



**Stakeholder Advisory Committee (SAC) on
APRIL's Sustainable Forest Management Policy (SFMP 2.0)**

– 9TH SAC Meeting in Jakarta-Indonesia, 1-3 March 2017 –

| | |
|--|--|
| SAC MEMBERS | <ol style="list-style-type: none"> 1. Joe Lawson (<i>Chair</i>) 2. Al Azhar 3. Prof. Jeffrey Sayer 4. Dr. Neil Byron |
| IN ATTENDANCE | <p>Representatives from financial institutions and local civil society, environmental and human rights organizations observed one or more days of the meeting.</p> |
| TOPICS OF DISCUSSION | |
| <p>0. Opening remarks and general observations</p> <p>Joe Lawson, Chair of the SAC, welcomed the attendees and invited observers to actively participate in the meeting.</p> <p>The presence of observers was deemed positive by the SAC both in terms of increased awareness of the SAC process and contributions made by the observers. As a result, the SAC intends to expand the opportunity for observers to attend future meetings including a standing invitation to APRIL's financial partners, Riau Government, the Islamic University of Riau and the Ministry of Environment and Forestry, among others.</p> | |
| <p>1. APRIL's strategic priorities moving forward</p> <p>APRIL presented an outlook of the current business environment in the pulp and paper industry at the global and regional levels. , APRIL also presented the strategic focus areas for sustainability in 2017 across responsible peatland management, SFMP 2.0 implementation, stakeholder engagement, restoration efforts and community relations, including internal targets and KPIs.</p> | |
| <p>2. Review of progress on previous SAC recommendations</p> <p>APRIL presented a review of the status of SAC recommendations in the last eight meetings from March 2014 to December 2016. APRIL assesses that 60% of the recommendations has been implemented as at February 2017, while the balance is in progress or in development. APRIL will provide a report to the SAC on this review, including the proposed prioritization.</p> <p>APRIL noted that the recommendations are largely clustered around:</p> <ol style="list-style-type: none"> 1. Landscape level management for conservation areas; other landscapes outside of Kampar Peninsula 2. Supply chain – compliance monitoring and cascade of best practices | |



3. Social - FPIC in restoration areas; livelihood plantations; SOP for resolution of grievances, claims, disputes
4. Internal process - analysis and quality management of operational data

3. KPMG Assurance Report and Update on APRIL Action Plans

Recognising that this is the first time such an assurance engagement has been undertaken, the SAC looks forward to public feedback from all stakeholders on this initiative including whether all the important attributes of performance have been covered, and whether the indicators/proxies that were used are the best available. The SAC is convening two Public Forums to communicate the findings of the KPMG assurance engagement and solicit feedback on March 3 and 6 in Jakarta and Pekanbaru, respectively.

APRIL reported on the status of the Action Plans that respond to the findings of the KPMG PRI Assurance Report:

- 3 Nonconformities: Completed
- 7 Opportunities for Improvement: Completed
- 7 Opportunities for Improvement: In progress
- 14 Opportunities for Improvement: In development

The SAC welcomed the responses already completed or initiated to the findings identified in KPMG's limited assurance report.

4. Regular updates

a) Review of 2016 fire management and Fire Free Village Program (FFVP)

The SAC is very encouraged with the results of the 2016 FFVP and encourages APRIL to continue to expand its program.

b) Updates on Grievance Mechanism

The SAC is pleased that the grievance mechanism is finally developed and implemented and expects further updates on its use in future meetings. The existence of a formal mechanism is positive but should not be considered a substitute for the existing practice of informal dialogues with local stakeholders.

c) Progress on LiDAR data acquisition

SAC noted progress on data acquisition and considers the IPEWG to be taking the lead in this project. It was noted that APRIL should consider more cost-effective alternatives to LiDAR which can provide comparable data.

d) Updates on Riau Ecosystem Restoration (RER) initiative

SAC welcomes the progress being made with the RER. SAC noted that most emphasis has been given to establishing control of the area and providing facilities for conservation staff. SAC notes that the value of the RER area lies in its carbon storage, biodiversity and benefits to the local communities, as



well as a location to demonstrate to the world the outstanding value of Sumatra's peatland forest.

e) PT Adindo Hutani Lestari

There is an existing HCV assessment in place which will be updated if required. The HCS assessment will commence as soon as the new Toolkit becomes available.

5. Expansion of community and smallholder forestry programs

APRIL presented its existing community forestry program as well as the potential scheme to improve on this. APRIL also updated the SAC regarding a recent study trip to Vietnam and Thailand that management undertook to learn about community and smallholder forestry models. SAC strongly believes shifting production away from peatland soils and towards mineral soils over the long term is desirable in balance with social and economic considerations. SAC is also convinced of the value of encouraging small-scale producers operating on mineral soils to provide a higher proportion of the fiber supply for the Kerinci mill. SAC welcomes the rapid progress made since its last meeting in exploring options for increasing smallholder production on mineral soils.

6. Strategy for landscape approach to HCV and other conservation areas

The SAC welcomed the progress made in implementing the landscape approach in the Kampar Peninsula and understood there are plans to extend this to the broader area where APRIL is operating. SAC notes that a landscape approach is not simply a spatial planning exercise but also requires that all stakeholders are engaged in a process of discussion and negotiation on the desired futures for the landscape.

7. Updates on Pulau Padang

APRIL has updated the SAC on its continued discussions with BRG towards resolving the issue in Pulau Padang.

8. Meeting with MoEF

SAC has now met twice with senior officials of the BRG and the MoEF and has found these interactions very enriching and worthwhile, and intends to continue this dialogue with these important government agencies.

9. SAC membership

The SAC is engaged in search for additional members with an emphasis on parties who can bring the perspectives of Indonesian civil society and introduce gender balance to the committee. Members will serve in their personal capacity and will not represent external organizations. Invitations to external organizations to send observers will be made as appropriate.

10. Audit improvement process

The SAC will be working with KPMG to further improve the assessment process and reporting. Input received during stakeholder forums will be incorporated into this review. The SAC will be convening a session in May meeting to focus on improving the indicators including the input from stakeholders. Appropriate indicators need to be developed regarding progress in expanding community forestry.

Concerning Opportunity for Improvement #8 identified in the KPMG Assurance Report ("APRIL has not yet determined how best to monitor its contribution to local GDP on an ongoing basis."), recognizing the importance of being able to effectively communicate to the government and the public, the SAC strongly recommends that the company actively explore ways of documenting the social and economic contributions that APRIL makes locally and at Provincial scale, using a combination of official statistics where available, Case studies like the 2012 UI Economic Base Study, and information extracted and summarized from company records that shows, for example:

- Number of people directly employed in Riau and total wages paid;
- Number of subcontractors engaged and total expenditure;
- Freight haulage of inputs and products (tones and value);
- Taxes paid at Provincial level, etc Payments for water, electricity etc
- Contributions to local community development and social infrastructure (e.g. to both capital costs and annual operating expenses for Housing, Hospitals & clinics, schools, mosques....)

The SAC agrees to move the engagement to a calendar year schedule. The SAC requests that an Action Plan Close Out engagement be conducted in the second half of 2017, along with an interim report measuring progress on some key indicators. The number of indicators and the specific indicators would be determined by the SAC. The current thinking on such indicators is as follows:

- # of Ha developed by category
- Verification that there has been no development on peatland
- # and status of agreed actions arising from stakeholder forums
- % of grievances addressed within 10 days
- % of grievances resolved in accordance with the grievance SOP
- % of PT. RAPP, supplier and contractor operations covered by OHS certification
- # of instances of fire on concessions by cause

11. FSC process

APRIL updated the SAC on the current status of its engagement with FSC.

12. Updates on regulatory matters

Toba Pulp Lestari briefed the SAC about its decision to release a significant area of its concession for the purpose of conservation of Kemenyan trees, a valued commodity for local communities, supporting the Government of Indonesia's plan to expand community forestry areas. The SAC noted that Toba Pulp Lestari has successfully resolved a potential issue through cooperating with local communities and engaging the MoEF.

SAC noted the evolving modification of regulations regarding the cultivation and conservation of peatlands. SAC recognizes that the new laws as proposed will likely require changes in APRIL's operating model and that these changes will present significant challenges. SAC awaits further clarification of the exact requirements under the new regulations.

13. Other business

The SAC discussed the need for better communication and information flows between the growing number of related APRIL initiatives. SAC believes that there are opportunities to greatly enhance the effectiveness of each of these important initiatives by enhancing communications between these, firstly to improve internal communications that will help to explore synergies and minimize any unnecessary overlaps or gaps between them; and secondly to enable more coherent and effective external communication of the company’s significant progress in sustainability. As a result, the SAC will be convening a joint meeting of the various initiatives including IPEWG, RER, TNC, and others in May.

RECOMMENDATIONS

1. In connection with APRIL’s strategic priorities moving forward, the SAC strongly encourages APRIL to continue to explore ways to reduce their current reliance on peat land over the long term and in balance with economic and social considerations.
2. Regarding landscape approach, SAC recommends that APRIL ensures that:
 - a. The engagement with senior members of key stakeholders in the landscape is assured.
 - b. Senior managers at APRIL should engage with the landscape process.
 - c. Issues related to the livelihoods and economic benefits to the local populations are adequately addressed in all landscape processes
 - d. The KPH is the basis for definition of the landscape and that the landscape approach employed is consistent with and supports the KPH process.
 - e. Scenarios for peatland conservation and long term options for responsible management of peatlands are fully explored in the model

SAC requests a full report on the progress of the landscape approach initiative at its next meeting.

3. Vis-à-vis smallholder forestry schemes, SAC recommends that:
 - a. Further intensification of efforts to expand fiber production by smallholders on mineral soils.
 - b. Increased attention to increasing fiber yield on mineral soils through breeding and improved silviculture.
 - c. Investment in increased staff capacity to work with small scale fiber suppliers to help them increase yields, minimize any negative environmental outcomes from their activities and obtain certification of their products.
 - d. Metrics should be developed to enable SAC to assess progress in increasing fiber supply from small-scale producers on mineral soils.

SAC requests a full progress report and an opportunity to visit field sites in future meetings.

4. In relation to the RER project, SAC recommends that:
- a. Greater effort be invested in developing a scientific presence in the core of the peat swamp. This can be achieved through provision of facilities and stationing of RER staff and contractors in the core area to conduct surveys and increase knowledge of the area.
 - b. RER should encourage and support access by independent scientists and eco-tourists to the area in order to increase knowledge of the fauna and flora and to build a constituency of naturalists with an interest in supporting conservation in RER.
 - c. The rapid appointment of a senior scientist/naturalist with experience of managing biodiversity conservation areas to lead the biodiversity conservation work in the RER.

The SAC requests a report on progress at its next meeting and an opportunity for SAC members to visit the core area at the time of that meeting.

5. On the subject of the evolving regulations regarding the cultivation and conservation of peatlands, the SAC recommends:
- a. Increased engagement by APRIL staff with the MOEF and BRG on peatland issues.
 - b. That the response to the new regulations be met to the extent possible through the measures recommended under section 2 on landscape approach above.

The SAC requests a detailed update on peatland regulations at its next meeting.

6. SAC requests the company cease using the terms “short term” and “long term” suppliers as it relates to sustainability matters. All suppliers are equally required to conform to SFMP 2.0 requirements.

NEXT SAC MEETING

Location : Kerinci, Riau Province, Indonesia

Time : 22-26 May 2017. Proposed joint forum on 22 May 2017.