



APRIL Group's Sustainable Forest Management Policy 2.0



2016 Assurance Report Summary

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 long-term supply partners located in Sumatra that together supply approximately 79% of the mill's fiber needs. The remaining fiber is procured as logs from short-term supply sources in Sumatra, 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 by APRIL with the input of its Independent Stakeholder Advisory Committee to provide quantitative information on APRIL's progress in implementing its commitments under SFMP 2.0. The development process for the indicators also included inputs from other local and international stakeholders.

KPMG Performance Registrar Inc.

The SAC appointed KPMG Performance Registrar Inc. (KPMG PRI) to provide an independent report on APRIL's progress over the first year (June 3, 2015 to June 30, 2016) of SFMP 2.0 implementation. KPMG PRI presented its report to the SAC in December, 2016.



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



2016 Assurance Engagement

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

- An interim site visit was conducted to the Kerinci millsite focused on assessing the implementation of the mixed hardwood moratorium and phase out of mixed hardwood as a fiber source for the Kerinci pulp mill – January 2016;
- An initial review was conducted of the reporting methodology developed by APRIL for each of the performance indicators – June 2016;
- Field visits were undertaken at 3 PT. RAPP sectors as well as 3 long-term supplier concessions and one short-term supplier concession. On-site record review and interviews were conducted at the Kerinci millsite – August and September 2016;
- Report development and review with the independent Stakeholder Advisory Committee – October through December 2016; and,
- Action Plans were developed by APRIL in relation to each of the identified findings and reviewed and accepted by KPMG PRI – November and December 2016.

Our Report

Our Report on [APRIL Group’s Implementation of Sustainable Forest Management Policy 2.0](#) (the Report) was issued in December 2016. The report presents APRIL’s quantitative data for each of the SFMP 2.0 performance indicators for the first year of implementation of SFMP 2.0 as well as the work undertaken by KPMG PRI in reviewing the indicator data and our findings.

As agreed with the SAC, our report was prepared to a limited level of assurance, which is the most common form of assurance applied globally to sustainability data.

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

Our Findings and Conclusions

Findings and conclusions were developed in relation to the SFMP 2.0 Performance Indicator data provided by APRIL and in relation to APRIL’s conformance with the requirements of SFMP 2.0 .

SFMP 2.0 Performance Indicator Data - Based on the procedures performed, nothing came to our attention that would cause us to believe that the APRIL SFMP 2.0 performance Indicator data presented in the 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 - In the course of our work, and based on the performance indicator data, we identified 3 non-conformities in the implementation of SFMP 2.0 requirements during the reporting period which are further described below

APRIL—SFMP 2.0 Report Findings	
Non-conformities	3
Opportunities for Improvement	28

Types of findings

Non-conformities:

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:

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.



under *Summary of Findings by SFMP 2.0 Policy Element*. Two of these non-conformities have been closed following the implementation of corrective actions.

In the course of our work we identified 28 opportunities for improvement, relating to both the collection and reporting of performance indicator data and processes to achieve conformance with SFMP 2.0.

Two general opportunities for improvement were raised in relation to the scope of the indicator data available for review:

- Indicator data was not presented for long-term suppliers in relation to indicators related to community development activities and land-use conflicts; and,
- Indicator data was not presented for short-term suppliers in relation to new development, conservation area, land-use conflicts, grievances, instances and cause of fire on concessions and safety data.

The additional data would allow for more comprehensive reporting of progress in implementing SFMP 2.0 across all suppliers.

Summary of Findings by SFMP 2.0 Policy Element.

I. Long Term Sustainability Indicators

These indicators focus on the sourcing of fiber for the Kerinci mill, the maintenance of high conservation values and the elimination of mixed hardwood as a fiber source for the mill. The APRIL data indicates that the key moratorium on new development of forested areas was implemented with only minor instances of non-conformance by suppliers and that the Kerinci mill phased out all use of mixed hardwood by the end of December 2015. No new licences were obtained during the period. APRIL continues to work on improving the yield from existing plantations as part of its objective of reaching fiber supply self sufficiency from the PT. RAPP and long-term supplier landbase.

Two non-conformities were raised in relation to new development of forested areas undertaken by short-term suppliers in breach of the existing moratorium.

- PT. Adindo Hutani Lestari was found to have undertaken 39 hectares of new development shortly after the announcement of the mixed hardwood development moratorium in June 2015. This was publicly acknowledged by APRIL at the time and corrective action plans were implemented in 2015 that led to the restoration of 39 hectares to native forest species and increased monitoring of the supplier; and,
- PT. Agronusa Alam Sejahtera was found to have undertaken 495 hectares of new development during the period which was identified by Landsat imagery monitoring conducted by APRIL. Action plans were implemented that resulted in the termination of the supply contract and the development of an enhanced due diligence process for accepting new suppliers and a more comprehensive ongoing monitoring process for all suppliers.

Both non-conformities have been closed following the completion of corrective actions by APRIL.



APRIL's Kerinci pulp and paper mill



Three opportunities for improvement were identified, all relating to the need to strengthen new supplier due diligence processes and short-term supplier monitoring processes.

II. Forest Protection and Conservation Indicators

These indicators focus on the creation and maintenance of conservation areas and the development of landscape level plans to address long-term conservation goals. The APRIL data indicates that there are currently approximately 421,000 hectares of conservation and ecosystem restoration, of which approximately 90% is classified as forested. The current ratio of conservation to plantation area is approximately 83%.

During the period, APRIL announced its intention to invest US\$100 million in Riau Ecosystem Restoration over the next ten years to support its forest restoration and conservation initiatives and, to date, has initiated the development of two landscape level plans, one on the Kampar Peninsula and one on Pulau Padang, covering a combined area of approximately 439,000 hectares that includes 18 concessions (including 4 recently acquired ecosystem restoration licences).

III. Peatland Management Indicators

These indicators focus on providing data on the current development status of peatland and the implementation of recommendations made by the Independent Peatland Expert Working Group (IPEWG) in relation to peatland operations. There are approximately 255,000 hectares of PT. RAPP and long-term supplier plantations and 317,000 hectares of conservation and ecosystem restoration on peatland.

The first IPEWG meeting was in January 2016. The majority of IPEWG recommendations made to APRIL to date (70%) are in progress or not started as of June 30, 2016; however, this is not unexpected as the majority are long-term in nature.

All peatland development observed during field inspections was in accordance with recommendations made by the IPEWG.

One opportunity for improvement was identified, relating to the need to identify clear timelines for the implementation of recommendations by the IPEWG.

IV. Continuous Reduction of Carbon Footprint Indicators

The 2016 performance indicators focus on greenhouse gas (GHG) emissions associated with the Kerinci mill. Research is underway that will allow this data to be supplemented in the future with broader life cycle data that includes land use emissions and sequestration associated with PT. RAPP's plantations.

APRIL followed an established methodology developed by the International Council of Forest and Paper Associations (ICFPA) and the National Council for Air and Stream Improvement (NCASI) to develop the GHG emissions profile for its millsite, allowing a GHG intensity baseline to be set for both pulp and paper production against which future improvement can be measured. Currently, 71% of the mill's energy needs are met by biomass (e.g. from bark and palm husks) and the remaining 29% is derived from fossil fuel, primarily coal.



Re-planting with native species was conducted by PT. Adindo Hutani Les-tari in the area logged in breach of the mixed hardwood moratorium.





V. Proactive Support of Local Communities Indicators

The 2016 performance indicators focus on providing base data on existing initiatives and are considered to be temporary pending the development of indicators that more effectively reflect the impact of community initiatives.

A 2014 Economic Impact and Fiscal Analysis of APRIL Group Riau Complex by the Institute of Economic and Social Research – Faculty of Economics and Business, University of Indonesia supported by Royal Golden Eagle Group estimates APRIL’s historic contribution to Riau province’s GDP at 5.2%.

Indicator data covers social infrastructure projects undertaken or supported by the Company (which had a monetary value of approximately US\$308,000), educational scholarships provided (288), the number of Small Medium Enterprise (SME) organizations contracted by PT. RAPP during the period (172) and the extent of stakeholder forums and related commitments to stakeholders made during the period (83 forums which generated, by APRIL’s estimate, over 1,000 commitments, of which 286 have been completed or are in progress to date).

Two opportunities for improvement were identified relating to:

- The need for APRIL to determine how best to monitor its contribution to local GDP on an ongoing basis; and,
- The need for APRIL to develop a more reliable way qualify, prioritize and track the number of commitments made to local stakeholders.

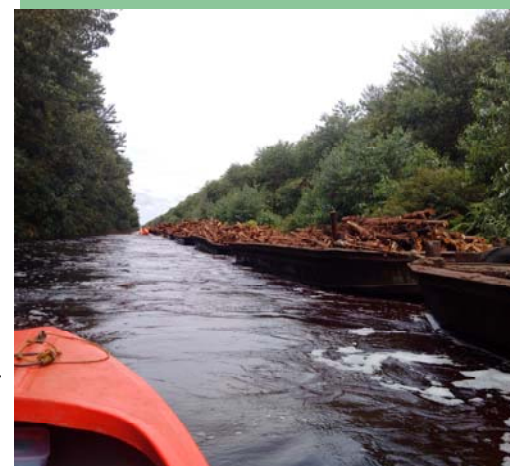
VI. Respect the Rights of Indigenous Peoples and Communities Indicators

The 2016 performance indicators focus on the development of updated processes for the resolution of conflicts and grievances.

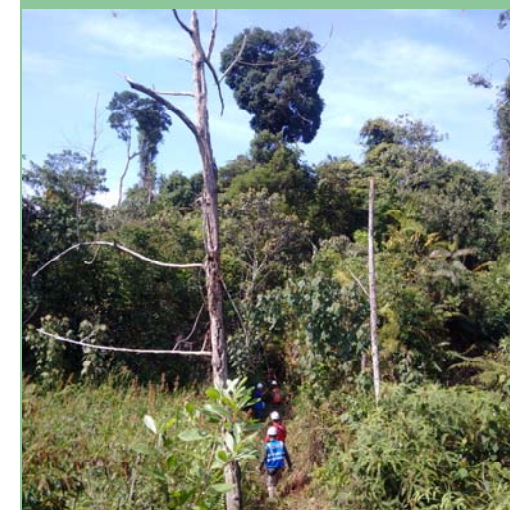
No new operations were developed during the period that would trigger requirements for new agreements with indigenous peoples and rural communities. The Kubu concession held by PT. Sumatera Riang Lestari (PT. SRL) on Sumatra was identified as being in the planning process. This concession is not new and contains little remaining forest but has not previously been operated by PT. SRL. A site visit was undertaken to the concession to confirm that no new development was being undertaken in advance of the process of gaining free prior informed consent of local villagers.

Amongst existing PT. RAPP and long-term supplier concessions (including community fiber plantations) there were approximately 11,000 hectares and 72,000 hectares respectively of land inactive due to unresolved conflicts.

A key commitment met in 2016 was the development of an updated Standard Operating Procedure (SOP) for addressing grievances. A number of indicators are linked to this new SOP which did not have data for the reporting period as the SOP remained in progress at that time. It was subsequently completed and became available online as of August 30, 2016



Canals serve water level management, transportation and fire prevention and response functions on peatland. Effective design and maintenance of these systems is a critical element in managing the existing plantation footprint on peatland.



Field inspections included confirmation of the status of conservation areas.



Five opportunities for improvement were identified, relating to:

- The need for better tracking of the resolution of grievances within the Company's GIS tracking systems and to improve controls over the land conflict database to eliminate minor discrepancies between the database and the specifics of the grievances as documented in MOUs with local villagers; and,
- The need to raise awareness of concession managers and community stakeholders in relation to the grievance process and particularly the new SOP (which had only just been released at the time of our review).

VII. Responsible Practices in Our Work Places Indicators

The 2016 performance indicators focus on occupational health and safety and the existence of grievance processes for addressing labor concerns.

PT. RAPP had completed Occupational health and safety (OHSAS 18001) certification for 9 of its 12 operating units at the time of the review, with the remaining 3 audits planned for early 2017. SMK3 certification is required by local law for all companies who are either assessed as "high-risk" by the Indonesian Ministry of Labor or for companies with greater than 100 workers. As of June 30, 2016, PT. RAPP had completed SMK3 certification for 10 of its 12 operating units with the remaining 2 audits planned for early 2017.

Long-term suppliers do not currently have OHSAS 18001 and had not yet completed SMK3 certification. However, all SMK3 certifications are currently planned for 2017 or early 2018. Short-term supplier coverage of either OHSAS 18001 certification or SMK3 certification remains limited.

Labour grievance processes were in place across PT. RAPP, long-term and short-term suppliers for their own employees. However, monitoring of the labour grievance processes in place across contractors was limited.

Six opportunities for improvement were identified, relating to:

- The need for APRIL to formally monitor the completion of safety certifications by Short-Term Suppliers and to understand which contractors also require SMK3 certification and ensure they achieve certification;
- The need to raise awareness of the existence of a confidential email and phone number available to raise issues across PT. RAPP employees and contractor workers; and,
- The need for APRIL to monitor the implementation of labour grievance systems by its suppliers and contractors.

VIII. Legal Compliance and Certification Indicators

The 2016 performance indicators focus on legality certification of the wood supply and management of fire risk.



Daily safety briefing at the PT. RAPP's Ukui Sector.



All suppliers are expected to provide evidence of legality certification, based on existing Indonesian wood legality schemes (PHPL, IFCC, VLK or DKP as applicable to the supplier). The APRIL data indicates that all of the fiber supply sourced from Indonesia carried wood legality certification. A small proportion (3.1%) of fiber supply is currently sourced from Malaysia through a log broker. To date, APRIL has relied on the fact that the broker has FSC Chain of Custody certification as evidence of legality for this source of supply.

APRIL and its long-term suppliers identified 273 fires initiated by third parties on concessions during the period. However, the overall loss was limited to approximately 756 hectares, which is notable given 2015 was a particularly severe fire year in Indonesia and the World Bank has estimated that more than 2.6 million hectares of forest, peat and other land burned by late November 2015, an area 36 times the size of Singapore. In 2015, APRIL also initiated the Fire Free Village Program (FFVP) that worked with local villages and provided both training and financial incentives to those villages who were prepared to eliminate fire as a land-clearing tool. The initial program was carried out at 18 villages associated with PT. RAPP operations and was considered a success in terms of its ability to reduce instance of fire on adjacent plantations and conservation areas.

Two opportunities for improvement was identified, relating to:

- the lack of any legality claim associated with the logs purchased from the Malaysian wood broker; and,
- The opportunity to extend short-term supplier monitoring to identify forest cover loss due to fires and/or encroachment and to request suppliers provide details of any related regulatory sanctions.

IX. Good Corporate Governance, Verification and Transparency Indicators

The 2016 performance indicators focus on transparency in relation to suppliers and their concessions as well as actions taken in relation to recommendations by the Stakeholder Advisory Committee.

APRIL developed a publicly accessible [sustainability dashboard](#) in 2015 and 2016 that now contains lists of suppliers, maps of concessions and information on High Conservation Value (HCV) areas, including copies of HCV reports for individual concessions. The portal remains a work in progress and does not yet contain the information for all suppliers.

There have been a total of seven SAC meetings since inception of the committee in January 2014 resulting in a total of 88 actionable recommendations or sub-recommendations. Of these recommendations, a total of 39 (44%) have been completed to date with most of the remainder in progress. A small number of actions remained in development as of June 30, 2016.



Example of supplier forest fire equipment cache.



One non-conformity was raised in relation to APRIL's transparency commitments:

- While a supplier list is maintained on the sustainability dashboard, as of September 2016 it did not contain all suppliers (fiber sources from small communities and 4 long-term suppliers that had not delivered wood during the period but contribute to data for other SFMP 2.0 indicators were not included).

Five opportunities for improvement were identified, relating to:

- The lack of procedures to regularly update the supplier list, which resulted in one new supplier that was subsequently terminated never showing up on the list;
- The need to continue to expand the number of suppliers who have publicly available concession maps;
- The opportunity to remove the manual approval process currently in place to allow user access to the sustainability dashboard in order to allow more timely access to the site;
- The need to prepare formal responses to SAC recommendations that describe the proposed actions and indicate the timeframe within which these actions will take place; and,
- The need to re-assess the priority level associated with those recommendations made by the SAC that remain in development or in progress to ensure that those actions which will reduce the risk of non-conformance with SFMP 2.0 are prioritized.

Future Reporting

SFMP 2.0 commits APRIL to future verification of its progress in implementing its policy commitments. The current year's results are intended to act as a baseline for tracking future progress and to support target setting.

Further Information

The 2016 assurance report is publicly available and is 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.



Field inspections included meetings with local stakeholders to confirm the status of existing grievances and their resolution as well as to confirm that processes were being undertaken to reach free prior informed consent for proposed new areas.