and PT. Adindo Hutani Lestari concessions on a monthly basis between policy announcement and the end of 2015.



APRIL's Kerinci pulp and paper mill



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Specified Auditing Procedures Undertaken

Procedures undertaken to test conformance with commitments to halt all harvesting of mixed hardwoods by May 15, 2015 and undertake no new development on forested peatland:

- Analysis of APRIL land bank (which combines information from satellite imagery and ground based GPS data to track land use status across PT. RAPP and long-term supply partner concessions) between Q2 2015 and Q4 2015 to identify change in land use status and investigation of changes to determine if these were the result of development (either harvest of mixed hardwoods or development of new infrastructure, such as roads or canals, in areas not already identified as plantation or infrastructure).
- Site visit to the Pulau Padang concession in May 2015 to field inspect a sample of logging sites to confirm the status of logging at the moratorium date (used to confirm the accuracy of satellite based assessment of land use status).
- For the 2 concessions that supplied MHW after May 15, 2015, sampled deliveries back to records of the date of harvest to establish if the harvest was before the May 15, 2015 moratorium date.
- Review of third party monitoring data for the PT. RAPP Pulau Padang and PT. Adindo Hutani Lestari Kalimantan concessions prepared by PT. Hatfield on a monthly basis between June and December 2015 using satellite imagery.
- Sample testing of plantation fiber received by the Kerinci mill between May 15–December 31, 2015 to trace back to delivery and harvest records in order to confirm that it was plantation species and not MHW.
- For all other concessions that had supplied MHW in the previous year but not after the moratorium date, sampled delivery records to confirm the fiber delivered after May 15, 2015 was not MHW.
- Investigation of third party claims related to logging of mixed hardwood on APRIL's Baserah concession after the May 15, 2015 moratorium date.



An example of a site on Pulau Padang where field confirmation in May 2015 determined the site to be in conformance with SFMP 2.0 as merchantable trees had already been removed prior to the

Additional procedures specific to the commitment to only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments:

- Review of planting reports for the period from May to December 2015 to check whether any areas of “scrub” (previously undeveloped but currently unforested land) were developed during this period.
- Review of PT. Hatfield monitoring reports and APRIL planting records to determine whether any areas that were correctly classified as “scrub” at the time the moratorium was announced were not developed.



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Procedures undertaken to test conformance with commitments that the Kerinci mill would utilize any MHW fiber logged prior to May 15, 2015 by December 31, 2015:

- Site visit to the Kerinci wood yard and the port of Futong in January 2016 to determine if any MHW remained in inventory.
- Sample of delivery documentation for January 1-8, 2016 deliveries from Kalimantan to confirm the fiber delivered was not MHW.

Results of Specified Auditing Procedures

- As of January 8, 2016 no evidence was identified of a continuing supply of MHW to the Kerinci mill. We identified no evidence of MHW inventory being stored at the mill site or at the port of Futong.
- No evidence was identified of MHW supplies to the mill that were associated with MHW harvest after May 15, 2015.
- One instance was noted of peatland development / MHW harvest after the announcement of SFMP 2.0 by a short-term supplier to APRIL. This event had already been publicly acknowledged by APRIL as a non-conformance with SFMP 2.0. See **Areas of Nonconformance** and the associated **Corrective Action Plans**.

Areas of Nonconformance

One non-conformance was identified during the assurance engagement as follows:

- Development of forested peatland and associated mixed hardwood harvest occurred on PT. Adindo Hutani Lestari's concession in Kalimantan after the moratorium date imposed in APRIL's SFMP 2.0.
- This activity occurred approximately between May 15 - June 9, 2015.
- Eyes on the Forest (a coalition of three local environmental organizations in Riau Province, Sumatra) used landsat data to identify harvesting activities on peatland during this period.

The non-conformance was determined to be minor in nature as it related to a single isolated incident and the area affected was approximately 0.02% of the supplier's concession area.

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Interim Report Findings	
Major non-conformities	0
Minor non-conformities	1

Types of findings

Major non-conformities:

Are pervasive or critical to the achievement of the SFMP 2.0 Objectives.

Minor non-conformities:

Are isolated incidents that are non-critical to the overall achievement of SFMP 2.0 Objectives.

All non-conformities require the development and implementation of a corrective action plan.



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Corrective Action Plans

Following the identification of the non-conformance, a corrective action plan was implemented by APRIL and their supplier involving:

Public acknowledgement by APRIL that the incident had occurred per <http://aprildialog.com/2015/06/23/april-group-awaits-final-mapping-analysis-to-clarify-ngo-concerns-on-moratorium-deadline/> and <http://aprildialog.com/2015/07/08/thirdparty-analysis-moratorium/>

- Field inspections to quantify the amount of harvesting and development that occurred—these determined that approximately 39 hectares of mixed hardwood was logged;
- Re-planting of native species on an area exceeding 39 hectares; and,
- Ongoing third party monitoring of the concession for the remainder of 2015.



Next Steps

APRIL will publicly report against these indicators for the period from policy implementation to June 30, 2016 and KPMG PRI will undertake an assurance engagement over the indicator data and submit this to APRIL's independent SAC. A public report on the process is expected to be available in October, 2016.



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