

Interim Report on APRIL Group's Implementation of Sustainable Forest Management Policy 2.0

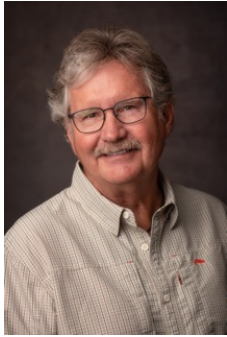
KPMG Performance Registrar Inc.
400 – 777 Dunsmuir Street
Vancouver BC
Canada

July 2019

Table of contents

1. STAKEHOLDER ADVISORY COMMITTEE OBSERVATIONS (SAC)	3
2. SUMMARY AND CONCLUSIONS	5
3. BACKGROUND	7
4. SUMMARY OF ACTION PLAN STATUS	10
5. THE ASSURANCE PROCESS	12
6. APPROACH TO REPORTING	15
7. PERFORMANCE INDICATOR DATA REPORTING LIMITATIONS	16
8. SUMMARY OF INTERIM INDICATOR PERFORMANCE	17
I. LONG TERM SUSTAINABILITY INDICATORS	17
II. FOREST PROTECTION AND CONSERVATION INDICATORS	23
V. PROACTIVE SUPPORT OF LOCAL COMMUNITIES INDICATORS	26
VI. RESPECT THE RIGHTS OF INDIGENOUS PEOPLES AND COMMUNITIES INDICATORS	28
VII. RESPONSIBLE PRACTICES IN OUR WORK PLACES INDICATORS	33
IX. GOOD CORPORATE GOVERNANCE, VERIFICATION AND TRANSPARENCY INDICATORS	35
APPENDIX 1: SFMP 2.0	39
APPENDIX 2: SUMMARY OF INDICATORS	44
APPENDIX 3: APRIL ACTION PLANS FOR IDENTIFIED NON-CONFORMANCES	47
APPENDIX 4: NEW AND CONTINUING OPPORTUNITIES FOR IMPROVEMENT	50

Message from the Chairman



This report is the 6th report to the Stakeholder Advisory Committee (SAC) from KPMG PRI (KPMG) since APRIL announced its original Sustainable Forest Management Policy (SFMP) in 2014.

Since 2016, the reports have focused on providing assurance over key indicators of SFMP 2.0 performance. These indicators provide the SAC with valuable insight into APRIL's progress in implementing its SFMP 2.0 commitments and flag areas where there are ongoing challenges.

KPMG's assurance process balances the use of local forestry experts with their own foresters, biologists and local and international assurance staff. For the last two years, there has been an opportunity for local stakeholder observers to participate in the assurance process and provide feedback to both the SAC and local stakeholders on their observations of the assurance process and APRIL's performance. KPMG has also worked with the SAC to ensure that local stakeholders have an opportunity at the outset to provide input on assurance plans and at completion to discuss the results of the assurance process as the final report is prepared. We are encouraged by the level of interest and engagement in the process and will continue to look for opportunities to increase local input and roles in the assurance process.

Our review of APRIL's performance based on this year's report indicates that while significant progress has been made, there remain some internal and external challenges that need to be overcome. Of particular note:

- The Kerinci mill has successfully maintained operations based solely on plantation fiber. No mixed hardwood has been used by the mill.
- In 2018, APRIL and its Supply Partners again posted strong performance in maintaining conservation areas, with almost no fire related impacts, and significant reductions in encroachment into forested conservation areas.
- Significant progress has been made towards developing a more landscape level approach to maintenance of high conservation values through the implementation of new planning processes that help prioritize conservation needs.
- Progress continues to be made in relation to APRIL's long-term commitment to ecosystem restoration on the Kampar peninsula, which seeks to balance social and ecological needs to maintain and restore important peat forest habitat.
- APRIL and its Supply Partners continue to avoid operations on a significant portion of their landbase until disputes with local communities are resolved. Over 2017 and 2018 there have been significant improvements in the quality and completeness of data related to disputes. While the hectares of land set aside due to disputes continue to rise, this is due to the continued recording by APRIL and its Supply Partners of historic disputes that pre-date the existing tracking tool. The number of new disputes being recorded is relatively small and now less than the number of disputes being resolved annually.
- APRIL's own commitments relating to new development have been met by PT. RAPP and APRIL's Supply Partners. However, processes to track compliance with these commitments by Open Market

Suppliers urgently need to be fully implemented. APRIL faced public criticism following an instance of non-compliance with these commitments by one Open Market Supplier in 2018 and there is ongoing risk of further unexpected compliance issues while APRIL works to secure full supplier engagement in its Open Market Supplier monitoring program.

- While APRIL has implemented processes for recording and addressing grievances identified by local communities, employees and contractors, evidence from field inspections indicates that these processes remain unevenly implemented across operations and additional focus is required to ensure they reflect local community needs and work as intended.

While APRIL has generally made steady progress in implementing and improving its processes to meet SFMP 2.0, it is notable that there was only limited progress this year in the closure of action plans related to prior assurance findings. In some cases, APRIL was perhaps somewhat optimistic in its timelines for completion of the actions it committed to, as some of the issues will take significant time and effort to fully address. However, it is also clear that there are important action plans that are not receiving the necessary level of attention and that this is leading to recurring findings from KPMG in this report – a situation that it is important for APRIL to correct in the short term. We are encouraged that APRIL has updated these action plans and set reasonable timelines to address the issues. APRIL will be providing regular updates on their progress at upcoming SAC meetings.

The annual assurance process is not a small undertaking, involving visits to two PT. RAPP estates and six supplier concessions in 2019 as well as the Kerinci millsite. The current level of effort and depth of investigation appears appropriate as key elements of SFMP 2.0 remain in an implementation phase. As these implementation hurdles are overcome, we expect that the level of monitoring required will decline. In the meantime, we encourage both KPMG and APRIL to look for opportunities to make the process as efficient as possible whilst meeting the needs of the SAC and other stakeholders and continuously moving forward on delivering on SFMP 2.0 commitments.

Joe Lawson
Chairman
APRIL Stakeholder Advisory Committee

2. Summary and Conclusions

In 2019, KPMG Performance Registrar Inc. (KPMG PRI) completed the fourth limited assurance engagement over selected indicators of APRIL Group's (APRIL's) progress in implementing its Sustainable Forest Management Policy (SFMP) 2.0 commitments. This report describes the scope of the work conducted and KPMG PRI's findings.

Objective of the engagement

We were engaged by the Stakeholder Advisory Committee (SAC) of APRIL to undertake a limited assurance engagement over:

- APRIL's progress in implementing action plans related to the two non-conformances and 12 opportunities for improvement identified in our July 2018 limited assurance report, which covered all 45 SAC indicators developed to monitor SFMP 2.0 implementation.
- APRIL's performance under ten selected SFMP 2.0 indicators for the period from January 1, 2018 to December 31, 2018 and related conformance with SFMP 2.0

The SFMP Performance Indicators

APRIL's SAC engaged KPMG PRI to provide assurance over 10 of the 45 SFMP 2.0 performance indicators that were determined to be relevant to the interim reporting period and of specific interest to the SAC.

Given the nature of the subject matter and the available methods for determining quantitative and qualitative performance data for indicators of this type there are inherent limitations in the degree of precision that can be achieved. Management has developed methodologies for each of the indicators, which may change over time and can impact measurements and comparability.

Management's responsibilities

APRIL Management is responsible for the preparation and presentation of the SFMP performance indicator data in accordance with APRIL's internal guidelines and definitions for SFMP reporting. APRIL Management is also responsible for the development and implementation of the action plans to address the identified non-conformances and opportunities for improvement which are detailed in Appendix 3 and 4.

Our responsibility

Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed. The engagement was carried out having regard to ISO 17021, which is the standard most commonly applied globally for sustainable forest management certification engagements.

Our approach

We carried out our limited assurance engagement in accordance with our assurance plan and having regard to ISO 17021. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected SFMP indicator performance data, and applying analytical and other evidence gathering procedures to the data, as appropriate. Our procedures included:

- Inquiries with relevant staff at the corporate and operational level to understand the data collection and reporting processes for the SFMP performance indicator data;
- Comparing the reported data to the underlying data sources;
- Inquiries of management regarding key assumptions and where relevant, the re-performance of calculations;

- Field inspections on two PT. RAPP sectors and six supplier concessions to assess field conditions for consistency with reported data; and,
- Site visits to the Kerinci millsite to assess fiber flow and tracking processes.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that of a reasonable assurance engagement, and therefore a lower level of assurance is obtained.

Our Findings and Conclusions

Based on our examination:

Performance Indicator Data - based on the procedures performed, nothing has come to our attention that causes us to believe that the APRIL SFMP performance indicator data presented in the report have not been prepared and presented, in all material respects, in accordance with APRIL's internal guidelines and definitions for SFMP reporting.

Conformance with SFMP 2.0 - in the course of our work, and based on the performance indicator data reported:

- We identified one non-conformance with SFMP 2.0 requirements during 2018 – An Open Market Supplier undertook new development in the absence of a High Conservation Value (HCV) and High Carbon Stock (HCS) assessment. No mixed hardwood was received from the supplier and acacia deliveries were stopped prior to the end of the year. There is no longer an active supply contract with this supplier.
- We did not identify any additional new development by Open Market Suppliers. However, verification of potential land cover change is still ongoing, and as a result, we are unable to draw any conclusion on the status of Open Market Supplier compliance with APRIL's SFMP 2.0 commitments regarding new development.

In the course of our work we also identified seven opportunities for improvement, relating to both the collection and reporting of performance indicator data and processes to achieve conformance with SFMP 2.0.

APRIL's action plans associated with the identified non-conformance and opportunities for improvement are summarized in Appendices 3 and 4.

Status of Action Plans Developed to Address Previous Assurance Findings – Based on the procedures performed, nothing came to our attention that would cause us to believe that APRIL's assessment of action plan status presented in Section 4 of this report has not been prepared and presented, in all material respects, in accordance with the criteria for determining action plan status described in Section 4.

While our assurance process was not specifically designed to identify and report on Good Practices, in the course of our work we did identify two Good Practices that were considered appropriate to report in order to provide the Stakeholder Advisory Committee with context on APRIL's implementation of the performance indicators.

Our findings are provided on an indicator by indicator basis within Section 7 of our report, along with explanatory notes on the performance information.

Use of the Report

Our assurance report is provided solely to the SAC of APRIL in accordance with the terms of our engagement. Our work has been undertaken so that we may report to the SAC on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than the SAC for our work, for this assurance report, or for the conclusions we have reached.

KPMG PRI

KPMG Performance Registrar Inc.
Vancouver BC Canada
July 10, 2019

3. Background

APRIL Group

APRIL Group (APRIL) maintains an integrated pulp and paper mill in Pangkalan Kerinci, in Riau Province, Sumatra. The mill is capable of producing 2.8 million tonnes of pulp and 1.15 million tonnes of paper per year.

Fiber for the pulp and paper mill is derived from approximately 480,000 hectares of plantations maintained by PT. Riau Andalan Pulp and Paper (PT. RAPP) as well as 32 Supply Partner concessions located on Sumatra. APRIL Group and its Supply Partner plantations currently supply approximately 71% of the mill's fiber needs, the remainder being met by open market supply sources from Sumatra, Kalimantan and Malaysia.

A map showing the location of PT. RAPP and continuing Supply Partner concessions is provided in Figure 1 below. A map showing the location of Open Market Supplier concessions is provided in Figure 2 on the following page. Further information on APRIL's operations can be found at www.aprilasia.com.

Further information on APRIL, its sustainable forest management commitment and related data are provided through a sustainability dashboard, located at <http://sustainability.aprilasia.com>.

Figure 1 General Location of PT. RAPP and Supply Partners

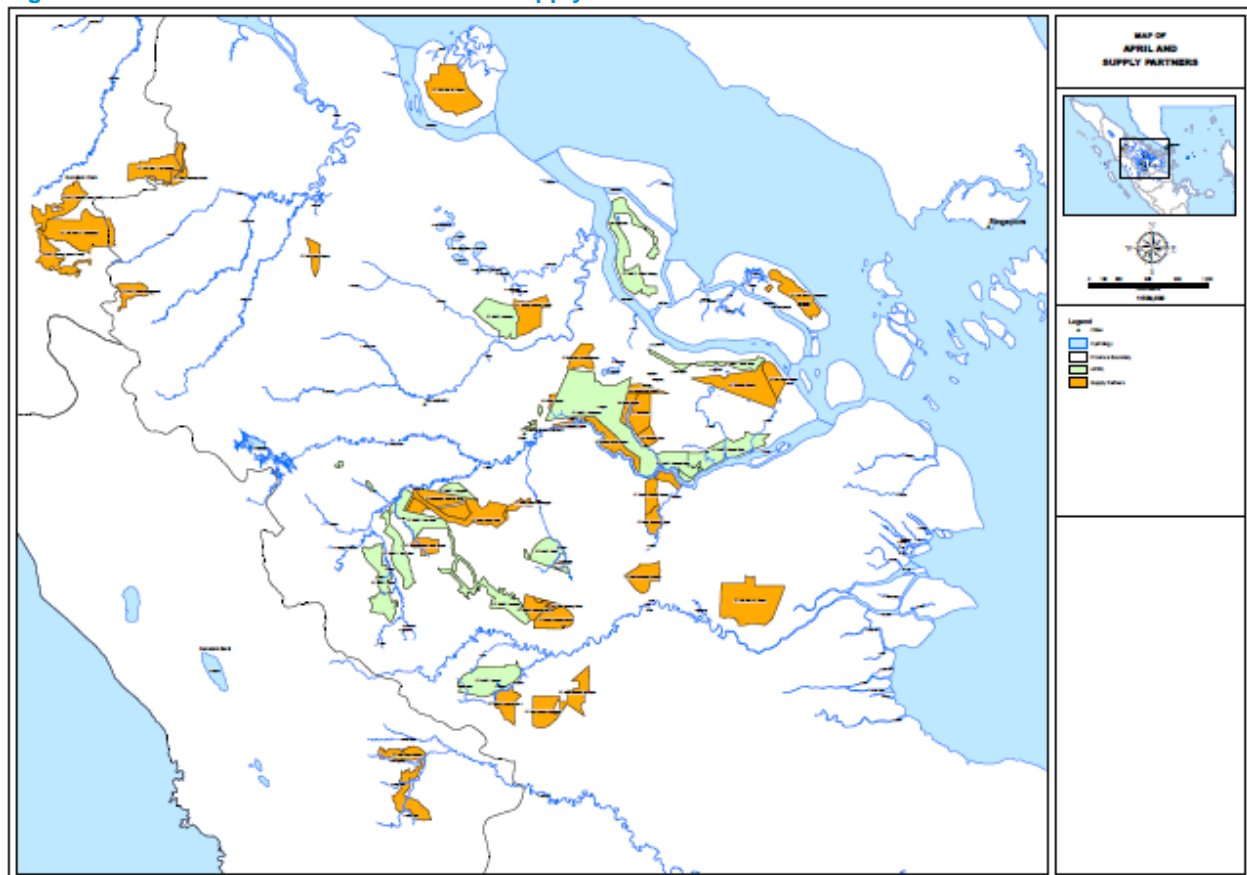
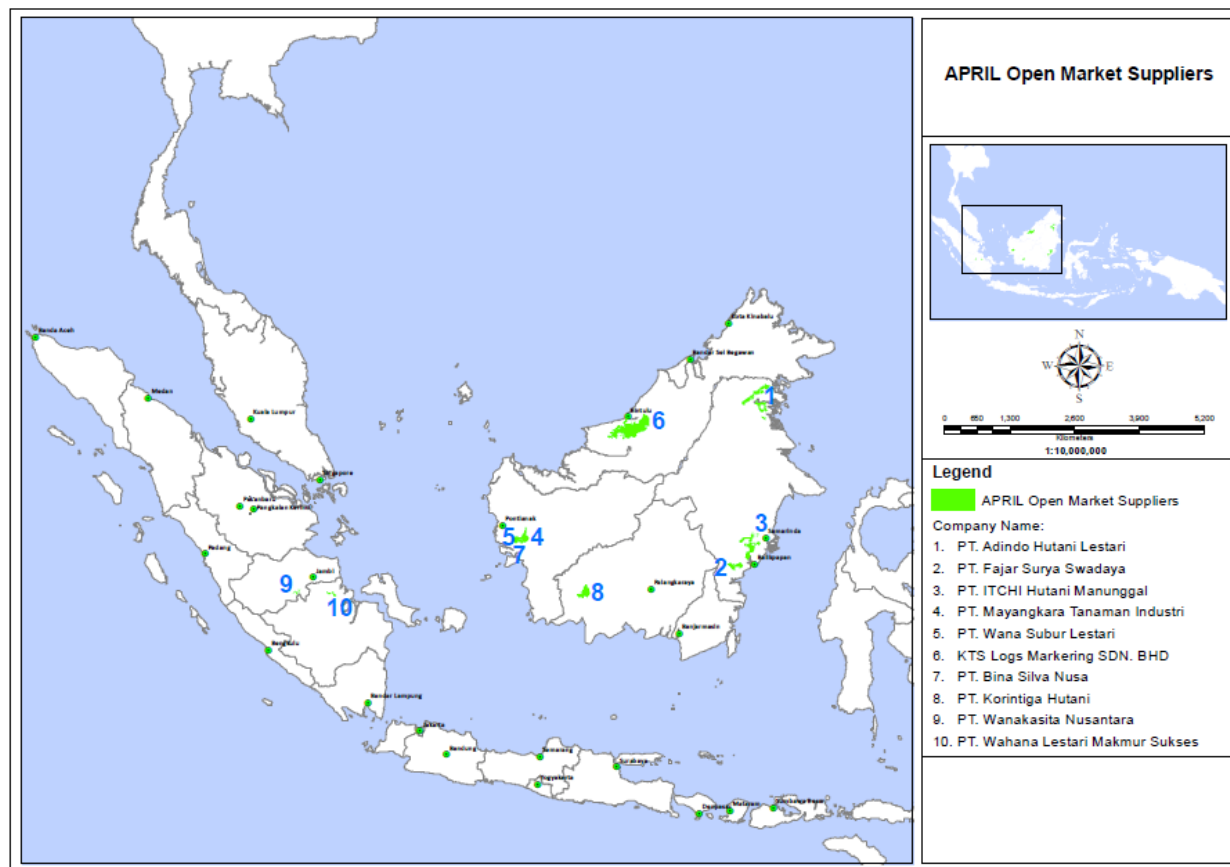


Figure 2 General Location of Open Market Suppliers



SFMP 2.0

APRIL Group announced Sustainable Forest Management Policy 2.0 (SFMP 2.0) on June 3, 2015. The policy describes the commitments made by APRIL in relation to sustainable forest management for both its own operations and those of its suppliers. Critical elements of the Policy include a commitment to halt the harvest of mixed hardwoods and only develop non-forested areas, to apply a landscape approach to optimize forest conservation, to establish an Independent Peat Expert Working Group to provide inputs and recommendations to APRIL on management of its peatland operations and strengthened processes for working with local communities and indigenous peoples. The policy also re-commits to the maintenance of an independent Stakeholder Advisory Committee (SAC), originally established in 2014 to monitor and provide transparency over APRIL's implementation of SFMP 2.0 and to oversee independent verification of progress.

In order to track the implementation of SFMP 2.0 and establish a baseline against which future performance could be evaluated, 45 SFMP 2.0 performance indicators were developed to assist the independent Stakeholder Advisory Committee in monitoring APRIL's progress in implementing its commitments under SFMP 2.0. The first assurance report on progress in implementing SFMP 2.0 was issued by KPMG Performance Registrar Inc. in December 2016 and provided limited assurance over APRIL's progress on all performance indicators. A subsequent report over the full set of SFMP indicators was provided in July 2018 with interim reports over selected indicators being provided in October 2017 and July 2019.

Independent Stakeholder Advisory Committee

Since 2014, APRIL has maintained a Stakeholder Advisory Committee (SAC or Committee) of independent sustainable forestry and social experts. The Committee was created to oversee implementation of APRIL's Sustainable Forest Management Policy.

In 2015, The SAC appointed KPMG PRI to undertake an assessment of APRIL's progress on its SFMP 2.0 commitments over policy implementation. KPMG PRI reports its findings directly to the SAC. Minutes of SAC meetings and recommendations made by the SAC can be found at <http://www.aprilasia.com/en/sustainability/stakeholder-advisory-committee/meeting-updates>.

4. Action Plan Status

APRIL data related to status of actions for prior non-conformances

SFMP 2.0 Policy Element	# of open action plans from prior years	# of action plans "Closed" in 2019	# of action plans "In Progress" to date	# of action plans "In Development" to date
I. Long-term sustainability	2	2	-	-

APRIL data related to status of actions for prior opportunities for improvement

SFMP 2.0 Policy Element	# of open action plans from prior years	# of action plans "Closed" in 2019	# of action plans "In Progress" to date	# of action plans "In Development" to date
I. Long-term sustainability	3	1	1	1
II. Forest protection and conservation	1	-	1	-
III. Peatland management	-	-	-	-
IV. Continuous reduction of carbon footprint	-	-	-	-
V. Proactive support of local communities	2	1	1	-
VI. Respect the rights of indigenous peoples and communities	4	1	3	-
VII. Responsible practices in our work places	5	2	3	-
VIII. Legal compliance and certification	-	-	-	-
IX. Good corporate governance, verification and transparency	2	1	-	1
Data Reporting	1	-	1	-
Total	18	6	10	2

KPMG Comments and Findings

The current status of each action plan is rated as either Closed (the required actions to address the issue have been undertaken and the issue is being addressed), In Progress (the required actions are in the process of implementation but are not yet complete) or In Development (the approach to implementing the action plan has not yet been finalized and the issue has not yet been addressed).

The action plans identified in the table above were developed to address the open non-conformities and open opportunities for improvement identified in KPMG's July 2018 assurance report as well as any residual opportunities for improvement not closed from prior reports.

Of the 18 open action plans from prior years, six were closed in 2019 but the majority remain in progress and two remain in development as of June 2019. Revised timelines and, where appropriate, revised actions have been provided by APRIL to accelerate progress on the remaining open action plans.

A number of the action plans that remain in progress required significant action to improve data collection and/or awareness across all APRIL and supplier operations and had relatively aggressive initial timelines for completion given their scope. The primary adjustment to these action plans has been to extend the deadline for effective implementation, the proposed actions remaining reasonable. A full update was required for the two action plans which remained in development. This approach was necessary in order to demonstrate a clear commitment to the timely resolution of the underlying issues by APRIL. See Appendices 3 and 4 for further details.

5. The Assurance Process

About KPMG Performance Registrar Inc.

KPMG Performance Registrar Inc. (KPMG PRI) is a wholly owned subsidiary of KPMG LLP Canada (the ultimate parent of KPMG PRI), which is the Canadian member firm of KPMG International.

KPMG PRI staff have specific expertise in forestry, biology and social audits and work alongside local Indonesian field teams to provide assurance under SFMP 2.0.

Report Scope

The limited assurance engagement was carried out on the data reported by APRIL in Section 8 that covers performance for 10 SFMP 2.0 indicators and related sub-indicators for the period between January 1, 2018 and December 31, 2018.

Conduct of the Engagement

The engagement was carried out having regard to ISO 17021, which is the global standard most commonly applied to sustainable forest management certification audits.

Engagement Phases– The engagement was undertaken in multiple phases as follows:

- Pre-engagement – 2015-16, 2017-18
Key performance indicators were developed in 2015-16 to support progress reporting and these have been modified and improved through ongoing stakeholder consultation in 2017 and 2018.
- Planning visit and development of proposed field sample – February 2019
In February 2019 a planning visit was made to the Kerinci millsite to review the SFMP 2.0 indicators selected for assurance with APRIL, confirm readiness for reporting and develop a draft sample of concessions and sectors for field visits.
- Stakeholder consultation – March 2019
The Stakeholder Advisory Committee conducted consultation on the draft assurance plan in March 2019. Input was solicited on the sample of concessions and sectors selected to visit, the 10 priority indicators chosen for the interim report and topics related to SFMP 2.0 and APRIL's performance.
- Final engagement plan – March 2019
A final engagement plan identifying the timelines for the assurance process and the concessions to be visited was provided to the Stakeholder Advisory Committee and APRIL, two weeks in advance of the field visits, in order to provide adequate time to make logistical arrangements for the visits.
- Concession field visits and on-site procedures at the Kerinci millsite – March/April 2019

The main field assessment of performance was carried out between March 25 – April 16, 2019 and involved visiting the Kerinci millsite, fiber operations offices as well as field visits on eight sectors / concessions as shown in Figure 3.

Figure 3: Location of Site Visits

Sector / Concession	Ownership	Dates
Cerenti Riau Province, Sumatra	PT. RAPP	April 8 -11
Tasik Belat Riau Province, Sumatra	PT. RAPP	April 4-5
PT. Bukit Betabuh Sei Indah West Sumatra	Supply Partner	March 26-29
PT. Citra Sumber Sejahtera (CSS) Riau Province, Sumatra	Supply Partner	March 26-29
Madukuro (MDK) Riau Province, Sumatra	Supply Partner	April 4-5
PT. Nusantara Sentosa Raya (NSR) Riau Province, Sumatra	Supply Partner	April 8 -11
PT. Wahana Lestari Makmur Sukses (WLMS) South Sumatra	Open Market Supplier	March 27-29
PT. Korintiga Hutani (KTH) West Kalimantan	Open Market Supplier	April 11-13

In addition to field visits, the engagement team reviewed information from APRIL's GIS database, scale information for wood deliveries, satellite imagery, stakeholder engagement records and records of the status of land claims by local communities. This information was supplemented with interview evidence from local communities during site visits and records of agreements with local villages. The specific evidence used to assess APRIL's data for each SFMP 2.0 indicator is summarized in the Data and Findings section of this report which also describes areas where data is not yet available to support either indicator reporting or assurance over the indicator.

- Report development and review with the independent Stakeholder Advisory Committee –June 2019.

In the reporting phase, the engagement team reviewed additional documentation supporting indicator performance and gathered explanations to support key assertions in the indicators.

The draft report was then developed and submitted to the Stakeholder Advisory Committee for comment prior to finalization.

- Action planning and acceptance – June 2019

APRIL developed and submitted corrective action plans for the non-conformance identified during the assurance process as well as providing updated plans for those prior year action plans not yet closed. These corrective action plans were reviewed by KPMG PRI for adequacy and once determined to be adequate, accepted. Timely and effective implementation of corrective action plans is the responsibility of APRIL. Future reviews will assess the implementation of these corrective action plans.

Team – The engagement team comprised of nine professionals:

- Five KPMG PRI employees experienced in conducting forest certification and assurance over sustainability information, including worker and human rights, community development and greenhouse gas emissions reporting;
- Three local forestry consultants; and,
- One local (KPMG Indonesia) assurance professional.

Stakeholder Observers – Two Stakeholder observers participated in the field inspections:

In order to support transparency of the assurance process, two stakeholder observers were invited to attend the field inspections at a PT. RAPP sector. The two observers were selected through discussions between the Stakeholder Advisory Committee and local stakeholders in advance of the assurance process. The observers were not part of the assurance team but were provided with access to the same information received by KPMG PRI and observed a field team over a four day period during meetings with employees at the concession, meetings with village officials and recipients of support and during field inspections of forestry sites. At the conclusion of the process, the observers filled out a short feedback questionnaire which was provided to the Stakeholder Advisory Committee as part of their mandate to oversee the effectiveness of the assurance process. The observers also had an opportunity to discuss their observations at a subsequent stakeholder meeting in Pekanbaru.

6. Approach to Reporting

For each of the performance indicators, information is presented from two sources:

- APRIL's own quantitative data related to the indicator; and,
- KPMG PRI's information on the work undertaken to assess the indicator data and the KPMG PRI findings.

Each performance indicator is presented in the following general format:

INFORMATION PROVIDED BY APRIL	APRIL data for the period from January 1, 2018 to December 31, 2018	The report presents quantitative performance data prepared by APRIL in relation to each of the performance indicators in order to set a performance baseline against which future progress can be gauged
	Evidence Reviewed	The key evidence reviewed by KPMG PRI in relation to performance
	Findings	Additional information to provide context to the indicator data and explain the link between the indicator data and SFMP 2.0
	Non-Conformances	Non-conformances are raised where the indicator data or the lack of indicator data is associated with a breach of the requirements of SFMP 2.0.
	Opportunities for Improvement	Opportunities for improvement are raised where KPMG PRI identifies opportunities for improvement in the scope of the indicator, the indicator data collection and quality control processes, or in the nature of the underlying SFM practices and monitoring undertaken by APRIL in relation to the indicator. In such cases a specific breach of SFMP 2.0 has not been identified.
	Good Practices	Good Practices are identified where KPMG PRI identifies specific practices being undertaken by APRIL or its suppliers that clearly demonstrate the potential of SFMP 2.0 to drive continuous improvement. While our assurance process was not specifically designed to identify and report on Good Practices, we include these practices in our report in order to provide the Stakeholder Advisory Committee with context on APRIL's implementation of the performance indicators.

7. Performance Indicator Data Reporting

Limitations

This was the fourth report under APRIL's SFMP 2.0 performance indicators. In a small number of cases, there remain gaps in the data required to support full reporting under each indicator.

Existing action plans are in place and remain in progress in relation to gaps in data availability for indicator performance reporting amongst Open Market Suppliers (Opportunity for Improvement # 1 and # 2 from our 2016 report, which are also included in Appendix 4).

The current status of gaps in relation to performance reporting is as follows:

Open Market Suppliers

While significant progress has been achieved in acquiring Open Market Supplier data to support performance monitoring under SFMP 2.0, there remain gaps in data availability with respect to:

- Indicator I.b # of Ha developed by category
- Indicator VI.b # of Ha of APRIL and supplier concessions currently inactive due to unresolved conflicts

8. Summary of Interim Indicator Performance

I. Long Term Sustainability Indicators

Indicators Assessed

Three Long Term Sustainability performance indicators were assessed, focusing on APRIL's commitments in relation to new development and the replacement of mixed hardwood as a fiber source for the mill, which are fundamental commitments in SFMP 2.0

Indicator Performance

I	Long Term Sustainability:
b.	<p># of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).</p> <p>Including the following sub-indicators:</p> <ul style="list-style-type: none"> • 2018 Land recovery (Ha) • Recovered land planted in 2018 (Ha) • Unconfirmed potential land cover change at market suppliers (Ha and % of total identified potential land cover change) • Confirmed potential land cover change at market suppliers (Ha and % of total identified potential land cover change)

APRIL data for Indicator I.b

Ha developed - initial planting on previously deforested (non HCV/HCS) land	For the period January 1 – December 31	PT. RAPP	Community Fibre	Supply Partners	Open Market Suppliers
Mineral Soil	2018	60	0	880	Data is incomplete at this time. (See Section 7)
	2017	27	0	699	
Peatland	2018	0	0	0	
	2017	0	0	14	

APRIL data for Land Recovery Sub-Indicator

Sub indicator: Land Recovery	PT. RAPP	Supply Partner
2018 Land Recovery (Ha)	177	3,306
Recovered land planted in 2018 (Ha)	60	880

APRIL data for Open Market Supplier Land Cover Change Sub-Indicator

Sub indicator: Open Market Supplier Land Cover Change	2017 (Ha)	2018 (Ha)	Cumulative (Ha)	%
Unconfirmed Potential Land Cover Change – existing suppliers	511	896	1,407	19%
Confirmed Land Cover Change – existing suppliers – verified as not new development	917	3,885	4,802	64%
Potential Land Cover Change – terminated suppliers – assumed to be new development ¹	-	1,326 ¹	1,326 ¹	17%
Total – existing suppliers ¹	1,428	6,107	7,535	100%

¹ See 2019- Non-Conformance #1

Evidence Reviewed

Planting records related to new plantations were reviewed to assess whether the planting was related to areas being newly developed or areas that had been historically cleared but not planted. For a sample of larger newly developed areas the absence of native forest was checked against aerial imagery.

Field observations of recently recovered areas were undertaken for a sample of sites at the estates/ concessions visited.

The process for land cover change monitoring was reviewed and samples of potential land cover change identified from satellite imagery and inspected during field site visits at PT. RAPP, Supply Partners and Open Market Suppliers to confirm correct categorization of any changes. .

Findings

This is a key indicator of conformance with SFMP 2.0 commitments to:

- Only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments.
- APRIL will not acquire any new land, or forestry licenses; or receive wood from land licensed to third parties, where after 3 June 2015 the seller has knowingly cleared HCV or HCS forests or forested peatlands.
- No new development by APRIL and its suppliers on forested peatland¹.

New Development - for both PT. RAPP and Supply Partners, no new development was identified.

Land recovery – recovery and planting operations in areas where previous disputes or encroachment have been resolved increased in 2018. Inspection of a sample of these recovery areas did not identify the presence of native

¹ APRIL's commitments to not develop forested peatland have been extended since the development of SFMP 2.0 as a result of new peatland regulations that extend protections to non-forested peatland also.

forest prior to recovery. However, APRIL has developed but not yet implemented a Land Recovery SOP to formally guide its assessment of HCV and HCS values on land recovery areas as described in its action plan for 2018-OFI-02 resulting in this opportunity for improvement remaining in place for the current year.

Open Market Supplier Land Cover Change - a substantial increase in the recorded amount of potential land cover change was noted in 2018. APRIL sends all potential land cover change sites to each Open Market Supplier on a monthly basis for feedback and verification to determine if it is related to new development. The amount of unverified potential land cover change increased from 511 hectares at the end of 2017 to 2,624 hectares by the end of 2018 (2019 Opportunity for improvement #1 in this report). As of the date of this report, the amount of unverified potential land cover change had reduced by 1,217 ha to a cumulative total of 1,407 ha as a result of additional supplier verifications. Of the amount unverified as of year-end, approximately 1,000 ha relates to one Open Market Supplier that, while still under contract as of the date of this report, has no scheduled deliveries for the remainder of 2019 or 2020.

During 2018 the deliveries from one Open Market Supplier were terminated following published reports that the supplier was undertaking new development, in breach of APRIL's SFMP 2.0 commitments. At the time this occurred, the supplier had 1,326 hectares of unverified land cover change, the majority of which are assumed to be related to new development in breach of SFMP 2.0 and result in 2019 non-conformance #1 in this report.

As a result of the ongoing verification of potential land cover change by Open Market Suppliers, KPMG is unable to draw a conclusion on the status of Open Market Supplier compliance with APRIL's SFMP 2.0 commitments regarding new development.

New Non-Conformance

2019 Non-Conformance #1:

During 2018, an Open Market Supplier undertook new development in the absence of an HCV and HCS assessment. No mixed hardwood was received from the supplier and acacia deliveries were stopped prior to the end of the year. There is no longer an active supply contract with this supplier.

New Opportunities for Improvement

2019 Opportunity for Improvement #1:

As at December 31, 2018, unverified Open Market Supplier land cover change was 2,624 ha. This is a substantial increase from the unverified land cover change at December 31, 2017 of 511 hectares.

The following Opportunities for Improvement remain open from prior years:

2018 Opportunity for Improvement #1 relating to the presence of 511 hectares of potential land cover change on Open Market Supplier concessions that remained unverified (36% of the total potential land cover change identified on Open Market Supplier concessions in 2017)

Reason for OFI remaining open: The rate at which unverified potential land cover change is accumulating has increased in 2018. The action plan has, to date, had limited impact in getting Open Market Suppliers to respond to data requests on land cover change.

2018 Opportunity for Improvement #2 relating to an opportunity for APRIL to develop and consistently implement a process to clearly identify and document the existing site values and their potential to support either HCV or HCS objectives prior to undertaking recovery operations.

Reason for OFI remaining open: Land recovery operations increased in 2018 but the Land Recovery SOP identified in APRIL's action plan to address this issue remains in development.

I	Long Term Sustainability:
c.	# of PT. RAPP and supplier non-compliant new development detected and the % of non-compliances resulting in corrective action (e.g., rehabilitation, implementation of agreed corrective actions, removal of supplier).

APRIL data for Indicator Ic.

This table shows areas identified as non-compliant development and the proportion of these that has been rehabilitated through planting with native species.

	For the period January 1 – December 31	PT. RAPP	Community Fibre	Supply Partners	Open Market Suppliers
Ha of non-compliant new development detected by APRIL	2018	-	-	14*	1,326**
	2017	-	-	-	-
Ha of non-compliant development rehabilitated	2018	N/A	N/A	N/A	0
	2017	N/A	N/A	N/A	N/A
% of non-compliances resulting in corrective action (e.g., rehabilitation, implementation of agreed corrective actions, removal of supplier).	2018	N/A	N/A	N/A	100%
	2017	N/A	N/A	N/A	N/A

* 14 ha of non-compliant new development was detected for one Supply Partner during 2018 that occurred during 2017. This was reflected as 2018-NC-01 in KPMG's previous report. While the area was not forested it was located on peatland.

** 1326 ha is an estimate of new development which is non-compliant with SFMP 2.0 based on the total unverified potential land cover change for the ex-supplier. APRIL is unable to verify the actual hectares of new development with the ex-supplier.

Evidence Reviewed

Completeness of non-compliant development data was checked against land cover change monitoring data from APRIL's monitoring system. This involved review of the monitoring system and sampling of satellite imagery to identify potential land cover change. APRIL's assessment of the imagery was field checked for accuracy during site visits to concessions and PT. RAPP sectors.

Findings

This indicator tracks APRIL's response to non-compliant development identified through its internal monitoring processes or by third parties.

In 2018, an estimated 1,326 ha of non-compliant new development was detected by APRIL by an Open Market Supplier. APRIL's land cover change monitoring system identified the potential land cover change but communication with the supplier was unsuccessful in gaining clarity on the situation. A public report by an ENGO brought further attention to the issue and APRIL terminated fiber deliveries from the supplier. The supplier no longer has a contract.

Also in 2018, 14ha of development of non-forested peatland was identified at one Supply Partner, which is considered non-compliant development in accordance with APRIL's policies. The actual development took place in 2017 and was identified as a non-conformance (2018-NC-01) in KPMG's previous report. As the area was non-forested at the time of development the maintenance of the planted stand rather than rehabilitation was deemed appropriate.

New Non-Conformances

2019 Non-Conformance #1: (also reported under Indicator I.b)

During 2018, an Open Market Supplier undertook new development in the absence of an HCV and HCS assessment. No mixed hardwood was received from the supplier and acacia deliveries were stopped prior to the end of the year. There is no longer an active supply contract with this supplier.

I	Long Term Sustainability:
d.	# of tonnes MHW deliveries utilized by the Kerinci mill after the December 31, 2015 cut-off date.

APRIL data for Indicator Id.:

This table shows the Kerinci mill's MHW deliveries.

Wood Deliveries	January 1- December 31, 2017		January 1- December 31, 2018	
	MWH Deliveries (Tonnes)	%	MWH Deliveries (Tonnes)	%
PT. RAPP	-	0%	-	0%
Supply Partners	-	0%	-	0%
Open Market Suppliers	-	0%	-	0%
Sub-total		0%		0%

Evidence Reviewed

Wood delivery reports for the Kerinci mill were tied to reported utilization. The wood delivery reports were tested on a sample basis back to base records from the scales at the Kerinci mill.

Inspections of the Kerinci wood yard were carried out to determine if mixed hardwood was present in inventory.

Inspections of chain of custody systems at individual estates and concessions selected for field visits were undertaken to confirm the accuracy of data used by the Kerinci mill.

Findings

No evidence was identified of mixed hardwood delivery during 2018.

II. Forest Protection and Conservation Indicators

Indicator Assessed

One Forest Protection and Conservation Performance Indicator was assessed, focusing on the maintenance of conservation areas to address long-term conservation goals, which is a key commitment under SFMP 2.0.

Indicator Performance

II	Forest Protection and Conservation:
a.	Hectares and % of conservation and restoration area impacted by fire, development or encroachment

APRIL data for Indicator IIa

	Conservation area ¹ as at December 31, 2018 (Ha)	Hectares and % of conservation loss by cause ²			
		Fire	Development	Encroachment	%
PT. RAPP	70,509	-	-	48	0.07%
Supply Partners	148,709	1.3	-	136	0.09%
Ecosystem Restoration Licenses	150,852	-	-	-	0.00%
Total	370,070	1.3	-	184	0.05%

	Conservation area ¹ as at December 31, 2017 (Ha)	Hectares and % of conservation loss by cause ²			
		Fire	Development	Encroachment	%
PT. RAPP	69,972	-	-	236.7	0.3%
Supply Partners	148,596	3	-	525.7	0.4%
Ecosystem Restoration Licenses	150,852	-	-	-	0.0%
Total	369,420	3	-	762.4	0.2%

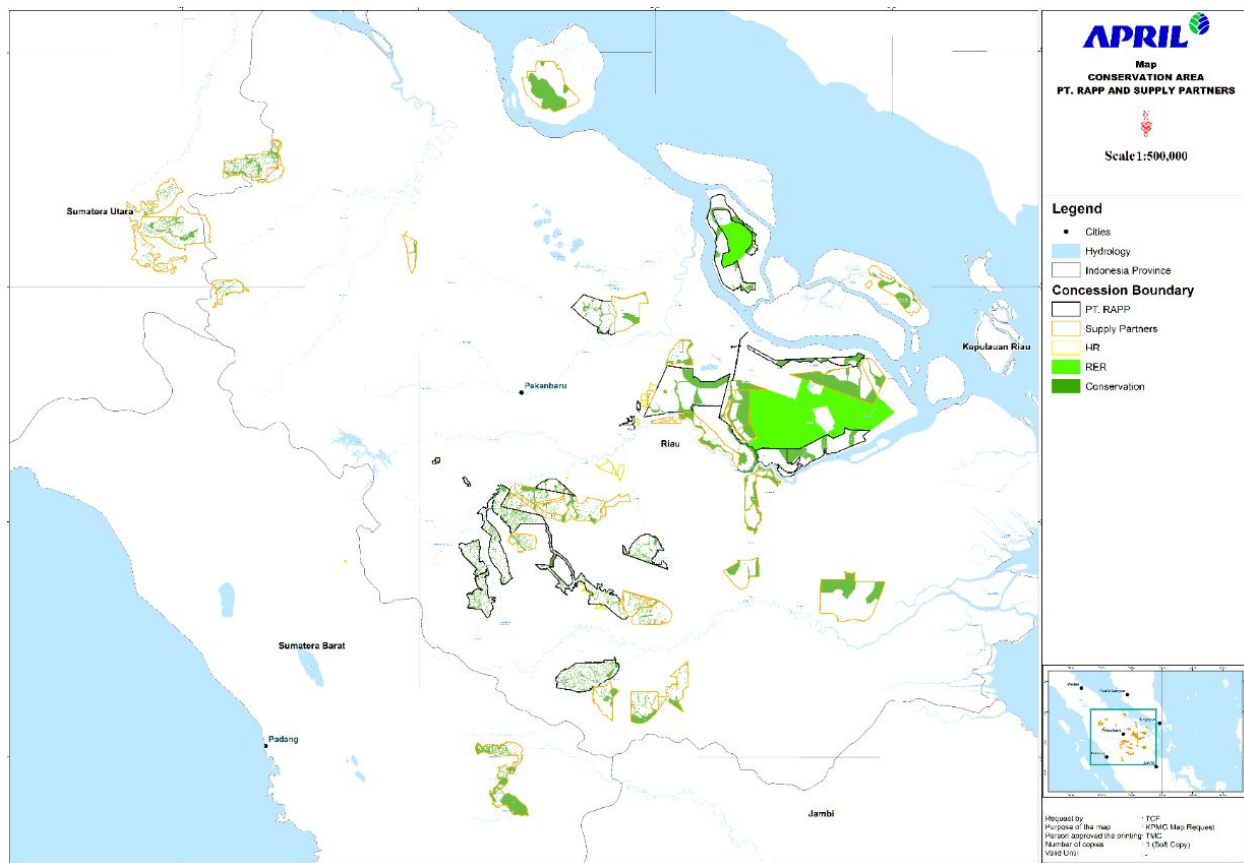
¹ Conservation area includes forested and open areas, as well as small amounts of agriculture, and infrastructure and excludes conservation area under land claim.

² Conservation loss reported is only for MHW forest cover.

Evidence Reviewed

The hectares of conservation area presented above were agreed to APRIL's "Landbank" which is the system used by APRIL to track changes in PT. RAPP and Supply Partner concessions. The accuracy of the landbank data was sample checked during field inspections of a sample of PT. RAPP sectors and Supply Partner concessions. Hectares of conservation area impacted were checked against land cover change monitoring data and checked on a sample basis during field visits to PT. RAPP and Supply Partner concessions and sectors.

Figure 4 Map of PT. RAPP and Supply Partner conservation area



Findings

No new plantation development within conservation area was identified. APRIL did however identify new encroachment activity and associated fire in conservation area during 2018, which is reflected in the data above.

Very low levels of fire were observed on APRIL and Supply Partner concessions in 2018, consistent with observations in 2017.

Potential land cover change associated with encroachment is tracked using satellite imagery and verified by PT. RAPP estates and Supply Partners on a monthly basis. During PT. RAPP and Supply Partner field inspections, some discrepancies were noted between the cause allocated to the land cover change in APRIL documentation and the cause evident from field inspection. While this did not lead to incorrect conclusions by APRIL regarding new

development it did lead to an inability to rely on APRIL's data for assessing land cover change trends (See 2019 Opportunity for Improvement #03).

The number of hectares of conservation that are currently forested (as opposed to agriculture, infrastructure, open area, scrub) is not separately disclosed as it was not able to be reliably determined as at December 31 2018 due to the ongoing updating and improvement of data related to historic (pre-2015) encroachment activities and claims that continues to be entered into the Company's "PIMS" system, which has been developed to track the status of encroachment activities and areas subject to land claims.

2019 Good Practice #1

In 2018, PT. RAPP and Supply Partner achieved a second consecutive year with extremely low incidence of fire on concessions.

New Opportunities for Improvement

2019 Opportunities for Improvement #3

Field inspection of both RAPP and Supply Partner concessions identified weaknesses in the accuracy of land cover designations as well as in the accurate verification of data in relation to the cause of land cover changes.

2019 Opportunities for Improvement #7

At one Supply Partner, field inspection of a land recovery and planting operation on a previous oil palm encroachment site identified that planting of acacia had occurred within the riparian zone of a small tributary, which was also been rutted during operations. The area was not identified as a riparian area and was not treated in accordance with the applicable Standard Operating Procedures for recovery in riparian zones.

The following Opportunity for Improvement from prior years remains open:

2018 Opportunity for Improvement #3 relating to an opportunity for improvement for PT. RAPP to use the Conservation Landuse Management Plan process to help prioritize the rehabilitation of previously encroached areas and focus on rehabilitation of areas where the conservation benefit will be the greatest.

Reason for OFI remaining open: PT. RAPP has compared areas of land recovery between 2015 and 2018 and the areas mapped as priority patches for protection through the conservation land use management planning process to identify priority restoration area. The planting of these areas is not expected to take place until the next fiscal year.

V. Proactive Support of Local Communities Indicators

Indicator Assessed

One performance indicator on Proactive Support of Local Communities was assessed and focused on progress in measuring impact on local GDP and implementation of SFMP 2.0 commitments related to effectively engaging with stakeholders on social issues

Indicator Performance

V	Proactive support of local communities:
b.	<p>Contribution to local GDP</p> <p>Including the following sub-indicators:</p> <ul style="list-style-type: none">• Progress in development of a monitoring and reporting system• Sample basis / case study on implementation of the “Community engagement toolkit for Conservation Forest Management”

APRIL data on contribution to local GDP for the period as follows:

Contribution to local GDP	Period of reporting	
	1 Jan 2017 - 31 Dec 2017	1 Jan 2018 - 31 Dec 2018
APRIL Group Riau Complex	A draft report is now available and undergoing review by teams from the University of Riau and the Islam University of Riau with a forecast final report available later in 2018. Data covers the average GRDP contribution per year to Pelalawan Regency from 1999-2017.	Based on a meeting between the study team (University of Indonesia, University of Riau, and the Islam University of Riau), APRIL Management and SAC in December 2018, the study needs to be revised by adding suppliers' fiscal and workers data. This led to a need for additional time for data collection and subsequently additional cost for finalization of study.

Evidence Reviewed

Macroeconomic and Fiscal Impact Report - Review of Stakeholder Advisory Committee minutes and APRIL budgets related to the development of a report on APRIL's macroeconomic and fiscal impact.

Sub-indicators related to community engagement on social issues - We reviewed the current monitoring and reporting undertaken for regulatory purposes (Laporan Pelaksanaan (Implementation of Environmental Permit Report) and the draft “Community Engagement Toolkit for Conservation Forest Management” to assess how they may support APRIL's SFMP 2.0 commitments to monitoring and reporting systems to support community engagement on social issues.

Findings

Macroeconomic and Fiscal Impact Report - In 2018, a draft report was reviewed by APRIL management and the Stakeholder Advisory Committee. The report is being further updated to provide a more complete picture of APRIL's impact by including additional supplier fiscal and worker data. Note: Opportunity for Improvement # 8 from our 2016 assurance report remains "In Progress" until the Macroeconomic and Fiscal Impact report is finalized.

Sub-indicators related to community engagement on social issues – The Laporan Pelaksanaan covers in detail community development programs in addition to environmental management systems and monitoring.

During 2018, a draft "*Community Engagement Toolkit for Conservation Forest Management*" was developed. This toolkit was created specific to conservation management. In early 2019 the toolkit was socialized with NGOs and with local communities to determine its effectiveness. Feedback was provided that additional work is required to improve the effectiveness of the engagement process and proposed methodology. The toolkit is designed to be collaborative in developing objectives with stakeholders and transparent in how their contributions inform decisions or outcomes. It was observed that other topics for local community engagement, such as social and economic issues, would also benefit from a similar formalized approach.

VI. Respect the Rights of Indigenous Peoples and Communities Indicators

Indicators Assessed

Two performance indicators were assessed, focusing on the progress in addressing unresolved land disputes and the implementation of processes for the resolution of land claims and grievances.

Indicator Performance

VI	Respect the Rights of Indigenous Peoples and Communities:
b.	<p>Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes</p> <p>Including the following sub-indicators:</p> <ul style="list-style-type: none"> • New 2018 disputes (Ha) • Recognition of historic disputes (Ha) • Resolved disputes (Ha) • Plantable land resulting from dispute resolution (Ha and % of total area resolved)

APRIL data for Indicator VIb

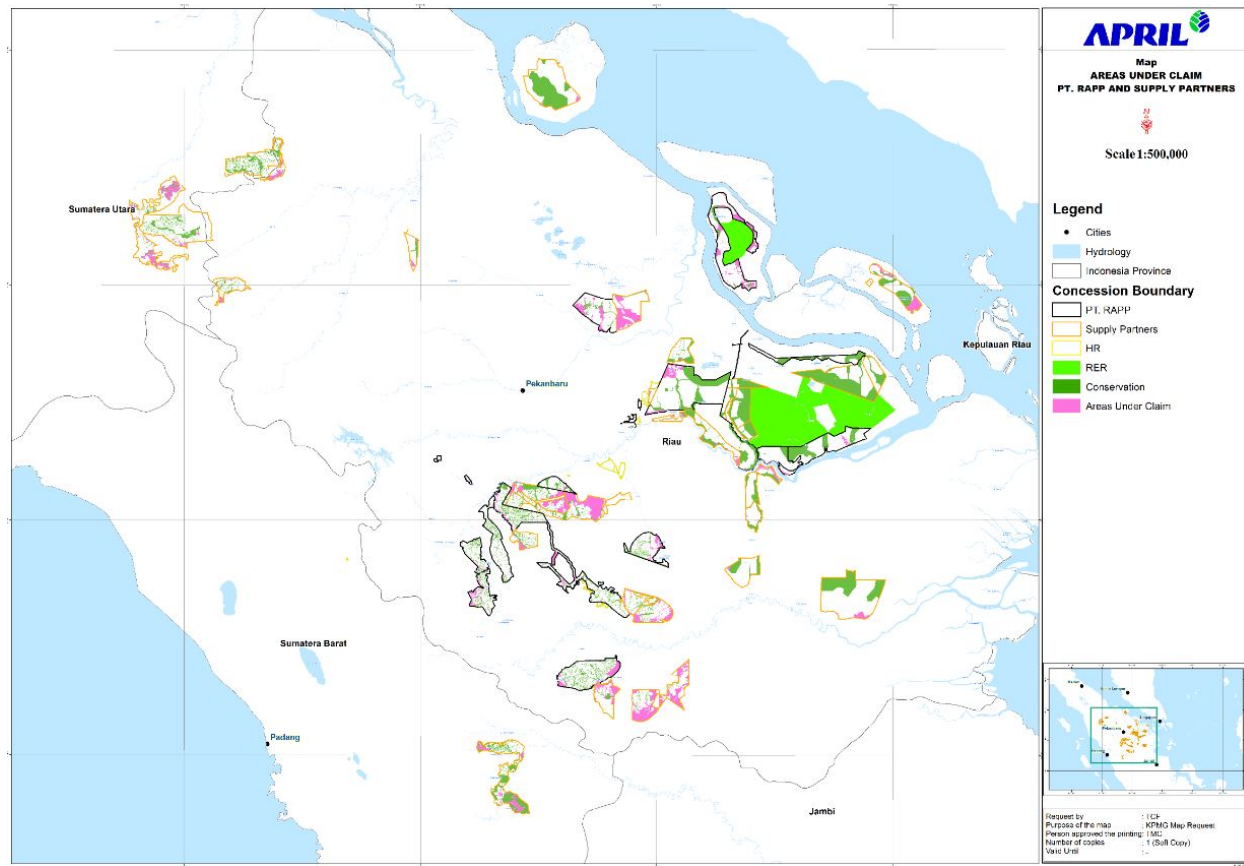
	RAPP		Supply Partners		Total
	Ha inactive	# of claimants	Ha inactive	# of claimants	Ha inactive
Area inactive due to unresolved land disputes as of Dec 31 2017	31,915	593	72,163	287	104,078
Land recovery (disputes resolved) in 2018	(177)	(22)	(3,306)	(33)	(3,483)
New land disputes in 2018	48	12	2,097	35	2,145
Historic disputes measured in 2018	829	73	3,875	61	4,704
Adjustments in 2018 ¹	(636)	(45)	(1,606)	(44)	(2,242)
Area inactive due to unresolved land disputes as of Dec 31 2018	31,979	611	73,223	306	105,202

¹ Adjustments include changes to area in dispute as a result of boundary adjustments, update of system records to match spatial information and re-designation of areas as inoperable. The number of claimants associated with these changes is estimated based on number of claimants as of December 31, 2018.

Evidence Reviewed

The data presented above was compared to APRIL's PIMS database, which has been in place since 2015 to track the location, status and resolution of claims, which are primarily in conservation areas. Site visits at a sample of PT. RAPP sectors and Supply Partner concessions were undertaken to and the data in the "PIMS" database (which was established in 2015 to track areas subject to dispute) compared with ground observations.

Figure 5 General location of PT. RAPP and Supply Partner area under claim



Findings

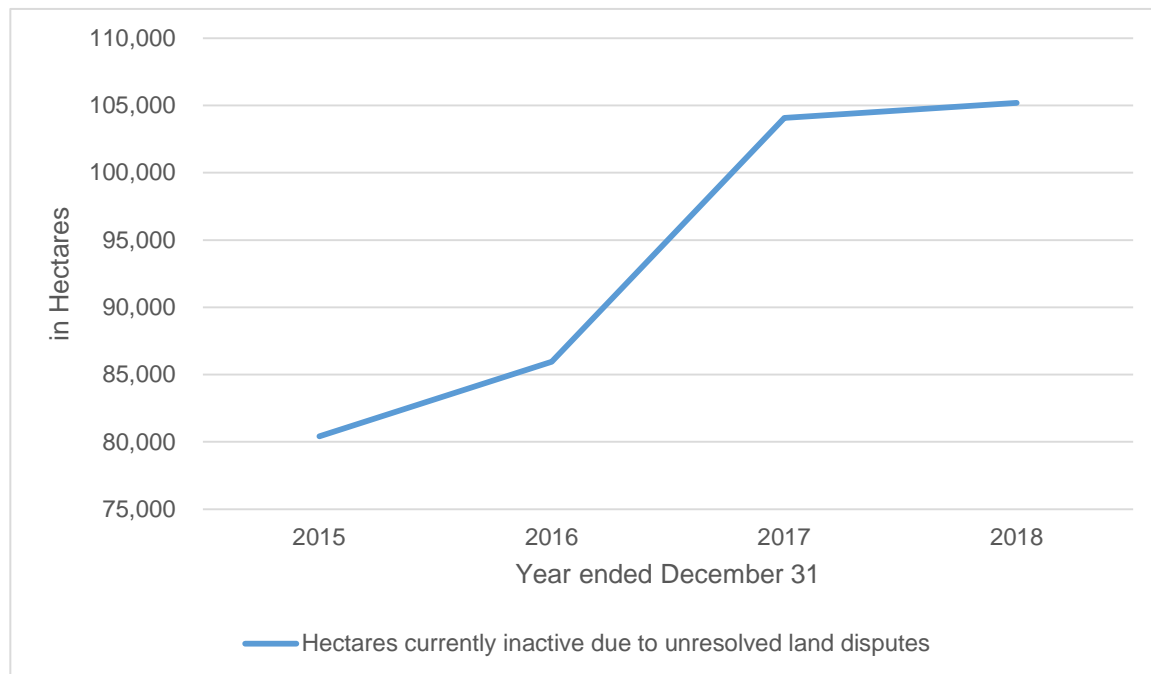
This indicator is intended to track progress in resolving land claims.

Concession site visits identified active processes for the resolution of land claims and encroachment. Resolution processes are applied to land claims and the settlement of these claims is reflected in Memoranda of Understanding (MOUs) with individuals and villages when resolved. Encroachment is expected to be reported to local authorities and passed to the police if negotiations fail.

In 2018, 27% of newly recovered land was planted. The number of hectares of disputes resolved during the year exceeded the number of new disputes identified by approximately 1,338 ha, indicating positive progress on land recovery. The overall number of hectares subject to dispute as of year-end marginally increased from 104,078 ha to 105,202 ha, the increase resulting from the ongoing updating and improvement of data related to historic (pre-2015) disputes within the Company's "PIMS" system.

Since the 2015 implementation of the "PIMS" system the total area recorded within the system as being subject to claims has risen significantly as historic (pre-2015) claims have been identified and input into the system. The number of historic claims being recorded since then has far exceeded the relatively small number of new claims. While this process remains an ongoing source of uncertainty, it is evident from the graph below that the total area subject to disputes is now stabilizing, the bulk of historic disputes having now been recorded following significant efforts in 2017 to capture remaining data.

Figure 6. Change in reported area subject to dispute resulting from data improvements.



The following Opportunity for Improvement from prior years remains open:

2018 Opportunity for Improvement #5 relating to discrepancies between field conditions and the related status of disputes recorded in the land claim database.

Reason for OFI remaining open: APRIL has communicated expectations around tracking of encroachment and data quality and accuracy to all PT. RAPP estates and continues to identify potential land cover change across all operations, including Open Market Suppliers, for follow up. However, field inspections did identify continuing isolated errors in data related to encroachment

VI	Respect the Rights of Indigenous Peoples and Communities:
f.	% of grievances resolved in accordance with the grievance standard operating procedure (SOP)

APRIL data as of December 31, 2017 and 2018

	PT. RAPP		SUPPLY PARTNERS and OPEN MARKET SUPPLIERS*	
	2017	2018	2017	2018
Unresolved grievances at the beginning of the year	n/a	2	0	0
Grievances received during the year	8	4	0	0
Grievances resolved in accordance with the grievance SOP	6	5	0	0
Grievances in progress at the end of the year	2	1	0	0
% of grievances resolved	75%	83%	n/a	n/a

*Data for Supply Partners and Open Market Suppliers relates only to grievances received directly by APRIL in relation to these suppliers. APRIL does not have data on the number of grievances received or resolved under individual supplier grievance systems.

Evidence Reviewed

Evidence supporting the timing of responses to grievances raised by third parties was reviewed, along with evidence of their resolution. For a sample of grievances received, we reviewed the grievance tracking file, communications with the complainant and internal communications to determine if the grievance was received and addressed within 10 days. For a sample of grievances resolved, we reviewed the grievance verification document (if applicable), the development of an action plan and monitoring and closure of the process to ensure all steps were taken in accordance with the SOP.

Meeting materials supporting the occurrence of re-socialization of expectations and objectives of the grievance process with all PT. RAPP estates and Supply Partners such as meeting attendance sheets and workshop presentations.

Findings

These indicators address PT. RAPP and supplier responsiveness to grievances raised by local communities and the implementation of the grievance standard operating procedures. Despite the grievance mechanism receiving significant design input from a number of external parties, it has been evident from field interviews that local communities are reticent to submit a dispute through a process that immediately elevates any concerns to a public forum as a corporate issue. Interviewees generally indicated a preference for dealing with the dispute informally where possible, and at the local level with local community development staff. This led to a change to practices to treat minor grievances at the local level as “offline” grievances in 2018 rather than through the corporate dispute resolution process, which is better designed to manage significant disputes.

In 2018, APRIL has demonstrated efforts to continue socialization of its dispute process. However, field inspections identified weaknesses in both the socialization process at some Supply Partners as well as the consistent implementation of local grievance resolution processes.

The following Opportunities for Improvement were identified for current year:

2019 Opportunity for Improvement #4

Field inspections at two Supply Partners indicated that there were insufficient records to demonstrate consistent implementation of the dispute resolution SOP, conflict resolution SOP and grievance resolution SOP.

2019 Opportunity for Improvement #5

There is an opportunity for APRIL to require increased visibility into Supply Partner offline grievance processes to ensure that grievances are being managed appropriately.

The following Opportunities for Improvement remain open:

2018 Opportunity for Improvement #7 relating to the failure at one PT. RAPP sector to record a grievance on the public list of grievances on the APRIL website and to instead handle (and resolve) the grievance locally

Reason for OFI remaining open: An “offline” grievance process has been developed to address the concerns of local stakeholders related to the use of the public grievance mechanism. However, APRIL does not currently have visibility to the nature of grievances being raised through this process; and weaknesses in both record keeping and implementation of grievance processes were identified at 2 Supply Partners. Therefore this opportunity for improvement remains in progress.

VII. Responsible Practices in Our Work Places Indicators

Indicator Assessed

One Performance Indicator was assessed focusing on awareness amongst employees and contractors of grievance mechanisms for labor concerns, which was identified as an area with opportunities for improvement in the prior year

Indicator Performance

VII	Responsible Practices in Our Work Places:
b.	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors

As at December 31, 2018

	Description of grievance mechanism in place
PT. RAPP employees	<p>A formal employee grievance standard operating procedure (SOP) is in place for raising grievances through directly raising issues with supervisors, with human resources or via Union representatives.</p> <p>In addition, there is a confidential email and phone number in place to raise issues.</p>
PT. RAPP contractor employees	<p>There is a regulated grievance mechanism in place for contractor companies. All contractor companies are required by local manpower law to create a "Company regulation" which states how HR matters (including grievances) are managed.</p> <p>For larger contractor companies who have a union in place, as required by law, they will have Collective Labor Agreement and an associated Employee Handbook with a more detailed grievance mechanism.</p> <p>PT. RAPP has a requirement in all contractor agreements for the contractor company to follow Indonesian regulations, including those related to manpower, labor and collective bargaining.</p> <p>There is also a universal confidential email and phone number in place for contractor employees to raise issues.</p>
Supply Partner employees	A regulated grievance process exists for all Supply Partners which includes conveyance of any grievance to supervisors, then to union representatives (if the employee is a union member), then to the local manpower agency as specified in their Employee Handbook (CLA).
Supply Partner contractors	A regulated grievance mechanism is required by law as specified above for PT. RAPP contractor employees.
Open Market Supplier employees	A regulated grievance process exists for Open Market Suppliers.

	Description of grievance mechanism in place
Open Market Supplier contractor employees	A regulated grievance mechanism is required by law as specified above for PT. RAPP contractor employees.

Evidence Reviewed

Interviews with APRIL and Supply Partner employees and contractors during visits to a sample of concessions and sectors.

Findings

This indicator tracks the existence of a grievance resolution mechanism for employee and contractor workers consistent with APRIL's commitments to responsible practices in the workplace that include respect for the International Labor Organization's (ILO) principles, freedom of association, anti-discrimination and anti-harassment provisions.

APRIL obtains copies and ensures appropriate content of Employee Handbooks for all Supply Partners. APRIL also obtains copies of the Company Regulation for all contractor companies operating on PT. RAPP sectors as part of a standard contractor monitoring process.

The following Opportunities for Improvement remain open:

2018 Opportunity for Improvement #8 relating to limited worker awareness of the existence of formal grievance processes.

Reason for OFI remaining open: While additional socialization of grievance processes has occurred, field interviews indicated continued limited awareness of grievance processes at one PT. RAPP estate and one Supply Partner. As such, the finding remains in progress.

IX. Good Corporate Governance, Verification and Transparency Indicators

Indicators Assessed

Two Good Corporate Governance, Verification and Transparency Performance Indicators were assessed, focusing on the status of Stakeholder Advisory Committee recommendations and on the timeliness of the Open Market Supplier due diligence process.

Indicator Performance

IX	Good Corporate Governance, Verification and Transparency:
d.	Status of SAC Recommendations

APRIL data as of December 31, 2017 and as of December 31, 2018.

The table below is the implementation status of SAC recommendations. These recommendations were raised during the 11 SAC meetings that took place between March 21, 2014 and December 31, 2018.

	As of December 31, 2017	As of December 31, 2018
Status of Recommendations	#	#
Cumulative number of recommendations and Guidance comments to date	118	153
Implemented	(65)	(70)
Consolidated	(15)	(23)
Guidance only	(13)	(35)
No Longer Applicable	(6)	(7)
Remaining number of recommendations	19 2 in development 17 in progress	18 5 in development 13 in progress

Evidence Reviewed

APRIL maintains a list of the Stakeholder Advisory Committee (SAC) recommendations from each of the 14 SAC meetings to date in which all recommendations are assigned a timeline for completion, a priority level and a status as of December 31, 2018. KPMG PRI reviewed the status of actions taken and compared this to available data and our knowledge of the implementation status based on the work performed during our assurance engagement.

Findings

The SAC is an independent committee of forestry and social experts and was established in January 2014 in order to oversee the implementation of APRIL Group's Sustainable Forest Management Policy (SFMP). The SAC provides recommendations and inputs related to SFMP 2.0 implementation which are reported in the SAC Meeting Reports available online on APRIL's sustainability dashboard (<http://sustainability.aprilasia.com/category/sac-meeting-reports/12>).

As of December 31, 2018, there have been a total of 153 actionable recommendations or sub-recommendations. During 2018, the SAC met three times and generated 35 new recommendations or guidance comments. The seven recommendations categorized as “No Longer Applicable” are primarily related to current cost constraints associated with a recommended action or no longer apply due to changes in APRIL’s regulatory and operational environment. These recommendations will be re-visited and updated by the SAC at future meetings.

IX	Good Corporate Governance, Verification and Transparency:
e.	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery

APRIL data for the period January 1 – December 31:

	# and % of suppliers completing due diligence prior to first wood delivery	
Type of Supplier	2017	2018
Open Market Suppliers	4 (75%)	3 (100%)
Supply Partners	-	-
Community Forest Suppliers	-	2 (100%)

New Open Market Suppliers 2018	Due Diligence Date	First Wood Delivery
PT. Korintiga Hutani	March 2018	March 2018
PT. Wanakasita Nusantara	February 2018	March 2018
PT. Wahana Lestari Makmur Sukses	June 2018	October 2018

New Community Forest Suppliers (HR) 2018	Due Diligence Date	First Wood Delivery
HR Bedaguh	June 2018	August 2018
HR Sotol	August 2018	September 2018

Evidence Reviewed

Review of APRIL's SFMP 2.0 Compliance SOP, supplier due diligence reports to confirm dates of APRIL due diligence relative to the first wood deliveries from the supplier.

Field inspections at two Open Market Suppliers and comparison of field observations to APRIL due diligence findings.

Findings

Review of new supplier due diligence data indicates that the supplier due diligence process was implemented during 2018 and was applied to all three new Open Market Suppliers and two community fibre plantation deliveries. These suppliers each had a field verification by APRIL's sustainability team on or before the month of first wood delivery. However, as noted below, there were continuing gaps in the effectiveness of the supplier due diligence process.

2019 Good Practice #2:

APRIL's sustainability team has made significant progress since late 2018 in bringing suppliers to Kerinci to discuss the supplier due diligence program and the underlying reasons for the program. Most Open Market Suppliers have now been involved in these meetings and it is expected that the remaining Open Market Suppliers will have

participated by mid-2019. Initial indications are that this process will significantly improve supplier participation in the program.

The following Opportunities for Improvement were identified for current year:

2019 Opportunity for Improvement #2:

Land cover analysis has yet to be finalized to determine whether either of the two new 2018 Open Market Suppliers undertook new forest development after June 15, 2015.

There is a need to formally document post 2015 (pre contract) land cover change at Open Market Suppliers to ensure APRIL has a clear understanding of post-2015 development risk.

2019 Opportunity for Improvement #6:

There is an opportunity for APRIL to support Open Market Supplier continuous improvement processes through sharing of operational procedures and knowledge related to items such as safety and fire preparedness.

The following Opportunities for Improvement remain open:

2018 Opportunity for Improvement #12 relating to the fact that the due diligence process focused on the current supplier practices but did not sufficiently assess supplier practices in the period between June 15, 2015 (the SFMP 2.0 moratorium date for natural forest clearance) and the present date for evidence of historic natural forest clearance.

Reason for OFI remaining open: While a revised due diligence questionnaire was developed in 2018 to address post June 2015 development it was not implemented in time to be used in relation to any of the new suppliers which underwent due diligence in 2018 and related amendments to procedures remain in draft. Neither of the due diligence process records for a sample of two Open Market Suppliers were sufficient to accurately conclude on post June 2015 development.

Appendix 1: SFMP 2.0



APRIL Group's Sustainable Forest Management Policy 2.0

3 June 2015

APRIL Group (APRIL) is committed to sustainable development in all locations where we operate by implementing best practices in social, environmental and economic spheres as guided by our business philosophy that whatever we do must be "Good for the Country, Good for the Community, and Good for the Company".

We commit to eliminating deforestation from our supply chain and to protecting the forest and peatland landscapes in which we operate and to supporting best practice forest management in all countries where we source wood. We commit to respecting human rights and environmental aspects throughout our wood supply chains. Our goal is to be a good and responsible neighbor in the local, national and global community.

APRIL's Sustainable Forest Management Policy (SFMP) 2.0 was developed with inputs from APRIL's Stakeholder Advisory Committee (SAC) and key stakeholders from civil society. This Policy is an evolution of APRIL's SFMP 1.0, launched on 28 January 2014. This Policy incorporates the Royal Golden Eagle (RGE) Sustainability Framework¹.

The commitments made in this document apply entirely and exclusively to APRIL, which is an independently managed company with operations in Indonesia. It also covers all current and future wood suppliers to APRIL as well as any future acquisitions or partnerships.

I. Long Term Sustainability:

APRIL's objective is to establish sustainable plantations that supply wood to its mill, provide employment opportunities and economic wellbeing for the community. APRIL and its suppliers will take a landscape approach to conservation of forest, peatland and other important environmental and social values.

- a. Effective immediately, APRIL and its suppliers will only develop areas that are not forested, as identified through independent peer-reviewed High Conservation Value (HCV) and High Carbon Stock (HCS) assessments;
- b. APRIL and its suppliers will actively protect HCV and HCS areas;
- c. APRIL and its suppliers will follow the HCS Approach as prescribed by the HCS Approach Steering Group;
- d. APRIL and its suppliers will use HCV Resource Network (HCVRN) licensed assessors; if such assessors are unavailable, APRIL will refer to SAC for recommendations of HCV assessors;
- e. To achieve the above, APRIL will seek partnership with relevant stakeholders (NGO, government, companies, local communities and conservation experts) in protecting and managing forests within the landscape where APRIL operates;
- f. APRIL will practice integrated conservation and forest management which incorporates findings from HCV, HCS, social assessments, and on peatland areas, inputs from the Peat Expert Working Group (PEWG);

¹ Refer to Royal Golden Eagle's website at <http://rgei.com/sustainability/sustainability-framework>

- g. By 15 May 2015, APRIL and its suppliers halted all harvesting of mixed hardwoods². Mixed hardwoods harvested before 15 May 2015 will be utilized by APRIL's mill before end December 2015;
- h. Any residual fibre cleared from non-forested land, as defined by HCV and HCS as scrub land, will be utilized by APRIL's mill;
- i. APRIL will not establish a new pulp mill and/or a new pulp line until it achieves plantation fibre self-sufficiency.
- j. APRIL will not acquire any new land, or forestry licenses; or receive wood from land licensed to third parties, where after 3 June 2015 the seller has knowingly cleared HCV or HCS forests or forested peatlands³. This shall not apply to acquisition of land or licences for the purposes of restoration or conservation activities under clause II.d of this Policy.

II. Forest Protection and Conservation:

APRIL enforced a moratorium on natural forest clearance pending the outcome of High Conservation Values (HCV) and High Carbon Stock (HCS) assessments by 15 May 2015. This moratorium also applies to all third-party wood suppliers to APRIL.

- a. APRIL and its suppliers support the conservation and ecosystem restoration of natural forests, and forested peatlands, and other ecologically, hydrologically and culturally important areas where APRIL operates;
- b. APRIL and its Long-Term Supply Partners currently protect and manage more than 250,000 hectares of conservation areas and 70,000 hectares of ecosystem restoration areas;
- c. APRIL will undertake landscape scale assessments and apply a landscape approach to optimize forest conservation and other land uses;
- d. APRIL will establish conservation areas equal in size to APRIL's plantation areas⁴.

III. Peatland Management:

APRIL will implement best practices on peatland management which support the Government of Indonesia's target to reduce greenhouse gas emissions, and maintain other conservation values.

- a. No new development by APRIL and its suppliers on forested peatland;
- b. A Peat Expert Working Group (PEWG) will be established to provide inputs and recommendations to APRIL on:
 - Best management practices to be implemented in existing plantations on peatland;
 - Actions required to ensure conservation of forested peatland and critical peatland landscape;
 - Development options for non-forested peatland;
- c. The recommendations from PEWG will enable APRIL to implement international best practice for tropical peatland to protect areas of forested peatland and to reduce GHG emissions;
- d. Pending input from PEWG:
 - No canals will be constructed where new plantation development is taking place on peatland;

² Under the *de minimis* rule, small isolated areas within existing plantation concessions could be harvested only if they are not classified as HCV or HCS through the assessment process.

³ Plantation land acquisitions will be reviewed by the SAC.

⁴ The conservation areas will be of appropriate size, shape, connectivity, and representativeness to protect ecosystem functions and to conserve native biodiversity.



- Fire/flood prevention measures and maintenance of existing canals will continue in established plantation areas.

IV. Continuous Reduction of Carbon Footprint:

APRIL commits to continuous reduction of its carbon footprint.

- a. APRIL will continuously improve its material and energy efficiency throughout the supply chain, and optimize utilization of renewable energy;
- b. APRIL will increase its carbon sequestration through conservation and ecosystem restoration and continuous improvements in sustainable plantation management practices;
- c. APRIL will track its carbon emissions and report progress on reducing its overall carbon footprint.

V. Proactive Support of Local Communities:

APRIL will continually seek opportunities to consult and align with the interests of communities and create shared value through:

- a. Strengthened efforts in alleviating poverty in rural communities around APRIL's areas of operation, through creation of jobs, providing better access to quality education, community empowerment, and enhancement of rural livelihood;
- b. Pro-active Corporate Social Responsibility (CSR) activities especially village entrepreneurship incubations and farming systems;
- c. Inclusion of smallholders/Small Medium Enterprises (SME) into APRIL's supply chains, where appropriate;
- d. Engaging stakeholders through regular multi stakeholder forums and focus groups to obtain inputs on social issues and develop a monitoring and reporting system.

VI. Respect the Rights of Indigenous Peoples and Communities:

APRIL respects the rights of indigenous peoples and rural communities and commits to the following:

- a. Respect the Universal Declaration of Human Rights, national laws and ratified international treaties, on human rights and indigenous people;
- b. Respect of the tenure rights of indigenous peoples and rural communities;
- c. Respect of the rights of indigenous peoples and communities to give or withhold their Free, Prior and Informed Consent (FPIC) to operate on lands where they hold legal, communal or customary rights prior to commencing any new operations;
- d. No tolerance for the use of violence, intimidation or bribery;
- e. To ensure that relevant international best practices in FPIC are followed, APRIL will actively engage with stakeholders, including communities, government, customers and civil society at the local, national and international levels;
- f. Resolution of complaints and conflicts through mutually agreed, open, transparent and consultative processes that respect customary rights;
- g. To develop Standard Operating Procedures (SOP) and maintain processes for the responsible handling of the list of all complaints from communities and other relevant stakeholders. These processes will be developed, updated, improved, monitored and reported to the SAC and other relevant stakeholders.



VII. Responsible Practices in Our Work Places:

APRIL commits to provide a safe, productive and conducive work environment throughout its wood supply chains where employees including those of sub-contractors, can contribute and advance, by ensuring specifically that:

- a. International Labour Organization's Declaration on Fundamental Principles and Rights at Work is respected;
- b. Recruitment best practices are in place, meeting all legal requirements and cultural practices, including proactive recruitment of qualified workforce from local community;
- c. Freedom of association is respected;
- d. Diversity within its workforce is respected;
- e. If provided as part of employment package, accommodation is safe and hygienic;
- f. The health and safety of workers is protected. APRIL shall equip workers to protect them from exposure to occupational health and safety hazards;
- g. No tolerance is given for child labour, forced labour or bonded labour;
- h. No tolerance is given for discrimination, harassment and abuse in any form.

VIII. Legal Compliance and Certification:

APRIL goes beyond legal compliance toward achieving Sustainable Forest Management (SFM).

- a. APRIL reaffirms its commitment to comply with all prevailing laws and regulations, and requires all its wood suppliers to do so;
- b. APRIL participates in global SFM certification schemes and encourages its wood suppliers to do the same;
- c. APRIL currently has and will continue to maintain timber legality assurance certification;
- d. APRIL has strict "No Burn" policy and will follow the National legal requirement addressing impact of fires. APRIL will continue to support fire prevention and fire fighting efforts across the landscapes in which it operates;
- e. APRIL has a robust Chain of Custody (CoC) tracking system and mill wood sourcing monitoring system to ensure all the wood is traceable back to source.

IX. Good Corporate Governance, Verification and Transparency:

APRIL commits to best practices in good corporate governance and transparency.

- a. APRIL will maintain a Stakeholder Advisory Committee (SAC), established in 2014, to ensure transparency and implementation of this SFMP including appointment of an independent verification auditor;
- b. APRIL will establish a transparent, responsive grievance mechanism with input from stakeholders that is readily accessible to stakeholders and will respond to grievances in a timely and transparent way;
- c. APRIL will provide regular progress update on the implementation of APRIL's SFMP to key stakeholders;
- d. APRIL will work collaboratively with Government, industry associations and other stakeholders to support sustainable development including national and local regulatory reform to improve spatial planning, incentivize forest conservation, support roll out of "One Map" initiative by the Indonesian Government and promote the utilization of degraded lands.

Appendix 2: Summary of Selected Performance Indicators for interim assurance

I	Long Term Sustainability:
Overall objective: <i>By increasing the productivity of our own plantations and those of our suppliers on our existing plantation footprint and eliminating mixed hardwood from natural forest from our supply chain.</i>	
b.	<p># of Ha developed by category (Forested, Non-Forested and HCV¹/HCS² and non-HCV/HCS)</p> <p>Including the following sub-indicators:</p> <ul style="list-style-type: none"> • 2018 Land recovery (Ha) • Recovered land planted in 2018 (Ha) • Unconfirmed potential land cover change at market suppliers (Ha and % of total identified potential land cover change) <p>Confirmed land cover change at market suppliers (Ha and % of total identified potential land cover change)</p>
c.	# of PT. RAPP and supplier non-compliant new development detected and the % of non-compliances resulting in corrective action
d.	# of tonnes mixed hardwood (MHW) deliveries utilized by the Kerinci mill
II	Forest Protection and Conservation:
Overall objective: <i>To increase the amount of conservation area to at least match that of our plantations and to develop and transition toward landscape based plans for our concessions and our long term supplier concessions to protect ecosystem functions and conserve native biodiversity.</i>	
a.	Hectares and % of conservation and restoration area impacted by fire, development or encroachment
V	Proactive support of local communities:
Overall objective: <i>To continually seek opportunities to consult and align with the interests of communities.</i>	
b.	<p>Contribution to local GDP</p> <p>Including the following sub-indicators:</p> <ul style="list-style-type: none"> • Progress in development of a monitoring and reporting system • Sample basis / case study on implementation of the “Community engagement toolkit for Conservation Forest Management”

VI	Respect the Rights of Indigenous Peoples and Communities:
<i>Overall objective: To demonstrate respect for the rights of indigenous peoples and rural communities throughout operations.</i>	
b.	<p>Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes</p> <p>Including the following sub-indicators:</p> <ul style="list-style-type: none"> • New 2018 disputes (Ha) • Recognition of historic disputes (Ha) • Resolved disputes (Ha) • Plantable land resulting from dispute resolution (Ha and % of total area resolved)
f.	% of grievances resolved in accordance with the grievance SOP
VII	Responsible Practices in Our Work Places:
<i>Overall objective: To provide a safe, productive and conducive work environment throughout its wood supply chains where employees including those of sub-contractors, can contribute and advance.</i>	
b.	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors
IX	Good Corporate Governance, Verification and Transparency:
<i>Overall objective: To implement best practices in corporate governance and transparency.</i>	
d.	Status of SAC Recommendations
e.	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery

Appendix 3: APRIL action plans for identified non-conformances

Non-conformance raised in 2019

APRIL SFM Policy 2.0 Implementation – Final Action Plans for Opportunities for Improvement July 2019		
Indicator I.c	# of PT. RAPP and supplier non-compliant new development detected and the % of non-compliances resulting in corrective action (e.g., rehabilitation, implementation of agreed corrective actions, removal of supplier).	
Non-Conformance #1 2019	During 2018, an Open Market Supplier undertook new development in the absence of an HCV and HCS assessment. No mixed hardwood was received from the supplier and acacia deliveries were stopped prior to the end of the year. There is no longer an active supply contract with this supplier.	
APRIL Action Plan(s)	<ul style="list-style-type: none"> i. The contract with the Open Market Suppliers has been cancelled in December 2018 ii. All other Open Market Suppliers have been informed about the reason for this cancelation during their visit to Kerinci. APRIL reminded all Open Market Suppliers the importance of compliance to SFMP 2.0 	Timeframe: Closed
APRIL Root cause analysis	There is still a lack of awareness from Open Market Suppliers to comply with “No New Development post June 2015 prior to HCV-HCS Assessment” which is part of SFMP 2.0 resulting in poor reporting and feedback on LCC.	
KPMG PRI review of Action Plan	Accepted June, 2019	

Non-conformances raised in prior years

APRIL SFM Policy 2.0 Implementation – Final Action Plans for Non-Conformances June 2018		
Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
Non- Conformance #1 2018	<p>Review of land recovery and planting operations following encroachment and settlement of land claims at Supply Partners identified 1 area where the activities were inconsistent with APRIL SFMP 2.0 requirements:</p> <ul style="list-style-type: none"> In one case, a small area (13.7 ha) of land recovery on peat was planted. This was inconsistent with APRIL's operational Guidelines for peat (which were released shortly before the incident) which are based on a consolidated review of PP 71/14, PP 57/16 and Ministerial Decrees 32 and 77. 	
APRIL Action Plan(s)	Revise the Land Dispute Recovery SOP to align with internal Operational Guidelines on what is currently allowed by regulation and RKU. Socialize to managers and Estate staff.	Timeframes: December 31, 2018
APRIL Root cause analysis	Land Dispute Recovery SOP which provides for immediate planting to prevent re-encroachment was not immediately updated to reflect new internal Operational Guidelines.	
Evidence Reviewed by KPMG PRI	Data review for all RAPP and Supply Partner initial planting sites and identification of soil type for each.	
Findings (2019)	No evidence was found of initial planting on peatland.	
Conclusion on status (April 2019)	Closed.	
Indicator VII.b	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors	
Non-Conformance #2 2018	<p>Interviews with contractor workers during field site visits identified isolated weaknesses in implementation of responsible work place practices expected under SFMP 2.0 including:</p> <ul style="list-style-type: none"> Discrepancies in understanding and implementation of paid time off for medical purposes for one planting contractor*; and, In one case, contractor planting workers did not have copies of their employment agreements. The agreements were held by the contractor and lacked required information including contract duration and compensation amounts. 	
APRIL Action Plan(s)	Provide training to Supply Partners and their Contractors on requirements to meet Labor Law and ILO standards.	Timeframes: March 31, 2019

APRIL Root cause analysis	Lack of awareness of Indonesian Labor Laws and Intl Labour Organization standards.
Evidence Reviewed by KPMG PRI	<p>Evidence of a road trip to all PT. RAPP sectors to provide refresher training on legal requirements (including employee grievance processes).</p> <p>Evidence of socialization of national regulations with both PT. RAPP and Supply Partners with support from the Government Labor Agency.</p>
Findings (2019)	APRIL has undertaken actions to raise the overall level of awareness of RAPP and Supply Partner contractors. However, field in interviews indicated dictated that consistent implementation remains a challenge.
Conclusion on status (April 2019)	Closed.

Appendix 4: New and Continuing Opportunities for Improvement

Opportunities for Improvement Raised in 2019

APRIL SFM Policy 2.0 Implementation – Final Action Plans for Opportunities for Improvement July 2019		
Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
Opportunity for Improvement #1 2019	<p>As at December 31, 2018, unverified Open Market Supplier land cover change was 2,624 ha. This is a substantial increase from the unverified land cover change at December 31, 2017 of 511 hectares.</p> <p>Note: This amount of unverified land cover change indicates that there is insufficient evidence to conclude at December 31, 2018 that Open Market Suppliers are not undertaking new development. As a result, it is likely to result in a qualification to our report due to uncertainty unless the number is substantially reduced prior to the time of reporting.</p>	
APRIL Action Plan(s)	<ul style="list-style-type: none"> i. To prioritize significant LCC areas for Open Market Suppliers by increasing the threshold of LCC Monitoring from 1 ha to 5 ha. ii. APRIL needs to assist joint field verification for specific Open Market Suppliers in order to close high priority LCC (greater than 5 ha) 	<p>Timeframe: Q3/Q4 2019</p>
APRIL Root cause analysis	<ul style="list-style-type: none"> i. There are a few of APRIL's Open Market Suppliers still not adequately responding to LCC Reports ii. There was a significant increase of LCC detections reported from Open Market Suppliers in 2018, specifically LCC with size less than 5 ha. <p>Open Market Suppliers struggling to respond to increased number of LCC detections, specifically conducting field verification to all the LCC Points reported.</p>	
KPMG PRI review of Action Plan	Accepted June, 2019	

Indicator IX.e	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery	
Opportunity for Improvement #2 2019	Land cover analysis has yet to be finalized to determine whether either of the two new 2018 Open Market Suppliers undertook new forest development after June 15, 2015. There is a need to formally document post 2015 (pre contract) land cover change at Open Market Suppliers to ensure APRIL has a clear understanding of post-2015 development risk.	
APRIL Action Plan(s)	Finalize the O-M Suppliers Retrospective Analysis' indicative results by requesting historical information, field verification and discussing with the O-M Suppliers	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	<p>There is a limit on time and resources required to finalize the result of Land Cover Change Analysis post June 2015 (Retrospective Analysis), especially from APRIL's Open Market Suppliers.</p> <p>The indicative result of image interpretation has been done by APRIL. To finalize the result, historical document/information is needed from Open Market Suppliers as well as Field Verification</p>	
KPMG PRI review of Action Plan	Accepted June, 2019	

Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
Opportunity for Improvement #3 2019	Field inspection of both RAPP and Supply Partner concessions identified weaknesses in the accuracy of land cover designations as well as in the accurate verification of data in relation to the cause of land cover changes.	
	<ul style="list-style-type: none"> i. Land Cover Project 2019 will address a number of issues related to Land Classification, definition, baseline data and process (see Land Cover Project 2019 Plan) ii. Include monitoring of consistency of Land Cover and Land Use information in the Internal Audit Process (as per updated Job Description 2019) iii. Revise and standardize the feedback process from Sector Staffs for all LCC Points (note that this will be a proposed output from the Land Cover Project 2019) 	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	<ul style="list-style-type: none"> i. Lack of clear and specific Land Cover Designation ii. No clear standard for Sector Staffs to define or explain the cause of the LCC Points 	
KPMG PRI review of Action Plan	Accepted June, 2019	

Indicator VI.f	% of grievances resolved in accordance with the grievance standard operating procedure (SOP)	
Opportunity for Improvement #4 2019	Field inspections at two Supply Partners indicated that there were insufficient records to demonstrate consistent implementation of the dispute resolution SOP, conflict resolution SOP and grievance resolution SOP.	
APRIL Action Plan(s)	<ul style="list-style-type: none"> i. Review the Supply Partners' Land Dispute Resolution SOP and Grievance Mechanism SOP and revised if needed ii. Work with our Supply Partner to develop a plan to socialize to all Sector Staffs. iii. Include monitoring of implementation of both SOPs in the Internal Audit Process 	Timeframe: Q4 2019- Q1/Q2 2020
APRIL Root cause analysis	<ul style="list-style-type: none"> i. Lack of operational implementation and/or understanding of the SOP by APRIL's Supply Partners ii. No monitoring for the implementation of the SOPs 	
KPMG PRI review of Action Plan	Accepted June, 2019	

Indicator VI.f	% of grievances resolved in accordance with the grievance standard operating procedure (SOP)	
Opportunity for Improvement #5 2019	There is an opportunity for APRIL to require increased visibility into Supply Partner offline grievance processes to ensure that grievances are being managed appropriately.	
APRIL Action Plan(s)	<ul style="list-style-type: none"> i. Review and standardize the process for Supply Partners' offline grievance process ii. Work with our Supply Partners to develop a plan to socialize to all Sector Staffs. iii. Include monitoring of implementation of both SOPs in the Internal Audit Process 	Timeframe: Q4 2019- Q1/Q2 2020
APRIL Root cause analysis	<ul style="list-style-type: none"> i. No clear or standardized offline grievance processes among APRIL's Supply Partners ii. No monitoring of the implementation and management of the offline grievance process 	
KPMG PRI review of Action Plan	Accepted June, 2019	

Indicator IX.e	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery	
Opportunity for Improvement #6 2019	There is an opportunity for APRIL to support Open Market Supplier continuous improvement processes through sharing of operational procedures and knowledge related to items such as safety and fire preparedness.	
APRIL Action Plan(s)	<ul style="list-style-type: none"> i. During the 2019 Suppliers' Visitation to Kerinci, APRIL has included a sharing session about Fire Preparedness and Safety (Programs, Camps, etc.) as documented by agenda and meeting minutes ii. These issues will also be raised during additional Supplier office and field visits in 2019. iii. APRIL will also send appropriate technical staffs and materials as needed or agreed by Open Market Suppliers 	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	There is still a lack of awareness and/or understanding from APRIL's Open Market Suppliers on the current best practices around safety and fire preparedness	
KPMG PRI review of Action Plan	Accepted June, 2019	

Indicator II.a	Hectares and % of conservation and restoration area impacted by fire, development or encroachment	
Opportunity for Improvement #7 2019	At one Supply Partner, field inspection of a land recovery and planting operation on a previous oil palm encroachment site identified that planting of acacia had occurred within the riparian zone of a small tributary, which was also been rutted during operations . The area was not identified as a riparian area and was not treated in accordance with the applicable Standard Operating Procedures for recovery in riparian zones.	
APRIL Action Plan(s)	<ul style="list-style-type: none"> i. Supply Partner to follow their SOP-CAN-003 to change compartment I010 status to become riparian zone in PIMS and marked with sign board in the field ii. To re-socialize the two relevant procedures: <ul style="list-style-type: none"> 1. Riparian Zone designation 2. Enrichment procedure in ex-dispute area 	Timeframe: Q3 2019
APRIL Root cause analysis	There is an inconsistency in applying the procedure for Enrichment (Land Security) in ex-Dispute Area	
KPMG PRI review of Action Plan	Accepted June, 2019	

Continuing Opportunities for Improvement Raised in Prior Reports

APRIL SFM Policy 2.0 Implementation – Continuing Opportunities for Improvement Raised in Prior Reports		
	Performance Indicator Data Reporting Limitations	
Opportunity for Improvement #1 2016	<p>APRIL Indicator performance reporting lacks data for long-term suppliers totaling 49% of current plantation fiber supply for the following indicators:</p> <p>All performance reporting under V. Proactive Support of Local Communities</p> <p>VI.g # of land conflicts outstanding as of June 30, 2016</p>	
APRIL Action Plan(s)	<p>1. Review the data requirements with all long-term suppliers; and</p> <p>2. Establish enhanced long-term supplier data reporting requirements for the next report on SFMP 2.0 performance indicators</p>	<p>Timeframes:</p> <p>1. Review with Suppliers: 90 days</p> <p>2. Reporting: Prior to the next SFMP 2.0 verification report</p>
APRIL Root cause analysis	The indicator reporting process is a new reporting process. Not all data was readily available in a reliable format for the first report.	
Evidence Reviewed by KPMG PRI	<p>Final action plan accepted – January 2017</p> <p>Supplier due diligence and monitoring program</p>	
Findings (2018)	<p>The revised supplier due diligence and monitoring program includes data requests that would address all of the above items. The data has been requested from suppliers and its receipt is being tracked by APRIL.</p> <p>However, not all suppliers have committed to provide all the required information at this point and on-site monitoring of SFMP 2.0 indicators has only recently been initiated.</p>	
Conclusion on status (June 2018)	In Progress - significant progress has been made since mid-2017 in gaining access to Supply Partner data which is now included in APRIL's reporting. The remaining items not currently reported by Supply Partners are limited to numbers of multi-stakeholder forums and numbers of attendees.	
Conclusion on status (April 2019)	Closed. The remaining information is now being received by APRIL. Supply partner programs were determined to focus on meetings with village heads to determine community develop programs rather than multi-stakeholder forums.	

Opportunity for Improvement #2 2016	APRIL Indicator performance reporting lacks data for short-term suppliers totaling 21% of current plantation fiber supply for the following indicators: I.b. # of Ha developed by category III.a # of Ha plantation, conservation and ecosystem restoration on peatland III.c Total Ha developed on peatland VI.b Ha of APRIL and supplier concessions currently inactive due to unresolved conflicts VI.f Established Standard Operating Procedure (SOP) for addressing grievances VI.g # of land conflicts outstanding as of June 30, 2016 VII.a # of fatalities VII.b Grievance mechanism in place for labor concerns raised by APRIL or supplier employees and contractors. VIII.a # of instances of fire on concessions by cause IX.a Total area and HCV/HCS area by concession publicly available	
APRIL Action Plan(s)	APRIL to continue direct monitoring of short-term suppliers for commitments covering no deforestation, no new development without any prior HCV and HCS assessments, no new development on peatland, and zero burn policy. This will be done through remote sensing systems and the submission of data by the suppliers. APRIL will as part of its supplier due diligence determine the existence of policies, programs or practices for addressing social grievances and conflicts and will encourage suppliers to share information on the list above with APRIL on an ongoing basis for APRIL's monitoring.	Timeframe 120 days
Updated Action Plan (as of April 2019)	<ul style="list-style-type: none">i. Reciprocal Open Market Suppliers Visits continue as planned in 2019 to encourage greater communication between partiesii. APRIL will finalize the Due Diligence and Compliance Monitoring Forms that include the 5 indicators that are still outstandingiii. Increase the Compliance Monitoring process for Open Market Suppliers implemented in 2019	Timeframe: Q4 2019

APRIL Root cause analysis	The indicator reporting process is a new reporting process. Not all data was readily available in a reliable format for the first report.
Evidence Reviewed by KPMG PRI	Final action plan accepted – January 2017 Supplier due diligence and monitoring program
Findings (2017)	<p>The revised supplier due diligence and monitoring program includes data requests that would address all of the above items. The data has been requested from suppliers and its receipt is being tracked by APRIL.</p> <p>Satisfactory evidence is available to support the conclusion that the program has been implemented. Information requests and supplier visits have been undertaken. However, not all suppliers are currently providing all of the required data and the supplier visits have only recently been initiated on a priority basis so not all suppliers have been exposed to this process yet. It was evident that APRIL is continuing to attempt to gather the remaining data and are supplementing this information with additional information gathered from site visits.</p> <p>Overall, it was determined that the action plan has been appropriately implemented but that in light of supplier concerns over sharing of some of the data, full implementation will take significantly longer than predicted.</p>
Conclusion on status (June 2018)	<p>In progress - significant progress has been made since 2017 in gaining access to Open Market Supplier data. As a result, 50% of the indicators noted in the opportunity for improvement are now covered by Open Market Supplier data and included within the 2018 report. The remaining indicators for which Open Market Supplier data is required are:</p> <p>Indicator I.b # of Ha developed by category</p> <p>Indicator III.a # of Ha of plantation, conservation and ecosystem restoration on peatland</p> <p>Indicator VI.b Ha of APRIL and supplier concessions currently inactive due to unresolved conflicts</p> <p>Indicator VII.a # of fatalities</p> <p>Indicator VIII.a # of instances fire on concessions by cause – 8 of 10 Open Market Suppliers did not provide the data.</p>
Conclusion on status (April 2019)	In progress – APRIL has held Open Market Supplier sessions in Kerinci to reiterate the importance of SFMP 2.0 monitoring data and by quarter 2, 2019 all suppliers had attended one of these sessions. However, the required data is still not being provided by all suppliers and critical data, such as Land Cover Change monitoring requests are still not being responded to by the majority of Open Market Suppliers. Revised (2019) action plan accepted June 2019.

Indicator V.b	Contribution to local GDP.	
Opportunity for Improvement #8 2016	APRIL has not yet determined how best to monitor its contribution to local GDP on an ongoing basis.	
APRIL Action Plan(s)	APRIL to align its reporting with indicators being developed by the Indonesian Government which align with UN Global SDG indicators.	Timeframe Next SFMP 2.0 verification.
Updated Action Plan (as of April 2019)	APRIL will continue, in partnership with UI, as per the agreed recommendation from SAC for the GDP Assessment Report.	Pending UI confirmation; estimating Q4 2019
APRIL Root cause analysis	Available data was from a study conducted by the University of Indonesia in 2014 which estimates APRIL's GDP contribution at 6.9%. As the study is meant to be conducted every three years, the next GDP impact assessment will be conducted in 2017.	
Evidence Reviewed by KPMG PRI	Final action plan accepted – January 2017 Internal APRIL communications	
Findings (2017)	The Institute for Economic and Social Research at the University of Indonesia has been asked to provide a proposal to measure PT. RAPP economic and fiscal impacts and to propose on a social impact methodology and assessment that links to the UN Sustainable Development Goals.	
Conclusion on status (June 2018)	In Progress A draft report is now available which will be reviewed by teams from the University of Riau and the Islam University of Riau with a forecast final report available later in 2018.	
Conclusion on status (April 2019)	In Progress - following review of the draft report with APRIL management and the Stakeholder Advisory Committee, the report is being updated to provide a more complete picture of APRIL's impact by including additional supplier fiscal and worker data. Revised (2019) action plan accepted June 2019.	

Indicator VII.c	% of PT. RAPP, supplier and contractor operations covered by OHS certification	
Opportunity for Improvement #20 2016	APRIL does not currently have processes in place to identify contractor companies that are required to achieve SMK3 certification due to size or classification as “high risk” and ensure that the certification is achieved.	
APRIL Action Plan(s)	Identify those contractors that have legal requirements to obtain SMK3 certification and where this process is not yet underway agree targets for completion with contractors and monitor progress through existing contractor monitoring processes. Require the same approach by suppliers.	Timeframe 90 days 90 days
Updated Action Plan (as of April 2019)	APRIL will finalize the CSMS SOP. Create a clear timeline / schedule for another round of CSMS Socialization and Implementation in 2019.	Timeframe: Q4 2019
APRIL Root cause analysis	The focus of historic monitoring was wood legality and did not include follow-up on achievement of any required OHS certification.	
Evidence Reviewed by KPMG PRI	Final action plan accepted – January 2017 List of PT. RAPP contractors showing certification status and expected certification dates	
Findings (2017)	List of RAPP contractors with more than 100 staff. List of RAPP contractors designated as high-risk based on the nature of work undertaken. Implementation plan for SMK3 certification of RAPP contractors The processes are in place to achieve SMK3 certification for RAPP contractors in 2017/2018. The equivalent information is not yet available for suppliers.	
Conclusion on status (June 2018)	In Progress.	

Conclusion on status (April 2019)	<p>In Progress – to facilitate progression toward SMK3 certification by Contractor companies, APRIL has developed a Contractor Safety Management System (CSMS) that is based on key elements of SMK3 and is required of contractors. The CSMS is socialized with contractors as part of the contracting process. The CSMS involves both a document review phase and an implementation phase that are assessed by APRIL staff. 11 of the 24 contractors had been assessed via an initial document review phase by February 2019. Future steps still to be completed include follow-up and closure of document review findings and completion of field assessments. Revised (2019) action plan accepted June 2019.</p>
--	--

Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
Opportunity for Improvement #1 2018	While APRIL has implemented a Land Cover Change monitoring system across its Open Market Suppliers and uses this to identify potential cases of new development, not all Open Market Suppliers have responded to requests for information in relation to potential land cover change on their concessions. As of May 31, 2018 there were 511 hectares of potential land cover change on Open Market Supplier concessions that remained unverified, which is 36% of the total potential land cover change identified on Open Market Supplier concessions in 2017. The majority (82%) of the unverified amount relates to a single Open Market Supplier.	
APRIL Action Plan(s)	Review the LCC Monitoring requirement and results with each Supplier, and strengthen the relationship to allow field verification.	Timeframes: Verify past reports by end of 2018
Updated Action Plan (as of April 2019)	(Same with OFI #1, 2019)	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	Suppliers are sensitive to sharing their issues publicly and are used to operating in a culture of not having anyone other than MOEF viewing their operations.	
Evidence Reviewed by KPMG PRI	Updated data on the amount of unverified Open Market Supplier data as at December 31, 2018	
Findings (2019)	APRIL has held Open Market Supplier sessions in Kerinci to reiterate the importance of SFMP 2.0 monitoring data and by Quarter 2, 2019 all suppliers had attended one of these sessions. However, the required data is still not being provided by all suppliers and the amount of unverified land cover change increased to approximately 2,624 ha by the end of 2018 (after excluding land cover change associated with PT. Tanjung Redep Hutani, from which APRIL no longer purchases fiber.	
Conclusion on status (April 2019)	In progress. Revised (2019) action plan accepted June 2019.	

Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
Opportunity for Improvement #2 2018	Land recovery and planting operations following encroachment and settlement of land claims is required to be limited to areas that are non-forested as defined by HCV and HCS. Very little HCS information is currently available for supplier concessions and on some older supplier concessions developed prior to the HCV process being established there is also no HCV information. While the sites being recovered generally have low value from both an HCV and HCS perspective and have residual timber below the HCS threshold for residual patches there is an opportunity for APRIL to develop and consistently implement a process to clearly identify and document the existing site values and their potential to support either HCV or HCS objectives prior to undertaking recovery operations.	
APRIL Action Plan(s)	APRIL to work with the SAC to clarify and agree on when/if HCV and HCS assessment is required in old, deforested, land claim recovery areas.	Timeframe: December 31, 2018
Updated Action Plan (as of April 2019)	APRIL to finalize the new SOP about Internal Assessment for recovered area (Land Recovery Assessment SOP). Create a clear timeline for socialization and capacity building stage as well as implementation stage.	Timeframe: Q4 2019
APRIL Root cause analysis	Lack of clarity on applicability of HCV/HCS assessment on recovered land in old, deforested areas.	
Evidence Reviewed by KPMG PRI	Draft land recovery SOP and associated decision flow chart for land recovery operations	
Findings (2019)	A draft SOP has been developed that provides sufficient guidance to ensure maintenance of HCV and HCS values through land recovery operations. However, the SOP has yet to be finalized or implemented. Therefore, the action plan status was determined to be in development until such time as an SOP is completed.	
Conclusion on status (April 2019)	In development. Revised (2019) action plan accepted June 2019.	

Indicator II.a	Hectares and % of conservation and restoration area impacted by fire, development or encroachment	
Opportunity for Improvement #3 2018	<p>Review of PT. RAPP data related to rehabilitation of encroached areas with indigenous species indicated that the area rehabilitated is reasonable compared to the amount of new encroachment.</p> <p>However, there remains a significant amount of historic encroachment that has yet to be rehabilitated and the scale of current rehabilitation activities will not significantly impact the area subject to historic encroachment.</p> <p>It is noted that Conservation Land use Management Plans are in the process of development for PT. RAPP sectors that will identify priority areas for conservation. As a result, there is an opportunity for improvement for PT. RAPP to use the Conservation Land use Management Plan process to help prioritize the rehabilitation of previously encroached areas and focus on rehabilitation of areas where the conservation benefit will be the greatest.</p>	
APRIL Action Plan(s)	<p>Use the Conservation Land Use Management Plans to identify and prioritize conservation forest areas requiring rehabilitation.</p> <p>Complete the identification and prioritization of rehabilitation areas by March 31, 2019; and schedule to complete 50% of the high priority backlog rehabilitation planting by end of 2019.</p>	Timeframe: December 31, 2019
Updated Action Plan (as of April 2019)	Use the priority patches from Conservation Management Framework to determine the focus of Land Recovery Plan for 2020	Timeframe: Q4 2019
APRIL Root cause analysis	Focus of resources spent on resolving Land Claims. Rehabilitation efforts of past backlog areas is through protection and natural succession.	
Evidence Reviewed by KPMG PRI	Accepted July, 2018	
Findings	PT. RAPP has compared areas of land recovery between 2015 and 2018 and the areas mapped as priority patches for protection through the conservation land use management planning process to identify priority restoration area. The planting of these areas is expected to take place in the next fiscal year.	
Conclusion on status (April 2019)	In progress. Revised (2019) action plan accepted June 2019.	

Indicator V. a	<ul style="list-style-type: none"> - Total \$ spent on social infrastructure projects - KMs of road built - # of social infrastructure projects completed - # of social infrastructure projects for which materials were provided 	
Opportunity for Improvement #4 2018	<p>Supply Partners each have their own community development programs with their own particular emphasis. Interviews with local communities at one Supply Partner indicated a clear community interest in economic development rather than the current practice of cash donations for cultural celebrations.</p> <p>Now that Supply Partners are reporting community development activities to APRIL there is an opportunity for improvement to both:</p> <ul style="list-style-type: none"> • seek to align existing indicators (which were developed as an interim measure for PT. RAPP community development activities) with Supply Partners to capture critical community development actions; and, • begin to align community development programs across Supply Partners to focus on maximizing the impact of dollars spent on community development. 	
APRIL Action Plan(s)	Re-socialize SFMP Indicators to all Supply Partners and host discussions to align APRIL Community Development programs wherever possible with individual Supply Partners.	Timeframe: December 31, 2018
APRIL Root cause analysis	Supply Partners have their own approach to social engagement and community development.	
Evidence Reviewed by KPMG PRI	<p>Community development program presentation materials covered with Supply Partners</p> <p>Supply Partner meeting attendance records.</p> <p>Records of the outcome of review of existing community development programs with community development staff at individual Supply Partners and potential action items identified by Supply Partner community development staff.</p>	
Findings (2019)	<p>The opportunity to focus community development plans has been raised with Supply Partners and APRIL has undertaken an initial step to review the individual programs with community development staff from each Supply Partner and assist them in identifying opportunities within their programs which have been fed back to Supply Partner management.</p> <p>Ultimately, Supply Partner management have the authority to make improvements in their individual community development programs. While this will be an ongoing opportunity, APRIL's initial assistance in identifying both the opportunity and some initial options for improvement addresses the intent of the action plan.</p>	
Conclusion on status (April 2019)	Closed.	

Indicator VI. b	Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes	
Opportunity for Improvement #5 2018	<p>During field inspections related to encroachment areas it was noted that:</p> <p>At one PT. RAPP sector two areas were identified that are classified as “settled” claims in the Company’s “PIMS” database. However, field observation indicated that encroachment activities continue on these areas.</p> <p>At one Supply Partner, analysis of land cover data identified a small area with 5-6 year old oil palm oil that had yet to be included in the land claim database.</p> <p>At one Open Market Supplier an area classified as plantation was found to be planted with oil palm as a result of encroachment.</p> <p>At one Open Market Supplier, it was noted that a large percentage of the areas that were regarded as having resolved disputes in 2017 had already been planted with pulp wood prior to the signing of a Memorandum of Understanding confirming resolution of the dispute with the third party.</p>	
APRIL Action Plan(s)	Re-socialize the importance of SFMP 2.0 Section VI to PT. RAPP and Supply Partner social management staff and monitor for consistent implementation of associated SOP.	Timeframe: December 31, 2018
Updated Action Plan (as of April 2019)	(Same with OFI #3, 2019)	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	Lack of understanding of SFMP 2.0 Section VI (f) and lack of consistent implementation of associated SOP.	
Evidence Reviewed by KPMG PRI	<p>Emails to all PT. RAPP sector staff with responsibilities related to encroachment as well sector managers identifying the importance of accurate information related to land cover change and encroachment and providing some guidance on treatment of areas with repeat encroachment.</p> <p>Similar emails to the responsible Supply Partner staff.</p> <p>Field review of implementation of encroachment tracking processes at two PT. RAPP estates and four Supply Partner concessions as well as two Open Market Supplier concessions.</p>	
Findings (2019)	<p>APRIL has communicated expectations around tracking of encroachment and data quality and accuracy to all PT. RAPP estates and continues to identify potential land cover change across all operations, including Open Market Suppliers, for follow up.</p> <p>However, field inspections did identify continuing isolated errors in data related to encroachment.</p>	
Conclusion on status (April 2019)	In Progress. Revised (2019) action plan accepted June 2019.	

Indicator VI. c & d	Established standard operating procedure (SOP) for addressing grievances Existence of publicly available grievance system	
Opportunity for Improvement #6 2018	<p>While APRIL and the majority of its suppliers have developed grievance processes to address grievances raised by local communities, the implementation of these processes is inconsistent amongst suppliers and local stakeholder awareness of the process remains limited. In particular:</p> <p>At two Supply Partners the requirements of the grievance SOP had yet to be socialized 10 months after its development. At one Supply Partner, staff indicated the SOP is confidential, which is inconsistent with requirements for a public grievance system.</p> <p>A general lack of awareness of the grievance process was noted during multiple interviews with local villages. Note: despite this, interviews with village representatives located near PT. RAPP operations did indicate pre-existing grievance processes based on direct resolution with PT. RAPP's local community development staff remain functional.</p>	
APRIL Action Plan(s)	<p>Re- socialize to Supply Partners the benefits of managing a transparent grievance procedure.</p> <p>APRIL to review status and results of Supply Partners' grievances bi-monthly.</p>	<p>Timeframe: December 31, 2018</p>
Updated Action Plan (as of April 2019)	(Same with OFI #4, 2019)	<p>Timeframe: Q3/Q4 2019</p>
APRIL Root cause analysis	Inconsistent monitoring of grievance process implementation.	
Evidence Reviewed by KPMG PRI	<p>Meeting materials related to the re-socialization of the expectations and objectives of the grievance process with all PT. RAPP estates and Supply Partners.</p> <p>Records of meeting attendance.</p> <p>Records of workshop / sharing session related to grievance process.</p> <p>Field review of implementation of grievance processes at 2 PT. RAPP estates and 4 Supply Partner concessions.</p>	
Findings (2019)	The expectations related to the grievance process have been covered with all PT. RAPP estates and Supply Partners. However weaknesses in both record keeping and implementation of related to grievance and conflict resolution were identified at two Supply Partners.	
Conclusion on status (April 2019)	In progress. Revised (2019) action plan accepted June 2019.	

Indicator VI. e & f	% of grievances addressed within 10 days % of grievances resolved in accordance with the grievance standard operating procedure (SOP)	
Opportunity for Improvement #7 2018	At one PT. RAPP sector it was noted that a grievance had been submitted but had not been treated in accordance with the grievance SOP. The grievance was never recorded on the public list of grievances on the APRIL website and was instead handled (and resolved) by local management	
APRIL Action Plan(s)	Socialize to all Estate Managers and SGR team members the importance of documenting all grievances as per the grievance SOP. Do so as part of the Grievance system training to all RAPP and Supply Partner estate sectors.	Timeframe: December 31, 2018
Updated Action Plan (as of April 2019)	(Same with OFI #5, 2019)	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	Estate Managers do not always consider the need to document issues for transparency to external stakeholders.	
Evidence Reviewed by KPMG PRI	<p>Meeting materials related to the re-socialization of the expectations and objectives of the grievance process with all PT. RAPP estates and Supply Partners.</p> <p>Records of meeting attendance.</p> <p>Records of workshop / sharing session related to grievance process.</p> <p>Field review of implementation of grievance processes at two PT. RAPP estates and four Supply Partner concessions.</p>	
Findings (2019)	<p>An “offline” grievance process has been developed to address the concerns of local stakeholders related to the use of the public grievance mechanism.</p> <p>However:</p> <ol style="list-style-type: none"> 1) APRIL does not currently have visibility to the nature of grievances being raised through this process; and, 2) Weaknesses in both record keeping and implementation of grievance processes were identified at two Supply Partners. 	
Conclusion on status (April 2019)	In progress. Revised (2019) action plan accepted June 2019.	

Indicator VII. b	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors	
Opportunity for Improvement #8 2018	Interviews with workers and a contractor supervisor at one PT. RAPP sector indicated limited awareness of the existence of formal grievance processes for workers.	
APRIL Action Plan(s)	Conduct a refresher Grievance system training to all RAPP sector and Supply Partner managers	Timeframe: March 31, 2019
Updated Action Plan (as of April 2019)	Include the monitoring of Labor Complaint Mechanism implementation in the Internal Audit Process	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	Lack of awareness of functions outside of direct Job Responsibilities	
Evidence Reviewed by KPMG PRI	Evidence of a road trip to all PT. RAPP sectors to provide refresher training on legal requirements (including employee grievance processes). Field review of awareness of worker grievance processes at two PT. RAPP estates and four Supply Partner concessions.	
Findings (2019)	While additional socialization has occurred, field interviews indicated isolated weaknesses in awareness of grievance processes at one PT. RAPP estate and one Supply Partner.	
Conclusion on status (April 2019)	In progress. Revised (2019) action plan accepted June 2019.	

Indicator VII. c	% of PT. RAPP, supplier and contractor operations covered by OHS certification	
Opportunity for Improvement #9 2018	<p>During field inspections at PT. RAPP and three Supply Partners, isolated safety concerns were observed as follows:</p> <p>Ineffective personal protective equipment (PPE) in use by staff and contractors, which included and included unprotected lower shin for a chainsaw operator and non-functional safety whistles on lifejackets;</p> <p>Missing fire extinguishers were noted at a planting contractor camp that had fuel storage.</p> <p>One contractor field camp was constructed too close to surrounding forest and did not have a separated kitchen and sleeping quarters as required by the Supply Partner's SOP.</p> <p>One SME contractor interviewed was unaware of mandatory health and safety meetings and there is no monitoring to ensure that all contractors attend these meetings.</p>	
APRIL Action Plan(s)	Conduct a refresher course on H&S requirements to Estate and Head Office Managers.	Timeframe: March 31, 2019
Updated Action Plan (as of April 2019)	<p>APRIL will finalize the CSMS SOP.</p> <p>Create a clear timeline / schedule for another round of CSMS Socialization and Implementation on 2019.</p>	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	Lack of awareness of functions outside of direct Job Responsibilities	
Evidence Reviewed by KPMG PRI	<p>Evidence of a road trip to all PT. RAPP sectors to provide refresher training on legal requirements (including safety).</p> <p>Observation of safety practices at two PT. RAPP estates and four Supply Partner concessions.</p> <p>Review of progress in the development and implementation of a contractor safety management system</p> <p>Review of fatalities data.</p>	
Findings (2019)	Fatalities increased in 2018. There has been a response in accordance with the action plan to raise safety awareness and implement a new contractor safety management system to raise contractor safety standards. The implementation of the contractor safety management system remains in progress.	
Conclusion on status (April 2019)	In progress. Revised (2019) action plan accepted June 2019.	

Indicator VII. c	# of males and females in permanent and full-time positions	
Opportunity for Improvement #10 2018	2017 is the first year of reporting for the male: female employment ratio. While data was available for PT. RAPP employees, and fiber operations employees and contractors only estimates were available for mill contractor workers. As mill contractor workers make up less than 2% of the total workers this is not expected to have a significant impact on the reported data. However, there remains an opportunity for improvement to gather mill contractor data for future reporting cycles.	
APRIL Action Plan(s)	Mill HRD to establish a process to collect Male and Female worker statistics.	Timeframe: December 31, 2018
APRIL Root cause analysis	Lack of data collection in relation to contractor workers.	
Evidence Reviewed by KPMG PRI	Contractor listing indicating gender.	
Findings	The contractor gender information has been sourced from existing data.	
Conclusion on status (April 2019)	Closed.	
Indicator IX. a	Total area and HCV/HCS area by concession publicly available.	
Opportunity for Improvement #11 2018	The current list of suppliers with publicly available HCV reports has not been updated in 2017 to include all new suppliers.	
APRIL Action Plan(s)	Update supplier and HCV lists on the APRIL Dashboard on a monthly basis i.e., every first week of the month.	Timeframe: September 30, 2018
APRIL Root cause analysis	Annual updates were considered sufficient.	
Evidence Reviewed by KPMG PRI	Review of current supplier lists and comparison to database. Review of evidence of monthly updates to the database.	
Findings	Monthly updates to the database have been implemented.	
Conclusion on status (April 2019)	Closed	

Indicator IX. e	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery	
Opportunity for Improvement #12 2018	<p>While the due diligence process for new suppliers was implemented in 2017, it was not fully functional for the full year.</p> <p>In one instance, it was noted that a contract was initiated with a new Open Market Supplier and the first wood delivery occurred prior to the on-site SFMP 2.0 due diligence. However, this related to a low risk supplier that had already achieved FSC forest management certification and the on-site due diligence occurred in the following month.</p> <p>In a second instance, it was noted that the due diligence process focused on the current supplier practices but did not sufficiently assess supplier practices in the period between June 15, 2015 (the SFMP 2.0 moratorium date for natural forest clearance) and the present date for evidence of historic natural forest clearance.</p>	
APRIL Action Plan(s)	<ul style="list-style-type: none"> Edit the compliance self-assessment form to specifically document whether or not there was development of plantations post June 3, 2015, including related HCV and HCS reports; and, Socialize the importance of the Due Diligence process to all key managers across the Supply chain to reinforce its importance in APRIL's business. 	Timeframe: September 30, 2018
Updated Action Plan (as of April 2019)	(Same with OFI #2, 2016 and OFI #2, 2019)	Timeframe: Q3/Q4 2019
APRIL Root cause analysis	Relative lack of experience with the new Compliance SOP resulted in insufficient implementation of the Due Diligence process.	
KPMG PRI review of Action Plan	Accepted July, 2018	
Evidence Reviewed by KPMG PRI	<ul style="list-style-type: none"> Comparison of the timing of supplier due diligence processes for new suppliers in 2018 to the first wood delivery from those suppliers. Review of the updates supplier due diligence checklist. Site visits to two new Open Market Suppliers to assess completion of the new supplier due diligence process. Review of socialization data 	

<p>Findings</p>	<p>In relation to the timing of the supplier due diligence process:</p> <ul style="list-style-type: none"> For new suppliers identified in 2018, no instances were identified where the initial wood delivery month was prior to the due diligence process. <p>In relation to the content of the supplier due diligence process:</p> <ul style="list-style-type: none"> The supplier due diligence checklist has been updated. However, the related procedure has yet to be finalized. The new due diligence checklist covers post June 2015 development. While there have been no new supplier due diligence processes since the checklist has been updated, supplier due diligence conducted with the old checklist in 2018 did partially address post June 2015 development. However, neither of the due diligence process records for a sample of two Open Market Suppliers were sufficient to accurately conclude on post June 2015 development. <p>The status of the action plan was determined to be “in development” although the supplier due diligence questions have been updated as the related procedure amendments remain in draft and the retrospective analysis process for post 2015 development has not yet been completed.</p>
<p>Conclusion on status (April 2019)</p>	<p>In development. Revised (2019) action plan accepted June 2019.</p>