



**Stakeholder Advisory Committee (SAC) on  
APRIL's Sustainable Forest Management Policy (SFMP 2.0)  
14<sup>TH</sup> SAC Meeting  
Jakarta, Indonesia, 3 - 4 December 2018**

<b>SAC MEMBERS</b>	<ol style="list-style-type: none"> <li>1. Mr. Joe Lawson (<i>Chair</i>)</li> <li>2. Pak Al Azhar</li> <li>3. Prof. Jeffrey Sayer</li> <li>4. Dr. Neil Byron</li> <li>5. Ibu Erna Witoelar</li> </ol>
<b>IN ATTENDANCE</b>	One observer from the Independent Peat Expert Working Group (IPEWG) attended the first day of SAC Meeting.
<b>TOPICS OF DISCUSSION</b>	
<p><b>Opening Remarks and General Observations</b></p> <p>SAC opened the meeting by emphasizing the need to focus on several key areas, including:</p> <ul style="list-style-type: none"> <li>• Response to recent allegations raised by local NGOs</li> <li>• Supplier compliance, particularly on PT Tanjung Redeb Hutani (PT TRH)</li> <li>• Assurance process 2019</li> <li>• Collaboration with IPEWG</li> <li>• Reflection of SAC coming into their fifth year of tenure</li> </ul>	
<p><b>1. Strategic Fire Management</b></p> <p>APRIL presented the monthly fire and rainfall monitoring data and concluded that long term correlations of fires and rainfall continue. Coupled with good monitoring result of smoke haze, APRIL observed a consistently good air quality in Riau with average of 13 or 14 <math>\mu\text{g}/\text{m}^3</math>.</p> <p>Risk maps are still a good predictive power of fire occurrence, as indicated that 80% of fire incidence occurred in high and extreme areas; subsequently, only 3% of fire occurred in low risk areas.</p> <p>APRIL informed that based on the Centre for Remote Imaging, Sensing and Processing (CRISP) data, &gt;90% of hotspots are not fire (commission error). In relation to the FFVP, APRIL plans to focus on the long-term motivation for the Fire Resilient Communities (graduate of FFVP), as well as the rolling out of FFVP to the open market suppliers in 2019. There continues to be strong engagement with the local communities through FFA, as an alliance of multiple companies.</p> <p>In addition, APRIL is in the final stage of contract signing with a consultancy firm to help as an FFA Secretariat. A brief updates on the Fire Free District Model rolled out by the Coordinating Ministry of Economic Affairs, which has started in Pelalawan district, was provided. This is a pilot project to which APRIL continues to provide support.</p>	



### **SAC Response**

The SAC appreciates APRIL's work towards broadening the impact of fire prevention program outside of APRIL's concession areas. The SAC has recommended that APRIL share the best practice of strategic fire management to a wider, national audience and recognizes the significant progress APRIL is making.

### **2. Conservation Forest Management**

A recap of APRIL's Conservation Forest Framework's elements was presented. Based on SAC's previous recommendations, APRIL is conducting the conservation forest mapping that includes a 5-km range of areas outside the concession, as an attempt to identify critical external links to larger intact forest area. In parallel, APRIL maintains the mapping of internal links between patches. APRIL seek feedback from the SAC as to the level of influence that APRIL can have outside its concession area.

APRIL has completed the conservation management matrix, consisting of the six HCV criteria, to be disseminated to estate managers. With the ownership at estate level, APRIL is planning to roll out training for implementation of the conservation management framework.

### **SAC Response**

SAC acknowledge APRIL's consistent efforts in implementing the conservation forest management using integrated landscape approach. The SAC commends APRIL for its efforts in identifying significant high conservation areas outside of its concessions and recognizing the potential importance of these during its prioritization process. SAC encourage APRIL to do collaboration in substantive level with other peer companies.

### **3. Community Forestry**

Currently, APRIL is working with two cooperatives, Marga Madani and Padu Pilihan, in piloting the integrated HCS assessment, which includes HCV, HCS and FPIC process. In terms of FPIC process, APRIL has conducted extensive socialization and received feedback from the local communities.

The most critical issue emerged only during the final consultation - Padu Pilihan cooperative claimed that they own approximately 225 ha of Marga Madani cooperative's land. This land tenure issue must be resolved prior to reaching any final agreement. As of now, within the ~1,000 ha pilot area, only 305 ha can be developed. Following the submission of final report to the HCSA Steering Group, with the support of a technical services firm, APRIL is awaiting the peer review of the report. APRIL projects this process to be finished within the next 6-9 months.

### **SAC Response**

The SAC inquired about the receptiveness of the local community towards this piloting process of the HCS assessment. It recognizes APRIL's confirmation that one of the biggest challenges in the contract model is to make sure that the community still gains incentives.



The SAC understands that the conduct of HCS assessment prior to any new development is part of APRIL's SFMP 2.0 commitment. However, the HCS methodology can be a long, complicated, and expensive process to be implemented at the community level. The SAC has reservations regarding the feasibility of utilizing HCS as a means to configure community forestry. Complicated programs may actually impede, or discourage, the development of community forestry.

#### **4. Supplier Compliance**

APRIL's supplier compliance seeks to strengthen the following areas:

- Re-assessing supplier information prior to wood purchase contract extension
- Revise due diligence system to include RKT plans for development
- Re-focus Land Cover Change (LCC) monitoring
- Continue engaging suppliers to strengthen relationship and gain trust for support of SFMP 2.0

APRIL has revised its due diligence system, which includes an expanded list of mandatory documents requested in advance of site visit for desktop analysis. APRIL added more verifiers to ensure risk assessment and risk mitigation actions are agreed with Suppliers prior to contract approval by Sustainability Director.

#### **SAC Response**

The SAC appreciates the progress made by APRIL in relation to suppliers' compliance, particularly in response to the recent allegations involving one of its open market suppliers. The SAC acknowledged there has been improvement made to the due diligence process and agrees with APRIL's decision to cut ties with suppliers who, regardless of APRIL's efforts, do not comply.

The SAC recommended APRIL amend the due diligence system such that correspondence includes a time-bound element to compliance requests. The 2019 KPMG assurance will continue its focus on open market suppliers to facilitate continued improvement.

#### **5. Restorasi Ekosistem Riau (RER)**

As of October 2018, RER made a notable progress from the production of native seedlings, the forest restoration work, and the blocking of old canals for hydrological restoration. RER maintains good record of monthly rainfall, fire danger ratings (FDR), and water table. RER continuously engages with the local community through a wide range of activities, including eco education, clean & healthy living, RER employee volunteering, and provision of clean water facility in Padang Island as well as demonstration plot of aquaculture.

The activity of fish catches in Serkap River showed that the average monthly catch reached 376 kg in October 2018, almost double the average in 2017. Intensification of no-burning farming is still ongoing as part of partnership with Bidara and received positive recognition from Pelalawan District.



A preliminary Odonata survey was conducted in September, resulting in the identification of more than 20 species that have not been previously recorded in Riau Province or on mainland Sumatra. Challenges to be managed are illegal logging in Padang island and bird poaching in Kampar Peninsula. RER brings support from relevant government agencies for mediation and enforcement. A wide array of outreach has been done by the RER team, including participation in national and international conferences, sharing forum with local NGOs, and visits to RER by different set of stakeholders, of which continues to raise a positive awareness.

### **SAC Response**

The SAC continues to be impressed with the RER program and the documentary potential for communication to external stakeholders. The SAC encourages RER to create more series to the video documentary with Indonesian narrators.

SAC encourages RER to continue to work towards finding a solution to solve the isolated cases of illegal logging and bird poaching issue. RER should seek collaboration opportunities with bird conservation communities.

**The SAC recognizes the challenges law enforcement faces in areas such as the RER. To address issues such as illegal logging, encroachment or poaching, effective engagement with Polisi Hutan (Forestry Police) may be required. Potential methods to improve engagement should be discussed during the next SAC/RER interaction.**

### **6. GHG Monitoring**

APRIL explained the GHG monitoring that is currently done in three locations representing different types of land uses: native forest, plantation forest, and mixed land use. The selection of the sampling areas will allow the examination of land use changes' effects on the GHG exchange, or net GHG footprint. Eddy covariance technique is used in the measurement, since the technique assesses all vertical emission and removal pathways, and takes into account both temporal and spatial variability. As a preliminary result, APRIL observed a diurnal pattern of CO<sub>2</sub> exchange, where the ecosystem acts as a sink of CO<sub>2</sub> during sun hours and turning into a source of CO<sub>2</sub> during the non-sun hours. The assessment of CH<sub>4</sub> exchange found out that native forests emit twice CH<sub>4</sub> as compared to the plantation forestry. The research is conducted in collaboration with external experts, including the IPEWG. All the work that has been done in GHG monitoring will eventually result in peer-reviewed scientific publications. So far, the research has been shared at international and national scientific conferences.

### **SAC Response**

The SAC encourages APRIL to strengthen its commitment towards climate change mitigation while helping the Government of Indonesia achieve a better understanding of the relative importance of different sources of GHG emissions.



APRIL should share its research findings with the rest of Indonesia regarding how significant carbon reduction can be the result of better and responsible peatland management. APRIL should be a model for other industrial players to contribute to the national GHG emissions reduction.

### **7. Assurance Process 2019**

KPMG reviewed the assurance process that took place in 2018 (covering 2017 reporting) which involved a comprehensive review of indicators, including stakeholder consultations on the indicator list, a planning visit, a presentation of the proposed work plan and assurance scope to the SAC and stakeholders, followed by a full scope assurance engagement (all indicators) including field visits, and a finalization of the assurance engagement by presentation of results to SAC and stakeholders. The audit covered a total of 45 indicators and the audit results including APRIL action plans have been publicly shared.

In preparing for the 2019 assurance process, KPMG encouraged SAC and APRIL to revisit the overall objective of the monitoring process and stakeholder's expectation of APRIL, SAC and the assurance process.

KPMG also presented a draft list of recommended indicators for 2019 assurance process, based on several factors: External stakeholder interest, risk levels, trends in historic indicator performance, open non compliances (NCs) or Opportunities for Improvement (OFIs) and knowledge of existing data. Moreover, KPMG proposed a timeline for the assurance engagement, with the option of deep-dives into targeted emerging issues.

### **SAC Response**

The SAC has discussed various options and decided to request that KPMG perform an assurance on a subset of high-risk indicators, coupled with a deep dive into additional topics of interest and emerging issues. The SAC acknowledges that issues are continuously evolving, at a certain point in time some issues might be more relevant than others. The assurance process will always need to keep into account these factors when coming up with the indicators. Additionally, the SAC's view is the existing set of 45 indicators is too much information on too many different things - there is a need to consider which ones have high consequences and which ones are of lower priority. The SAC also believes that higher emphasis should be placed on local impacts and benefits.

### **8. Independent Peat Expert Working Group (IPEWG)**

IPEWG revisited its Phase 2 objectives, consisting of building understanding, responsible peatland operations and long term vision. Additionally IPEWG also reaffirms the goals and role of IPEWG which is to ensure that the peatlands managed by APRIL and its supply partners balance production and conservation, are resilient and potentially net carbon neutral in the long term. IPEWG focuses on APRIL's production areas, to optimize operational management; conservation areas, for management and protection; and restoration areas.



In the production areas, IPEWG is committed to several activities, including reviewing the results of modelling to understand ways to minimize subsidence and emissions over an acacia rotation; preventing fire; and growing acacia at higher water table. In conservation areas, the IPEWG has reviewed carbon emission data from RER.

Finally in restoration areas, multiple trials were conducted with different native species planted in different ways in different situations. Going forward there will be further work on water table depth versus peat moisture, and adding two Indonesian members in 2019.

### **SAC Response**

The SAC was impressed with the work of IPEWG and acknowledges the contribution that it has made into improving APRIL's peatland management operations. The SAC believes it is important that new information be disseminated to stakeholders, including policy makers, such that this information has value beyond just APRIL.

The SAC does not advocate a formal outreach to policy makers, but rather take advantage of informal engagement to disseminate information, while encouraging community interest. The additional Indonesian IPEWG members, as well as current Indonesian IPEWG and SAC members, could be helpful in this regard. The SAC encourages more research to focus on the impacts of responsible peatland management to carbon emission reduction.

### **Regulatory Updates**

APRIL provided updates on two new Regulations issued by the Ministry of Environment and Forestry (MoEF): Regulation nos. P.22/2018 and P.26/2018. Both regulations pertain to the introduction of the nation-wide Online Single Submission (OSS) system and its roll out for the application of all environmental licenses.

While during the transition period APRIL expects potential delays in securing licenses, in the long-run, the use of OSS would expedite license processing at the MoEF.

### **SAC Response**

The SAC took note of the update and looks forward to the full implementation of the Online Single Submission system.

### **Peat Restoration Plan**

APRIL presented its peat restoration plan to the SAC. To comply with the landscape approach of peatland management on a Peat Hydrological unit (*Kawasan Hidrologis Gambut /KHG*), it is really important to identify the peat dome area within the water reservoir, citing the definition of peat dome as an area that has highest elevation point within Peat Hydrological Unit, consistent with Ministry of Environment and Forestry Regulation No. 14/2017.



To obtain information of the peat dome, a topography map was required. APRIL informed the SAC that APRIL has invested in data collection mainly through WorlDEM and LiDAR at a landscape scale as a supplement to the topography data generated from: a) ground topography surveys and periodic update at the end of each forest plantation rotation; b) high resolution imagery, aerial photography and different GPS measurement systems.

**The restoration activities are now being implemented in compliance with the plan approved by the MoEF.**

#### **SAC Response**

SAC welcomed the updates from APRIL regarding the peatland restoration plan and its efforts to refine a program for native species planting. The SAC encouraged APRIL to continue the trial of native species planting, such that it will achieve the success criteria set forth by the Government of Indonesia (minimum number of plants per ha, vegetation diversity, and average diameter). The IPEWG is engaged in assisting APRIL in this effort.

#### **Response to NGO Allegations**

APRIL presented the response on several allegations communicated by some Riau-based NGOs to the SAC in September 2018. The allegations referred to last year's RKU revision process, past fire incidents and land disputes in APRIL and Supply Partners' concessions. APRIL looked into each allegation and conducted an internal review, including historical research as some of the cases dated back to 2011.

APRIL presented the results of the internal review, including an overview of the steps taken in 2017 in relation to the RKU revision as published in a [stakeholder update](#) of December 6<sup>th</sup> 2017. While updating the SAC, APRIL noted that some of the allegations refer to old supply partners that are no longer part of APRIL's supply chain, or to companies outside of the forestry sector. With regards to fire incidents, APRIL pointed out that the most recent ones had been assured by KPMG during the 2016 and 2017 Assurance Reviews as initiated by third parties.

#### **SAC Response**

SAC reviewed and was satisfied with the response prepared by APRIL on the recent allegations communicated by local NGOs to SAC in a meeting in September 2018. However, SAC insisted that the full response from APRIL should be translated to Bahasa Indonesia and communicated directly to the concerned NGOs. A meeting in Pekanbaru between SAC and the concerned NGOs is scheduled to discuss this further.

#### **Community Development**

APRIL has been proactively developing various programs for community development in the past year, which include activities in education, health, agriculture, socio-culture and infrastructure, and support to SMEs.



All of these programs are intended for communities spread across 13 sectors around APRIL operations in five regencies in Riau Province, and are linked to the SDGs as a guideline for APRIL to achieve a sustainable business operation. In 2018, the highlights are for the transfer of School Improvement Program (PP) from Tanoto Foundation to APRIL Community Development Program since August 2018, continuing provision of scholarship (300 high school scholars and 100 university scholars), partnering with two vocational schools in Pekanbaru and Pangkalan Kerinci on Vocational Program, empowering farmers with the One Village One Commodity initiative and continuing support to SMEs growth, as well as the rehabilitation of Istana Peraduan Siak. The heritage site's rehabilitation will continue to roll out in 2019, along with Pangkalan Kerinci city development.

#### **SAC Response**

SAC is impressed with the level and variety of the activities conducted by APRIL. In addition, the SAC encouraged APRIL to continue to empower the communities so that they eventually become self-reliant. Partnerships with other stakeholders will also be effective if communities are empowered.

#### **SDG Impact Analysis**

The Phase IA of SDG Impact Analysis has been completed, where selection of priority goals were made. APRIL identified its priority goals as Core, Catalytic and Contributed. Following the goal prioritization, a set of six targets was selected as the first batch to undergo a baseline data collection for the development of an impact assessment framework.

Afterwards, batch 2 targets will be rolled out with identification of interventions as the end-result of the impact measurement in 2019. Moving forward, APRIL will continue its external communication and outreach of the SDG impact analysis, and roll out the SDG impact assessment to all employees and to other RGE Business Groups.

#### **SAC Response**

SAC recognized the progress that APRIL has shown to use the SDGs as the framework for its future strategy. SAC encourage APRIL to keep focusing on building partnership related to APRIL's core issues. SAC recognized the synergy between the interventions of APRIL and Tanoto Foundation, leading towards significant, blended financing opportunities.

#### **International, National and Local Communication Updates**

In 2018, the national and local communication programs have achieved significant progress, such as the solid credentials on fire prevention/suppression, development of digital presence, coverage in and partnership development with national and local target media. While noting the achievements, APRIL acknowledged that there is still opportunity to improve its communication particularly with national and local stakeholders.





### **SAC Response**

The SAC appreciates the depth and variety of APRIL's national and local communication programs, including the progress that has been made in recent years. SAC believes that there remains a significant opportunity to improve information flows to local employees.

### **Grievance**

This year, APRIL has improved the grievance handling process according to the timeline set in the SOP. The improvement also includes the continued socialization to suppliers and local communities. APRIL has conducted two rounds of socialization, where the discussions not only cover about grievance mechanism procedure, but also sharing about past grievance resolution process from estate operation and RER as well as presentation of SFMP 2.0 action plans on grievance procedure.

APRIL updated that there are four grievance cases received this year, where all of them were resolved within timeline. Some grievances were raised informally; this year, eight cases were raised directly and resolved by Estate.

### **SAC Response**

The SAC appreciated all efforts APRIL has made to improve the grievance mechanism. Although the SAC supports the current formal process, it has become apparent that there also is a role for grievance resolution through local dialogue.

This may include initiatives outside the formal grievance mechanism, which are in line with local culture and customs. When this happens, it should be documented and recognized as being on par with the current formal process.

### **Asia Pacific Rayon (APR)**

A representative from APR provided an update to the SAC of the various stakeholder engagements made ahead of its start-up. External engagements were undertaken throughout October with two webinars and a face to face stakeholder forum in Pekanbaru. Engagement activities also included a workshop for Indonesian fashion designers and participation in local trade expos. The engagements prior to APR's launch are intended to get inputs from stakeholders and to understand the critical issues that concern them. A summary of the webinars was shared with the stakeholders.

### **SAC Response**

SAC appreciated APR's efforts to proactively engage with diverse stakeholders at an early stage. As an integrated operation with APRIL, SAC welcomed APR should they need advice and feedback from the SAC in relation to their sustainability and communication efforts.



### **APRIL Economic and Fiscal Impact Study**

The Institute for Economic and Social Research (LPEM) at the Faculty of Economic and Business, University of Indonesia presented to SAC a report on the Economic and Fiscal Impact of APRIL's Group Riau Complex (AGRC), for year period 2015 - 2017.

For economic impact, the scope of the study includes AGRC contribution to Gross Domestic Product (GDP)/Gross Regional Domestic Product (GDRP) at National and Riau Province; contribution to household income creation and employment opportunities at National, Riau Province and Pelalawan Regency; distribution of inter-regency impact within Riau Province; and impact of AGRC's Community Development program to household income creation in various sectors.

For fiscal impact, the study analyses AGRC contribution to the National Budget (APBN), to Riau Province and Pelalawan Regency Budget (APBD), and indirect fiscal contribution due to supply chain activities generated by AGRC. This report was also peer-reviewed by Riau University (UR) as well as Islamic University of Riau (UIR). Representatives of both universities also attended the presentation.

### **SAC Response**

The SAC appreciated the efforts of the three partner universities that came and presented their findings to the SAC, and noted that this study is a work in progress. The SAC suggests that there is more communication between APRIL and the partner universities towards the finalization of the study.

### **APRIL Strategic Overview**

APRIL provided a brief review of the key components of sustainability and corporate communications programs in 2018, such as: the ongoing implementation of the SFMP 2.0; the SDG impact analysis; implementation of the RER program; pursuing the process of ending the disassociation from FSC, implementing and improving the approach to responsible peatland management; and strengthening stakeholder engagement.

APRIL shared with the SAC its intention to evolve its sustainability commitments beyond the SFMP 2.0 and adopt a vision and framework that are more holistic and underpinned by bold, achievable targets on key areas. This strategic approach will be set in motion in 2019, including stakeholder consultations, for potential launch in 2020. APRIL also provided an update on its long term wood supply, ensuring that all fiber supply will be fully subjected to SFMP 2.0 compliance.

### **SAC Response**

The SAC appreciated the strategic overview presented by APRIL. During early 2019, The SAC will be reviewing its role and assessing its performance over the past five years. As with any organization, there are opportunities for improvement and this type of assessment is timely.

Understanding APRIL's strategic focus will be very helpful when the SAC meets to discuss the strategic directions of its role and function.

**NEXT SAC MEETING**

Location: Jakarta

Time: 1<sup>st</sup> week of April 2019

Agenda to include a high level strategic discussion between SAC and APRIL Management.