



STAKEHOLDER
ADVISORY
COMMITTEE

Stakeholder Advisory Committee (SAC)

Progress Report May 2018



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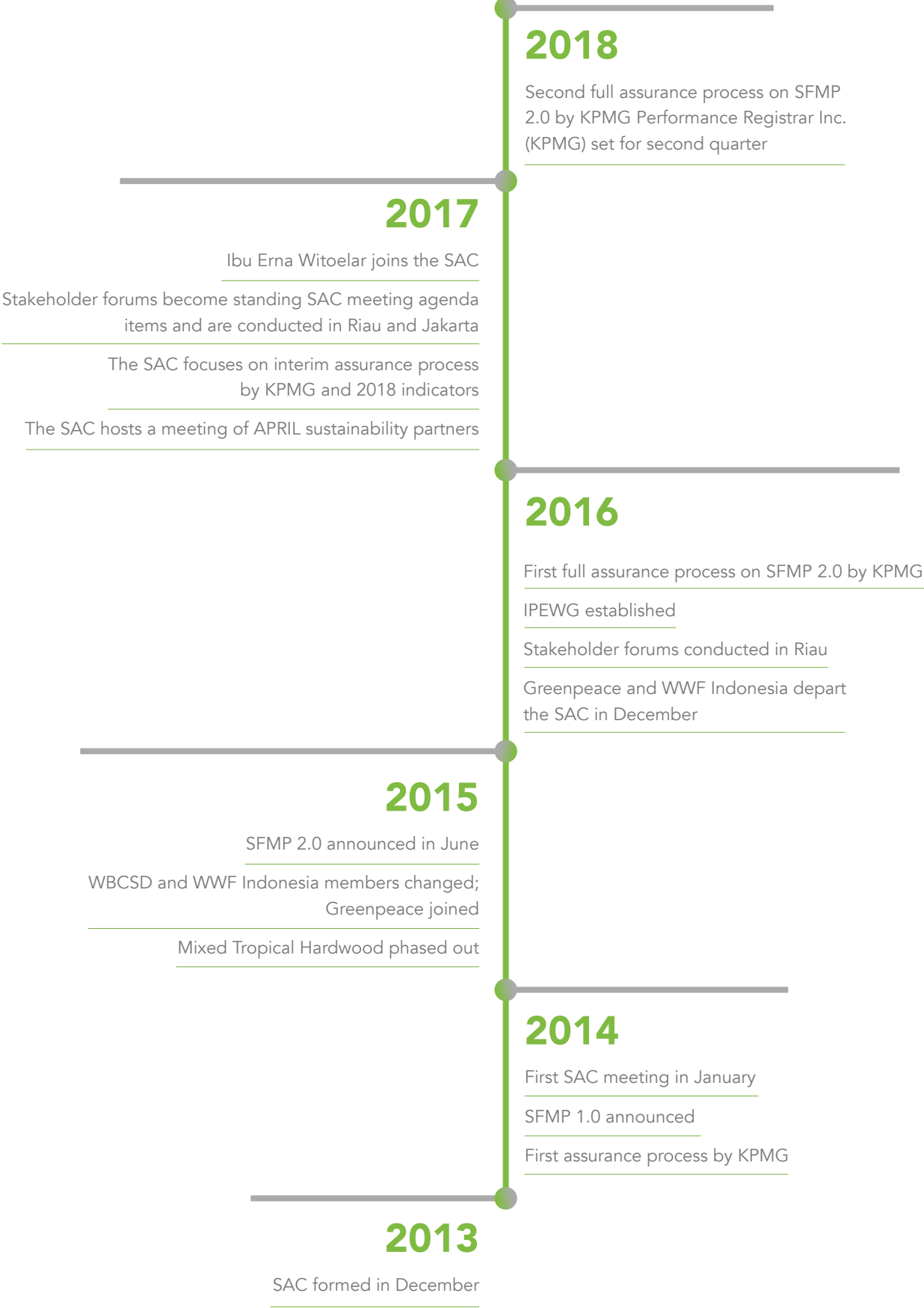
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About this Progress Report

Over the past four years, one of Indonesia’s largest and most successful pulp and paper companies had made considerable progress in its sustainability journey. The SAC has played an important role in helping to shape this progress but the leadership and staff of APRIL are responsible for results. It is to their credit that they have taken the SAC’s recommendations on board, even when they have presented a challenge to the business, and not inconsiderable cost.

Although APRIL leadership is ultimately accountable, improving the sustainability of APRIL’s forest management program cannot be done without effective engagement of all stakeholders. This includes NGO’s, whether critical or supportive, communities, investors and customers. This Progress Report has been developed to provide a retrospective of the SAC’s engagement with APRIL, to date. We remain open to the views and comments of readers of this review. You can contact us at sac_secretariat@aprilasia.com

SAC timeline



Introduction from Joe Lawson



Nearly two years ago, I gave a speech in which I reflected on how APRIL's Stakeholder Advisory Committee (SAC) came into being and its achievements – and indeed its challenges – in the preceding 30 months. I was open about my initial concerns. As a privately held business, APRIL did not have a culture of transparency; it had been suspended by the World Business Council on Sustainable Development (WBCSD); stakeholder opinion was low. But I did know APRIL's management, largely through my work with the WBCSD, and I felt that this growing negative sentiment was unwarranted. So I accepted the role of Chair of the newly formed SAC.

Now, two years on, I can reflect on what we and APRIL have achieved, and what we have faced. My over-riding sense is that APRIL's top management have proven true to their word on the most critical conditions I set at the start – that they would remain committed to the role and work of the SAC over the long term, respect its independence, listen and respond to its recommendations. They have done this. It has not been easy for them. But they have stuck to it, and progress has undoubtedly been made.

The positive highlights are clear. Transparency has improved. The harvesting of tropical hardwood has ended. The landscape approach restoration on the Kampar Peninsula is, in our view, a world class project. As is APRIL's Fire Free Village Program which has seen an extraordinary reduction in burning by tackling the cause, not the symptom. The introduction of the Sustainable Forest Management Policy (SFMP) 2.0 and the clear understanding that it applies to all suppliers are also significant milestones, along with the establishment of the Independent Peat Expert Working

Group (IPEWG), made up of world leading peat scientists. And, of course, we have instituted the annual independent assurance process by KPMG Performance Registrar Inc. (KPMG). The SAC has had a significant role in advising on all of these issues.

There have been many challenges too. We believed – and still do – that it is important to include critics of APRIL in the SAC, and the departure of Greenpeace and WWF remains a matter of regret. We hope we can find a way to re-engage. Some stakeholders remain skeptical, and there are still major and complex issues ahead, but we are confident that, advised by its advisory bodies and the many specialists and conservation NGOs working with APRIL, progress will continue to be made on all these.

One could argue that our first four years were spent in dealing with low hanging fruits. And to an extent that would be correct. That said, what have been put in place is by definition the foundations of a truly sustainable business. One that is plantation reliant, achieves one hectare of well conserved natural forest at landscape scale for every hectare of fiber production, is respected by stakeholders and customers, is fire free, is surrounded by communities that are gainfully employed, vibrant and as supportive of the integrity of the forest as the company is. A business that is transparent, which ensures the compliance of all its suppliers with its policies, and is seen as an exemplar of the production-protection model. If that sounds like an impossible dream, then I would only say that without one there can be no progress.

And it is in these ambitions that the next challenges lie for us in the SAC and for APRIL.



SAC Stakeholder Forum on March 3rd 2017 in Jakarta

Background - The formation and role of the SAC

APRIL's SAC held its inaugural meeting in January 2014. It operates as an independent body tasked with overseeing the implementation of APRIL Group's SFMP, as well as selecting an independent assurance provider to monitor progress in meeting policy goals. Members are experts in forestry and social issues. It meets formally three times a year. Through periodic reviews and on site meetings, the SAC reviews APRIL's progress, makes recommendations for improvement and manages an independent third party assurance process.

In September 2017, the SAC's terms of reference (TOR) were revised on three primary issues. Membership tenure was extended to two years as against one, and can be extended further at the Chair's discretion. It is now clear that SAC membership is in an individual capacity, but organisational membership will be considered on a case-by-case basis. Also, guidelines for observers were added.



The SAC is chaired by **Joseph C Lawson**, a leading sustainable forestry expert, and co-author of the 'Guide to Sustainable Procurement of Forest Fiber and Forest Products.' He has had a wide range of advisory roles including with the WBCSD, Programme for the Endorsement of Forest Certification (PEFC), and served as Co-Chair for Yale University's The Forests Dialogue. In 2014, Joe received the prestigious Dr. Sharon Haines Memorial Award for Innovation and Leadership in Sustainability, presented jointly by the International Paper Corporation and the Sustainable Forestry Initiative.



Neil Byron has worked in tropical forestry for most of his career in Bangladesh, Nepal, Indonesia and Australia. He is an Adjunct Professor in Environmental Economics at the Australian National University and the University of Canberra, and has chaired an independent review of biodiversity in New South Wales.



Al Azhar is a lecturer, researcher and author, having graduated from Riau University in Indonesia and the University of Leiden in the Netherlands. He is presently Chairman of Lembaga Adat Melayu Riau (The Riau Malay Customary and Kinship Council).



Erna Witoelar is a former member of the General Assembly and Minister of Human Settlements and Regional Development of Indonesia. She has also served as UN Special Ambassador for the Asia Pacific Millennium Development Goals. She was one of the founders of the Indonesian Forum for the Environment (WALHI) and Indonesian Biodiversity Foundation (KEHATI).



Jeff Sayer is Professor of Forest Conservation Science at the University of British Columbia in Vancouver, Canada. He headed the Forest Conservation Program at International Union for Conservation of Nature (IUCN) and served as the first CEO of the Centre for International Forestry Research (CIFOR). He has advised on forest and sustainable development issues at the World Bank, Food and Agriculture Organization (FAO) and WWF.

Review of the SAC activities and achievements

Over a period of four years the SAC has advised on a number of different elements of APRIL's operations, helping to stretch the company's commitments and ambitions. Full details of these discussions can be found in the meeting reports, which are published on [APRIL's sustainability dashboard](#). For the purposes of this review, the focus is on key highlights.

Fiber supply and natural forest

Clearly, the most significant early achievement was the commitment to cease the use of Mixed Tropical Hardwood (MTH), with the due date brought forward from 2019 to 2015. Stakeholder pressure had been mounting, and APRIL's suspension by the WBCSD played a significant part in the SAC's advice that nothing else could go forward without an end to the harvesting of natural forest. The SAC sees no sign of APRIL failing to meet this commitment even with the challenge presented by the new peatland regulations. The SAC will continue to hold APRIL to account for this through an annual independent assurance process by KPMG.

Fire

The significant reduction of fire in APRIL's concession areas and surrounding communities is a major achievement, especially in light of the economic, environmental and social devastation caused by the 2015 fires, amplified by the El Niño. The intensity of the fires made it a globally recognized issue, and as a result, the SAC urged APRIL to take a leadership role. In particular the SAC encouraged APRIL to address the root cause of fire, rather than simply mitigating it, a fundamental and necessary shift in focus. As a result, APRIL established the Fire Free Village Program (FFVP) which has made APRIL's approach to fires a template for other players in the landscape, and it is noticeable that pan-business partnerships, such as the Fire Free Alliance, are now emerging to carry this forward more widely. The challenge now is to scale up, in circumstances where industry must take the lead in spite of not being directly responsible for starting fires in the first place. This is an instance where business has a moral imperative to act on behalf of an entire country, and the SAC continues to urge APRIL to refine and expand its program, and to work with others in widening its implementation.

Landscape restoration

Perhaps one of the most difficult forest conservation challenges for businesses is landscape scale management. Evidently forests are systems, so to be effectively managed and conserved, they must be dealt with as such. APRIL was obliged to adopt this technique under the SFMP 2.0 and the SAC has been robust in its position on it throughout. The SAC accepts that it is not an easy process to succeed with, but APRIL ran a pilot in one concession as well as continued its work in the larger scale Restorasi Ekosistem Riau (RER), made progress, and now needs to scale up. One of the challenges is of course success in achieving community buy-in to the process and here APRIL are learning lessons from the incentive based Fire Free Village Program to understand if this can be deployed as a useful technique. The SAC continues to press APRIL on landscape scale management, accepting that its RER project on the Kampar Peninsula is a world class example of successful whole-forest restoration, but in the knowledge that it is viable because it is a contained area within APRIL's entire management. The challenge for APRIL is in designing and implementing a landscape scale approach for areas where they can only exercise some level of influence.

Supplier compliance

For any large scale forest based business, supplier conformity to established policy is a serious challenge. In advising on the SFMP 2.0, the SAC made it clear that there could be no variance in conformity requirements between supply partners and what had been known as short term or open market suppliers. This was a major step forward. We recognize there is considerable variation in the capabilities of suppliers to comply with the policy, apart from the difference in the nature of the relationship with APRIL which translates to varying degrees of APRIL influence. Most of APRIL's supply partners have joint operations agreements with the company while the open market suppliers are outright wood purchase contracts. So APRIL set up an internal due diligence monitoring program to engage with suppliers on a step-wise approach to compliance. This remains a challenge and the SAC will continue to push for improvement.

Transparency

A condition of agreeing to establish the SAC was that there needed to be significantly improved transparency. While there is always room for improvement, the SAC has noted a continuing positive change in the way APRIL communicates with and engages stakeholders. The grievance resolution mechanism is in place and accessible to all communities; regular stakeholder forums are now held, involving the SAC itself so that it can be questioned and challenged; [APRIL's sustainability dashboard](#) is populated with regular information and reports. The SAC counsels APRIL to continue its policy of remaining open to dialogue. Equally, it urges those stakeholders who remain skeptical to come to the table.

SFMP 2.0 Supply Chain Compliance



SAC members with APRIL, sustainability partners and RER representatives in May 2017

Science and peat management

The formation of the Independent Peat Expert Working Group (IPEWG) was a major milestone, and in the SAC's view puts APRIL in a leadership position in setting a benchmark for science based peatland restoration and management. In any one group of experts, there are often as many views as there are experts – and the purpose of the IPEWG was to bring together a cogent group of world class peatland experts to unify the science, and independently advise APRIL on how to fulfill the commitments set out in its SFMP 2.0. The IPEWG was formed in 2015, and has now met some eight times, with work to deliver on a science focused Peatland Roadmap and Workplan. The SAC anticipates a full public report on Phase 1 findings in the near future, and aims for this scientific work to lead to operational changes on the ground within APRIL concessions and those of its suppliers.

The Government of Indonesia is to be commended for its efforts to improve peatland regulations and reduce the incidents of fire and unlawful encroachment. This ambitious program is not without challenges and a multi stakeholder approach, including business, will be necessary for success.

The SAC's urge to APRIL, as is reflected in the IPEWG's recommendations, is to develop and rapidly implement a time bound plan for adopting operational practices that support the delivery of Indonesia's peatland policy and regulations and provide a balance between environmental, social and economic objectives. It will not be easy and the SAC will continue to offer support and counsel.

Independent assurance process

The annual independent assurance process by KPMG is an essential part of ensuring there are objective checks that APRIL is delivering on the commitments set out in its SFMP 2.0. KPMG's reports are available on [APRIL's sustainability dashboard](#). These assessments require APRIL to develop Action Plans to address assurance findings and report progress regularly to the SAC. These Action Plans are also independently verified by KPMG. All of this information is publicly available through [APRIL's sustainability dashboard](#) and is a good example of how transparency with APRIL's business has improved.

Stakeholder engagement

Throughout the SAC's existence, it has been conscious of the need to remain engaged with stakeholders in every sphere. This has included inviting stakeholders to provide feedback on APRIL's SFMP 2.0 indicators as well as to be observers in the annual SFMP 2.0 assurance process by KPMG. There has also been a wide-ranging series of local and international engagements that the SAC has initiated with NGOs, investors, and local communities, and notably meetings with the Ministry of Environment and Forestry, and with the Peatland Restoration Agency (Badan Restorasi Gambut – BRG). The SAC has also been in dialogue with advisory bodies and partners including Rainforest Alliance, the RER Advisory Board, The Nature Conservancy, Fauna & Flora International and many others. Although there has been progress, achieving meaningful stakeholder engagement is an area where the SAC can and must improve in the coming years.



SAC visit to Bedaguh community forestry area in May 2017

Challenges

The changes in operational processes, openness and investment of the magnitude of those undertaken by APRIL over the last four years are commendable but challenges remain. In the spirit of transparency and independent counsel, the SAC has been clear about these. Longer term challenges, such as consistent supplier conformance, requires continued attention by APRIL. More recent challenges, such as the new peatland regulations, may require development of new programs and policies to ensure compliance.

Peatland regulations

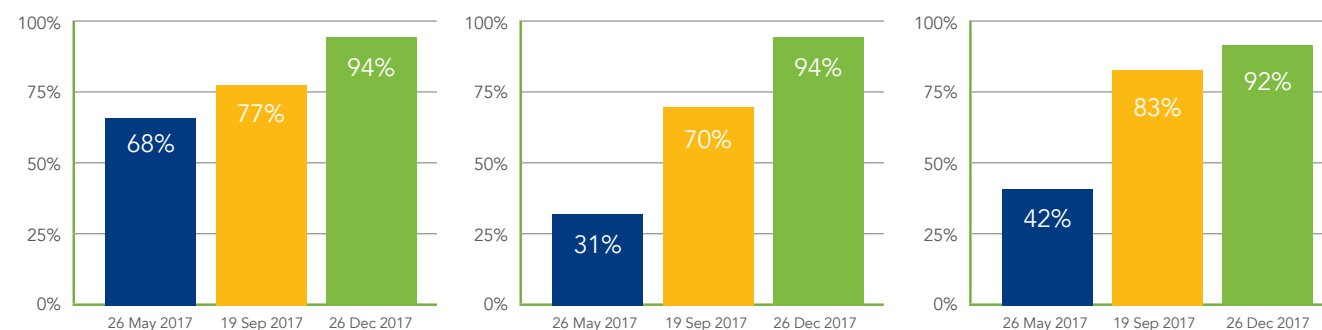
The SAC welcomed the Government of Indonesia's focus on protecting important peatland forests. The question for APRIL – and indeed for the SAC to help advise on – is how the new peat regulations affect long term business sustainability. This question encompasses many aspects of the business from fiber supply, growth and yield, jobs, communities, risks of fire and encroachment, and the main work of restoration.

Ensuring supplier compliance

Ensuring that suppliers, large and small, continue to comply with the requirements of APRIL's SFMP 2.0 is an ongoing challenge. Considerable progress has been made, but the journey continues. The SAC sees that APRIL needs to find an effective way of incentivizing smaller suppliers to engage in the development and implementation of landscape management plans. This will be particularly difficult in cases where an APRIL supplier is only one small actor in a wider landscape of competing land use pressures.

Supplier Data Submission

Data required: 1) HTI: 15 items ; 2) Community Forests: 12 items



Supply Partners:
Improvement: 26 % (since May 2017)

Open-Market Suppliers:
Improvement: 63 % (since May 2017)

Community Forests:
Improvement: 50 % (since May 2017)

Grievance procedure

The grievance resolution mechanism is a good step forward, and one strongly recommended by the SAC. It remains work in progress, but is still not used as much as it could be. While it is a part of APRIL's SOP and management process, work still needs to be done to encourage uptake and ease of access.

Stakeholder engagement

The SAC includes stakeholder forums as a standing part of the SAC meeting agenda. These dialogues with local representatives provide a good mechanism for receiving input on stakeholder concerns and the SAC performance. However, there is significant opportunity to improve engagement and the SAC will be working towards this goal.

Critical voices

Any external voice is only as good as its independence of mind. The SAC hopes that with more robust engagement, plus increased transparency, APRIL can re-establish bridges with the critical NGOs. It will also look to others of the same mindset to be put forward, so that the advice to APRIL comes from as wide a spectrum of views as possible.

Community development

Smallholder and community tree farming on mineral soils could potentially enhance rural livelihoods while contributing fiber supply and maintaining or improving environmental standards and outcomes. This will take time to evolve but now is the time to begin working with Riau communities to develop viable, sustainable models of independent tree farming.

Looking ahead

It is a truism to say that the more you do, the more you find you have to do. That is certainly the case with the last four years, compared with what is to come.

Expanding landscape scale restoration

Perhaps the most taxing issue APRIL and the SAC have to face is the successful maintenance and expansion of landscape scale conservation and restoration. This issue is complex – in part because of the improving science regarding how peatland should be managed, in part because of the need to ensure consistent and reliable fiber supply on what may be a reduction in available land, and in part due to societal considerations. On top of this, there is the question of how to help facilitate proper management of land outside APRIL's immediate jurisdiction.

APRIL and the SAC will need the co-operation of a wide range of stakeholders to succeed, other businesses in adjoining concessions, external suppliers, communities, scientists, conservation and social NGOs, government, and, in an ideal world, critics.

Suppliers

There is also the continuing challenge to tighten up the compliance with SFMP 2.0 by suppliers. Supplier networks will change and continued attention must be given to potential issues such as publicly available mapping and compliance monitoring systems. Adherence to the policy will need to be verified regularly.

Communities

The SAC's impression is that while considerable progress has been made in community relations, more needs to be done, on economic betterment, health provision and education, elimination of fire, understanding of and participation in conservation, and, as observed above, in access and rapid response to grievance procedures.

Composition of the SAC

On the composition of the SAC itself, the participation of critical stakeholders is still desired, along with having a greater Indonesian-centric voice and better gender and ethnic diversity. These issues are for the SAC to resolve, and they will be among the first considerations as it moves forward over the next four years.



SAC members with local stakeholders (NGOs, academia, and government authorities) on September 12th 2017 in Pekanbaru

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Jeff Sayer comments on the most significant advances and the challenges of the last four years.

“The biggest positive steps were the decision to cease logging natural forests alongside investing in the set-aside and protection of significant areas for biodiversity. Together with this, the end of fires in PT RAPP's (APRIL's operating arm) concessions has been of huge benefit. PT RAPP staff – and local communities – are now more aware than ever of social and environmental issues, and APRIL itself has become a far more transparent business throughout the period of the SAC's existence.

There are of course challenges. Indonesia has to have thriving and profitable industries. For one thing, conservation will never succeed when people are struggling with poverty. But achieving commercial sustainability alongside the need to maintain fiber yields on less production land is one of APRIL's greatest dilemmas. It continues to operate under a complicated organizational structure with too many cost centers making it hard to get a complete overview. And while I respect the opinions of skeptics in the NGO community, it is sometimes the case that this skepticism is ill informed. We need to work harder at getting the messages across.

There are dilemmas, too, in the intersection between corporate environmental responsibility and public policy. Obviously landscape scale restoration is a state of the art approach, and must be encouraged with conducive policies and collaborative approaches among stakeholders.”

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Al Azhar offers views on the SAC's impact on social and community issues.

“I welcomed the opportunity to become a member of APRIL's SAC because of my strong professional focus on social issues, in particular my interest in the interaction between business and community. My observation is that communications have greatly improved in large part as a result of the SAC's input, and that APRIL is now a willingly more transparent company.

There remain issues to be resolved, of course. APRIL itself has made great strides in its social strategy, but this need to be better reflected by the company's suppliers. One route to achieving this would be for the SAC to be in direct communication with suppliers.

My sense is that social capital is making headway as an accepted concept but there is still work to do, perhaps inevitable in such a widespread landscape with such complex commercial, community and conservation interactions. While APRIL has received plaudits from the University of Indonesia for its livelihood and wellbeing impact, there remains a somewhat uneven benefit spread, which needs attention.

On restoration I believe that while RER is remarkable, it is contained. While a complicated undertaking, APRIL has the opportunity to support conservation initiatives outside RER, especially where they can be supported by indigenous people. Restoration and conservation have to be done hand in hand with community development so that economic advancement sits comfortably alongside environmental improvement.”



Comments on behalf of APRIL from Praveen Singhavi, President

On behalf of APRIL Group, I would like to thank the SAC for its diligent and forthright work and inputs to the APRIL team over the last four years.

We continue to respect and welcome the independent and expert perspectives and guidance provided by the SAC as an invaluable aspect of our engagement with a wide range of stakeholders. Under the guidance of the SAC, we remain firm in our view that commercial sustainability has to continue, not just for the sheer fact of staying in business, but to enable environmental sustainability and socio-economic growth, particularly for local communities. This is entirely consistent with our core philosophy that what APRIL does must be Good for Community, Country, Climate, and Customers and by doing so, Good for the Company.

Our SFMP 2.0 has been – and will continue to be – a massive commitment requiring financial, time and resource investment. Looking back over the past four years, we believe this investment is resulting in real value, and will continue to do so over the long term.

For its part, the SAC has been true to its purpose as an independent guiding and challenging voice. For our part, APRIL has taken on board its recommendations, moving as fast as is practicable to meet our goal of being a true leader in our production-protection model. I would highlight our work in supporting RER's restoration and protection efforts on the Kampar Peninsula as world class; and the potential for further enhancements to our approach as we work with the IPEWG to set a global standard for the responsible management of tropical peatland.

We accept that there will always be more to do and that the path forward will continue to involve challenges. We re-affirm our commitment to the work of the SAC and look forward to positive, constructive collaboration in the years ahead.



SAC members, KPMG and APRIL representatives meeting stakeholders on March 3rd 2017 in Jakarta

