



Stakeholder Advisory Committee (SAC) on

APRIL's Sustainable Forest Management Policy (SFMP 2.0)

– 13TH SAC Meeting in Pangkalan Kerinci, Indonesia, 17-19 July 2018 –

SAC MEMBERS	<ol style="list-style-type: none">1. Mr. Joe Lawson (<i>Chair</i>)2. Bapak Al Azhar3. Prof. Jeffrey Sayer4. Dr. Neil Byron5. Ibu Erna Witoelar
IN ATTENDANCE	Three persons attended several sessions in the capacity of observers. A representative from KPMG PRI was also present.
TOPICS OF DISCUSSION	
<p><u>Meeting with APRIL supply partners</u></p> <p>A meeting was held in Pekanbaru on 16 July with the purpose of introducing the SAC to APRIL's supply partners and reviewing the latest SFMP 2.0 assurance findings by KPMG PRI. Overall, suppliers showed awareness of APRIL's sustainability policy and KPMG PRI assurance procedures, and explained they undergo similar audits for PEFC, PHPL/SVLK certifications. The following issues were discussed at the meeting, in addition to assurance findings:</p> <ul style="list-style-type: none">– Land encroachment and claims are the common concerns faced by suppliers and acknowledged by all as complex issues. The SAC encouraged attendees to continue working on alternative dispute resolution methodologies, involving APRIL and the local government.– Migrant workers employed in supply partners' concession areas are usually accompanied by their children to the field. Despite the fact that KPMG PRI observed educational/schooling opportunities were available in concessions visited, this remains an area of focus for upcoming assurance processes.– Concerns were voiced by supply partners regarding SFMP 2.0 commitments and indicators being highly demanding, while no clear solutions are yet available to support progress in certain areas.– Suppliers are beginning to explore social/community forestry opportunities.– Suppliers are in search of solutions to the serious challenge posed by the recent peat regulations and related loss of production areas. The SAC encouraged them to work together with APRIL to develop solutions to present to the government. <p><u>Local stakeholder forum</u></p> <p>A meeting was held with representatives of local NGOs, government and academic institutions in Pekanbaru. The assurance process observers, appointed by stakeholder consensus at the March 2018 SAC forum, presented their findings from the assurance process. Overall, they highlighted the importance of</p>	

having a holistic methodology to evaluate data trends, using more representative samples and assessing impacts of SFMP 2.0 implementation. The following issues were also discussed during the forum:

- There is a lack of awareness among communities of APRIL’s grievance mechanism as well as insufficient action from estate staff to socialize the grievance mechanism to communities.
- NGOs can help communities raise their grievances to the company and ensure that the company’s feedback will reach the community.
- The SAC was made aware of a grievance case filed on behalf of a fishermen group in the RER. This case was discussed with RER management during the SAC meeting and it appears that the grievance is being processed appropriately.
- It is important that the company sets timelines for implementation of action plans related to grievance cases, as a way of encouraging communities to raise their concerns.
- A suggestion was made that APRIL should publish concession maps on their website and make those available to communities. These maps can help the government develop spatial plans whilst avoiding overlaps between company concession areas and community lands. The SAC notes that APRIL’s concession maps are already accessible on the Dashboard.
- A comment was given that APRIL should do biodiversity surveys and the SAC was able to assure stakeholders that in the RER some of the most thorough biodiversity studies conducted in Indonesia have already been carried out, and monitoring is also ongoing in PT RAPP estates.

Conclusions

During both the supplier forum and the local stakeholder forum there was discussion regarding APRIL’s grievance process. In some cases, it appears that stakeholders are still not comfortable using it for reasons ranging from not understanding the process, not having access to the tools or just preferring to verbally raise grievances. APRIL should continue to work on improving the current grievance process.

Observers who participated in the recent KPMG PRI assurance process positively contributed to the findings. Observers noted that there was a lack of preparedness by some participant estate teams and that the assurance process would be much more efficient if this was improved. In addition, observers did not communicate sufficiently with KPMG PRI on the process, product and their role during the assurance engagement. The consensus is that having stakeholder observers is a good practice. The SAC appreciates observers’ willingness to participate in this process, which improves its transparency and helps the civil society understand its rationale.

SAC Actions

- The SAC will move towards offering simultaneous English-Indonesian translation at future stakeholder meetings.
- The SAC will review annual audit requirements with KPMG PRI and seek opportunities to reduce the current demand placed on suppliers.
- The SAC will discuss with APRIL the implementation of its current grievance procedure and encourage improved socialization with local communities.
- The SAC will discuss ways to improve the audit observer process with KPMG PRI.

1. Conservation Forest Management Framework

APRIL updated the SAC on its conservation forest management program, which is being implemented in all PT RAPP estates. The framework will be rolled out in supply partners’ concessions in the second half of the

year. APRIL presented a landscape-scale map displaying PT RAPP’s concessions and areas within 5km from their boundaries. Forest cover has been assessed inside concessions and in surrounding areas, with consideration for size, shape, connectivity and quality of identified forest patches. This analysis helps APRIL prioritize areas for action.

Camera traps have been installed in some conservation areas within concessions. Progress against conservation forest management Action Plans is monitored through semestral reports as well as annually in connection to AMDAL reporting. The SAC welcomed progress made.

The SAC enquired about Kerumutan, a relatively intact peat forest landscape which seems to be of high priority for some external stakeholders. APRIL clarified that one PT RAPP and two supply partners’ concessions are adjacent to the wildlife reserve, but no land cover change monitoring is conducted beyond the identified 5km buffers.

The SAC sees an opportunity for multi-stakeholder collaboration in the Kerumutan landscape, where local government, technical players and communities are involved. APRIL is advised to consider the opportunity to engage with other parties in a collaborative effort.

Recommendation

APRIL should develop a plan for collaborating with other stakeholders regarding conservation in the Kerumutan landscape and report progress at the December SAC meeting.

2. Strategic Fire Management

Since January 2018, haze levels have remained low in Riau despite slightly under-average rainfall. Concentration of PM 10 has stayed below World Health Organization (WHO) thresholds and within healthy air range. As part of its strategic approach to fire management, APRIL declared the start of the fire danger season in order to raise community, contractor and staff awareness. The SAC recognized improvements have been made on predicting and mitigating future risk.

APRIL has collaborated with a Singapore-based organization to review hotspots and APRIL fire data. The results of this third-party analysis reveal close to no correlation between hotspots and fires in concessions. The SAC welcomed this finding and noted an opportunity to improve available public remote sensing technology to capture fire incidence more accurately and reduce false positives.

The Fire Free Alliance has completed the final draft of the 2017 annual report and is moving towards outsourcing its Secretariat, with base in Jakarta. In addition, APRIL was appointed by the Coordinating Ministry of Economic Affairs to propose models for fire management at the regency level (Pelalawan), with a target deadline for piloting an approach by year end.

3. Community Forestry

APRIL in collaboration with Proforest is conducting HCS assessments (including HCV and FPIC) in three community areas classified as APL (non forest) lands. Field assessments were done in May and June, including participatory mapping and boundary demarcation. Results are currently being analyzed and interpreted. One community withdrew from the process as its members perceived it was too lengthy and would lead to unclear outcomes.

Once finalized, the findings and recommendations will be brought back to the community. A technical expert workshop will be held in Jakarta at the end of July, followed by 3-4 rounds of stakeholder

consultations, including with the concerned communities as primary stakeholders. The final report will then be submitted by the HCS assessor for peer review and submitted to the HCSA steering committee, so that pros and cons can be assessed in relation to the application of HCSA methodology to smallholder lands.

The SAC appreciates that this is not an approach likely going to work for small areas. From the perspective of the SAC, realistic, long-term scenarios have to be envisaged for these smallholder lands, balancing sustainable livelihoods for the community with the protection of identified high conservation values. The SAC is also concerned that smallholders lack market access in many regions, and is keen to see greater government involvement in this subject matter.

The SAC encourages APRIL to identify linkages between the social forestry plans from MoEF and APRIL's community forestry programs, albeit recognizing that APL lands are not under MoEF's purview. In addition, it continues to push APRIL towards exploring other, smaller scale community forestry models.

4. Riau Ecosystem Restoration (RER)

An RER representative updated the SAC members on operational activities, community engagement and communications surrounding the restoration initiative.

Planting of natural species, canal blocking and water table monitoring activities continue on the ground. In relation to proactive community relations, the RER team has organized eco education activities in Pulau Padang and has diligently responded to a complaint raised by a local NGO on behalf of a fishermen group. The RER team has an MoU with this fishermen group whereby catches are monitored at ranger posts upon exiting RER concessions. The complaint was around insufficient socialization of the MoU, hence the agreed approach taken to further socialize the MoU and collaborate with the local NGO in the process of MoU renewal, to ensure all parties are duly informed. Segamai and Sangar villages have seen their first zero-burning chili and ginger harvest succeed, and the RER team keeps working on ways to increase market access and add value to these products to increase income for farmer families.

Community socialization against detected bird poaching has been conducted in collaboration with BBKSDA (local conservation agency). The RER rangers are not allowed by law to confiscate identified catches, so their effort is centered around preventing these activities and tackling their root causes. Unsustainable logging of natural forest has been detected in a village forest area adjacent to the RER. The RER team has communicated with several NGOs and the neighboring company on this issue and has so far successfully prevented third-party logging in RER concessions.

The initial facilities at RER's Eco-camp are projected to be ready by end of 2018. The SAC informed that a landscape science conference could be proposed in RER with the participation of prominent international experts around Jan-Feb 2019 if the Eco-camp is operational. APRIL has confirmed its interest to host the conference.

The 2017 RER progress report is publically available in English, while its Bahasa Indonesia version is in progress. The SAC is supportive of APRIL's broader promotion of the RER as best practice and success story of a private sector-led conservation / eco restoration project in Indonesia.

Recommendation

APRIL should prioritize publishing progress reports, such as the 2017 RER Report, in Bahasa Indonesia in addition to the English version.

5. Supplier Compliance

Since the last SAC meeting in March, APRIL has incorporated two new open market suppliers. The full list of APRIL suppliers remains available on the Sustainability Dashboard. On compliance with SFMP 2.0 commitments, areas for improvement for supply partners include SMK3 (the national occupational health & safety management system) certification as well as community fire prevention programs and land dispute resolution. APRIL is driving supplier compliance with SMK3 certification and by the end of this year all supply partners are expected to be certified.

For open market suppliers, focus areas are SMK3 certification, land cover change (LCC) monitoring verification, fire preparedness and community fire prevention programs. APRIL plans to improve open market supplier response to LCC monitoring by conducting verifications in July. The SAC encourages APRIL to work more closely with local governments to ensure that their oversight of suppliers' SMK3 certification is effective and sufficient.

In relation to a grievance recently raised by Mighty Earth, APRIL presented to the SAC the chronology of its supply relationship with PT Korintiga Hutani, current open market supplier. The SAC understands and agrees with APRIL's plan to align with FSC Board's decision on the disassociation case filed by Mighty Earth on Korindo, including a reaffirmation of an earlier Board decision to exclude Korintiga from the case.

6. Interaction with NGOs

Correspondence with several national and international NGOs was discussed. The SAC noted more emphasis is needed on national and local NGO engagement in order to balance what is observed as a predominant international engagement. The SAC requests a full briefing on APRIL's national and local stakeholder engagement plans and activities at the next meeting.

Updates presented to the SAC included:

- APRIL has submitted updated maps for PT RAPP, supply partners and those available from open-market suppliers to the World Resources Institute's Global Forest Watch platform, with a commitment to provide updated files if and when changes happen.
- APRIL and RGE received a letter from a group of local, national and international NGOs with a comprehensive list of questions and information requests. The queries were addressed by APRIL in two rounds of responses. APRIL is hoping the signatories will accept the offer to sit down and have an open discussion, moderated by the SAC. The SAC noted that most issues raised in the NGOs' questions had been discussed in previous SAC meetings, revealing an opportunity to improve the level of detail and completeness of the SAC meeting reports.

The SAC is of the opinion that APRIL should start communicating more about production capacity, sourcing (supplier relations and compliance) and peatlands (legal compliance and science-based management). The SAC feels it has a role to play as an objective platform to discuss commercially sensitive and confidential information when needed.

7. Forest Stewardship Council (FSC)

APRIL continues to work closely with the FSC Secretariat to develop a Roadmap to end disassociation.

APRIL seeks to be able to input as an interested stakeholder into relevant FSC initiatives, particularly those of strategic importance (controlled wood, conversion, new approaches, pesticides, etc.).

The Rainforest Alliance and APRIL will carry on their collaboration in Phase 2. Discussions are ongoing on the various components, some of which will contribute to APRIL’s preparedness for the Roadmap process.

8. Independent Peat Expert Working Group (IPEWG)

Ruth Nussbaum, IPEWG Coordinator, presented an overview of the current work of the group, including both the Phase 1 Progress Report and the components for Phase 2.

Originally constituted for 2 years, the IPEWG was renewed into Phase 2. The IPEWG has been operating in a context marked by rapid change. The IPEWG has worked with APRIL in what the group considers to be an “extraordinary scientific program.” Top focus areas of Phase 1 included subsidence analysis, GHG monitoring, modeling to understand the relation between water tables and other variables, and natural forest condition.

The IPEWG believes APRIL has probably the most comprehensive tropical peat subsidence dataset, which the group has sought to analyze in detail to extract trends. The IPEWG members have collaborated with APRIL scientists in a peer-reviewed paper on this topic, which will be published soon.

The IPEWG is planning its 10th meeting towards the end of the year where it plans to hold a workshop with external parties (academics, government) focusing on native species production and planting. The group also plans to concentrate efforts on peat management at landscape scale.

The SAC appreciates the degree of scientific evaluation that has been performed by the group and specifically notes the pending publication of a scientific paper on peat subsidence. Both the IPEWG and the SAC recognize the urgent need to move into an implementation phase that provides potential solutions for the myriad of issues associated with peatland management in Indonesia.

As it moves into Phase 2, the IPEWG sees the need to closely work with the SAC members to cover social dynamics and land use planning processes around peatlands. Furthermore, the IPEWG urges the SAC to support APRIL in finding solutions to the challenges surrounding peatlands at landscape scale and through collaborative solutions (with the academia, local and national government and other stakeholders). The SAC members feel strongly that traditional knowledge must be part of any decision and that communities must be engaged.

In the SAC’s view, the different tiers of government are key actors in any landscape-scale initiative and the SAC encourages APRIL to nurture relationships towards this end. Current jurisdictional initiatives in Siak District were mentioned as potential opportunities. APRIL should explore such initiatives with the various stakeholders involved.

SAC Actions

The SAC will further discuss internally how to strengthen the committee’s engagement with local and provincial governments, related agencies and representatives from multi-stakeholder initiatives in Riau.

9. Sustainable Development Goals (SDGs)

APRIL offered an update on the project to identify priority SDGs, in alignment with national and provincial priorities, and measure their baseline impact against these. The project is undertaken with PwC and with advice from the United Nations Development Programme (UNDP). PwC was asked to develop a set of tools, methodologies and process to determine APRIL’s priorities to contribute to SDG targets, taking into consideration both regional government focus areas as well as business activities, and the space where

those interface.

- Phase 1 of the project has been completed, with APRIL identifying these priorities: Core goals (intrinsically aligned to the business): 12. Responsible production and consumption, 13. Climate action, 15. Life on land
- Catalytic goals (with opportunities for transformative impact): 3. Good health and wellbeing, 4. Quality education, 17. Partnerships for the goals

The SAC commended APRIL for having identified priority goals and targets, especially since the selection goes beyond those that would be commonly associated with the industry. This choice opens up the possibility for APRIL to make a greater difference. In addition to forward-looking action towards SDGs targets (intent), APRIL could consider looking at past net impact of its operations across all relevant goals (legacy). The next step would be for APRIL to develop understanding on the linkages between selected goals and targets, and materialize partnerships tapping into existing alliances working in SDGs delivery.

Recommendation

The SAC has considerable expertise within its membership regarding SDGs and encourages APRIL to continue to avail itself of this expertise.

10. Royal Golden Eagle (RGE)

An RGE representative offered updates since last briefing to the SAC a year ago, including revisions of sustainability policies by the various RGE business groups, such as Asia Symbol's new Wood Sourcing and Human Rights policies. Sustainability group-wide workshops are an annual practice to share knowledge between fiber and oil palm RGE businesses. The SAC was also made aware of the new RGE acquisition in Brazil, Lwarcel.

The SAC commends APRIL for its proposed program of reducing plastic waste reduction across the Kerinci complex. Commensurate with the large impact RGE businesses have within Indonesia, the SAC would advise that the company also be involved in larger scale solutions, where circular economy could be part of the core strategy.

The SAC will request that the potential for incorporating circular economy into RGE's strategy, the issue of plastic waste and potential solutions at a provincial scale will be discussed at the December SAC meeting.

11. Asia Pacific Rayon (APR)

A representative from Asia Pacific Rayon (APR) presented an update on this new RGE business group. The SAC is encouraged to hear that APR is working on achieving high standards in managing mill emissions. In the SAC's opinion, APR has the capacity to explore being involved in circular economy.

In addition to the Kerinci manufacturing operation, a downstream yarn weaving facility (Asia Pacific Yarn, or APY) is planned for development in the vicinity. It is anticipated that APY will provide 800 new jobs for local communities.

The SAC urges RGE to start communicating externally well in advance of project launches, APR being an example. This communication should happen at national and local levels, and APR should be clear and transparent about the socio-environmental implications and related mitigation measures, as well as the positive economic impact for local communities.

The SAC requests an update on APR communications at the December SAC meeting.

12. Sateri

A representative from Sateri offered an overview of the RGE business group's 2017 performance and 2018 plans in relation to sustainability and stakeholder engagement. The SAC appreciated that Sateri is working to be recognized as best practice industry leader in China. The SAC encouraged Sateri to continue to reach out to other international companies in order to keep abreast of environmental and social innovations.

13. SAC Communications

The SAC discussed and agreed a proposal by The Jakarta Globe to publish Joe Lawson's profile. This is in line with the SAC's intent to increase media outreach about the work of the committee in Indonesian language media. Similarly, the SAC is looking at other ways to keep amplifying external communications such as op-eds and interviews in specialized media on selected topics.

The SAC is concerned that APRIL interacts more with international audiences than Indonesian stakeholders and therefore urges APRIL to find a balance with national/local stakeholders. Communications around sustainability should be available in Bahasa Indonesia.

Over the past few years, APRIL has made good progress in improving their communications, but the SAC would like to see the company move towards less defensive and more creative, innovative communications. It urges the company to explore what other businesses are doing, to keep innovating and trying new approaches (thinking outside the box) to continue driving change.

The SAC believes it is timely to review its own remit, including how to ensure it is focused on an appropriate balance of local, national and international issues. It should also strive to facilitate solutions its advisory capacity with APRIL.

SAC Actions

A conference call will be scheduled prior to the December SAC meeting to discuss how to ensure an appropriate balance regarding the SAC's focus. Also, the issue of helping to facilitate actionable solutions will be discussed and prioritized.

14. SFMP 2.0 Assurance Process

The 2018 assurance report will soon be finalized for publication by KPMG PRI after the recent visit to an open market supplier in Kalimantan. KPMG PRI will also add a note to the report on concurrent audits undertaken by APRIL.

Two independent observers participated in the 2018 field audit. This was the first time the SAC has engaged observers in the KPMG process and the general consensus is that it was a positive experience. KPMG PRI auditors and the SAC will review how to improve the integration of observers into future assurance engagements. KPMG PRI also agreed there is opportunity to increase understanding around how observers' remarks during field visits are translated into the final report. For future stakeholder forums which include presentations of assurance results, the SAC urges KPMG PRI to ask a local Bahasa Indonesia speaker (not bilingual) to proofread the materials.

There was some discussion on future indicators. The SAC agreed that SFMP 2.0 KPIs should not focus on technical, operational forestry metrics otherwise captured in certification audits. An indicator around clean

water could be developed in the future. Current indicators around landscape-related processes are too academic and can be improved by focusing on APRIL's initiatives in the RER and conservation forest management framework.

The SAC will consider developing a risk matrix based on past assurance findings with a view to identify top issues and core areas for the 2019 assurance review.

SAC Actions

The SAC will work with KPMG to improve the process of engaging independent observers in the 2019 assurance program, and to develop a risk-based approach for the 2019 assurance review and beyond.

15. Programme for the Endorsement of Forest Certification (PEFC)

PT RAPP concessions underwent their first recertification audit last year. This year is APRIL's supply partners' turn. A key concern for recertification is the impact of peat regulations on production areas (how FMUs can remain economically viable).

16. Restoration Plans

Areas identified by the government as peat ecosystem for protection function (FLEG) were incorporated in 2018 PT RAPP and supply partners' approved long term work plans (RKUs), impacting a significant proportion of plantation areas.

APRIL has developed operational guidelines for the management of FLEG areas, based on government-approved recovery plans. Success criteria have been stipulated by the government for these plans, and progress will be assessed after 3 years, besides annual reporting.

Based on a government-approved list of 32 species, APRIL is building seedling stock in a native species nursery. The SAC is encouraged that the government has approved this extended list of species.

The SAC commends APRIL's research, including study trips and collaboration with experts, to trial alternative species on higher water tables, which could be used for production purposes. The SAC urges APRIL to stay ahead of the curve trying to identify solutions to the peat challenge, and should consider working with local universities in studying traditional practices for cultivation on peatlands.

17. Regulatory Updates

To date, all peat recovery plans for PT RAPP have been submitted and approved. All but one supply partner recovery plans have been submitted (16 in total). Of those submitted, half has been approved and the rest are in process.

18. Supplier Relationships

APRIL currently has 32 supply partners and 10 open market suppliers, to which SFMP 2.0 commitments apply.

Supply Partners:

- APRIL is not affiliated with them. Investors of supply partner companies are neither employees nor members of APRIL management. As license holders, they manage social and license matters.
- APRIL provides working capital and plantation financing to suppliers to conduct joint forestry

operations. This arrangement allows APRIL to have greater oversight of SFMP 2.0 implementation by supply partners.

Open Market Suppliers:

- APRIL is not affiliated with them, except for PT ITCI Hutani Manunggal. PT Adindo Hutani Lestari is not part of APRIL Group.
- Some operational working capital and technical assistance is provided by APRIL to small open market suppliers. The majority of suppliers belong to other large corporations/groups.

To date, APRIL has approached suppliers on a case by case basis to seek their participation in the SFMP 2.0 assurance process. The SAC suggests that APRIL include a clause in supply contracts, to set the pathway for future field visits.

Recommendation

APRIL should include language in all fiber supply contracts that allows for assurance engagements of the accuracy of APRIL’s monitoring data in relation to fiber supply.

19. Wood supply plans

APRIL management presented a very detailed explanation of the current wood supply plan up to 2025. Production capacity will remain at 2.8 million tons. In general, the APRIL plan stresses optimizing and improving the efficiency of their pulping process, reducing mill waste and gaining productivity improvements through tree breeding programs. This process of continuous improvement is expected to help reduce pulp and wood consumption rates and improve conversion rates.

The APRIL mill has swing facilities to adapt output to market dynamics, responding to customer demand for dissolving pulp for viscose production versus kraft pulp and paper.

While putting effort in plantation productivity improvements, the fiber shortage likely created by the loss of plantable peatland will likely be made up with imported wood, including chips. The SAC regrets that this will inevitably lead to a loss of employment in Riau and create the need to import raw materials from other countries at high cost.

The SAC notes that there are opportunities within Indonesia’s regulatory framework to enable small scale, smallholder acacia growing in Indonesia mirroring the model of other SEA countries. SAC encourages APRIL to work with local governments on identifying these opportunities, while also focusing on land recovery within mineral soil concessions.

NEXT SAC MEETING

3-5 December 2018 in Jakarta.