

29 December 2016

Re: Publication of KPMG PRI audit report on the implementation of APRIL's Sustainable Forest Management Policy 2.0 (SFMP 2.0)

As Chairman of APRIL's independent Stakeholder Advisory Committee (SAC), I am pleased to provide you in summary and in full a recently completed independent audit report on APRIL's progress in implementing its Sustainable Forest Management Policy 2.0 (SFMP), produced by KPMG Performance Registrar Inc. (KPMG PRI).

The SAC commissioned KPMG PRI to undertake a thorough audit in 2016 and produce the report which offers stakeholders an objective basis to assess APRIL's performance against its policy. All members of the SAC, at the time of the audit and report were commissioned, agreed the terms of reference for this report and have reviewed its findings.

As you may be aware, the APRIL Group announced its SFMP 2.0 on June 3, 2015, setting out a range of commitments that apply to APRIL's operations and those of its suppliers.

Those commitments include a halt to the harvest of mixed hardwoods, development of only non-forested areas, application of a landscape approach to optimize forest conservation, the establishment of an Independent Peat Expert Working Group (IPEWG), and a range of processes to ensure engagement with local communities.

KPMG's report independently assesses and verifies APRIL's progress in implementing its SFMP 2.0 over its first year up to and including June 2016. KPMG presented the report to the SAC in December 2016.

In conducting the audit and producing the report, KPMG PRI's processes included site visits to APRIL's operations, review of the company's reporting methodology and data, visits to supplier concessions and interviews of key stakeholders as well as ongoing interaction with the SAC.

As you will see from the report, KPMG found, amongst other findings that:

1. The key moratorium on new development of forested areas was generally upheld with only minor instances of non-conformance by suppliers.
2. The mill phased out all use of mixed hardwood by the end of December 2015 and no new licenses were obtained during the period.
3. There are currently approximately 421,000 hectares of conservation and ecosystem restoration, of which approximately 90% is classified as forested.
4. The company has initiated the development of two landscape level plans, one on the Kampar Peninsula and one on Pulau Padang.
5. All peatland development observed during field inspections was in accordance with recommendations made by the IPEWG.
6. APRIL has 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 mill site, allowing a GHG intensity baseline to be set for both pulp and paper production against which future improvement can be measured.
7. Social infrastructure projects undertaken or supported by the Company had a monetary value of approximately US\$308,000; educational scholarships provided numbered 288; the number of Small Medium Enterprise (SME) organizations contracted by PT. RAPP during the period totaled 172; and that stakeholder forums and related commitments to stakeholders made during the period generated, by APRIL's estimate, over 1,000 commitments, of which 286 have been completed or are in progress to date.
8. No new operations were developed during the period that would trigger requirements for new agreements with indigenous peoples and rural communities and a key commitment met in 2016 was the development of an updated Standard Operating Procedure (Grievance Resolution Mechanism) for addressing grievances.
9. 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 the 2.6 million hectares of forests lost to fire in 2015 in Indonesia.
10. 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.

Importantly, the report also identified 3 non-conformities in the implementation of SFMP 2.0 requirements during the reporting period, two of which have already been addressed, and 28 opportunities for improvement, ranging across methods of data collection and presentation and implementation of other aspects of the SFMP 2.0.

This independent audit will be undertaken on an annual basis with these first-year results serving as a baseline for setting targets, minimizing the risks of non-conformities and working on the opportunities for improvement this coming year.

The SAC will continue to provide oversight and scrutiny on APRIL's delivery of its commitments, and also on the conduct of the independent assessment.

I would welcome any questions or comments you may have on the report.

Kind regards,

A handwritten signature in black ink, appearing to read 'Joseph C. Lawson'. The signature is fluid and cursive, with the first name 'Joseph' being the most prominent part.

Joseph C. Lawson
Chairman
Stakeholder Advisory Committee (SAC)