



Stakeholder Advisory Committee (SAC) on APRIL2030

22nd SAC Meeting (Virtual)
Friday, 01 October 2021

SAC MEMBERS	<ol style="list-style-type: none">1. Prof. Jeffrey Sayer (<i>Co-chair</i>)2. Dr. IB Putera Parthama (<i>Co-chair</i>)3. Bapak Al Azhar4. Dr. Neil Byron5. Ibu Erna Witoelar6. Mr. Rod Taylor
TOPICS OF DISCUSSION	
Opening <p>SAC co-chairs opened the meeting and went through the agenda items for the meeting: 1) 2022 SFMP2.0 Assurance Plan will be presented by SAC Co-chair Jeff Sayer on behalf of KPMG; 2) APRIL2030 Sustainable Growth commitment pillar will be presented by an APRIL representative; 3) Community Forestry Framework will be presented by a representative from RECOFTC.</p> <p>Also on the agenda item was a written update on APRIL Open Market Suppliers compliance monitoring.</p>	
SFMP2.0 2022 Assurance <p>SAC Co-Chair Jeff Sayer presented to the rest of the SAC Members the 2022 SFMP2.0 Assurance Plan as prepared by KPMG. The objective of this session is to seek approval from SAC to undertake the 2022 SFMP 2.0 assurance process and agree on the general approach to be taken in 2022. SAC Co-Chair reminded that the SAC remains in charge of the engagement with KPMG and therefore the approval for continuation and approach for the next audit year will need to be supervised by the SAC.</p> <p>The presentation outlined the potential of the SFMP audit framework for supporting impact metrics, overlap with APRIL2030 indicators, and overview of the 2022 work plan.</p> <p>The SAC agreed that KPMG should be rehired for next year's (2022) assurance process, but that there is an expectation of a fundamental shift in the assurance process after 2022 from Compliance to Performance monitoring (that is more outcomes focused than input monitoring). The SAC acknowledged that assurance on operational compliance is still very much needed and requested by a lot of APRIL's stakeholders, but they should also be prepared to have an audit framework that is more performance- and achievement-oriented. This could be the point of transition for the APRIL 2030. In the meantime, the SAC agreed to continue full assurance in 2022, and make it as field-oriented as it is possible, considering COVID restrictions, combined with desktop assessment (hybrid method). The SAC advised</p>	

that the planning process needs to start earlier because it will take some time to design the assurance process.

As for the indicators of 2022 Assurance, the SAC requested APRIL and KPMG to review and propose any changes that will be needed in the set of indicators.. It was agreed that the full range of SFMP indicators will need to be subject to assessment but that some of the indicators will need to be updated. The SAC agreed that Jeff Sayer, Putera Parthama, and Neil Byron will evaluate the proposed changes/adjustments to the indicator set drawing on inputs from other SAC members.

The SAC also recommended the involvement of more Riau-based experts and observers and local contractors in the 2022 assurance process. This issue was raised by Riau stakeholder during the last Stakeholder Forum in Pekanbaru. There was also a suggestion to make the report less formal and more easily accessible to non-specialist readers.

In terms of timeline, the SAC does not suggest delaying the process of assurance if on-site visit is not possible until Q1 2021. Assurance should still continue in adherence to the original proposed timeline. SAC agreed to sign Letter of Engagement now.

APRIL is grateful that SAC is looking beyond SFMP and into APRIL2030 assurance, which are more impact and achievement-focused. The assurance process is still very useful for APRIL's stakeholders, especially for financial institutions that are looking into risk assessments and assurance of compliance to voluntary commitments. APRIL reminded the SAC that APRIL2030 progress will be reported separately through APRIL's annual Sustainability Report which is also independently verified.

APRIL 2030 – Sustainable Growth

An APRIL representative provided an update of APRIL2030 Sustainable Growth target to the SAC, starting by restating the four targets under Sustainable Growth: 98% chemical recovery and 25% less process water use per product tonne; 80% less solid waste to landfill; and 20% recycled textile use in viscose fiber.

For improved chemical recovery, APRIL reported that the target is on track. Several initiatives are ongoing to support its achievement, including the lime reclamation project and a feasibility study to install a centrifuge system to replace the Dregs filter.

For water use reduction, current status is slightly above baseline. However, there are multiple ongoing projects in process, including a feasibility study on waste water and newer technology nozzles in mill operation. APRIL also added that one of the challenges is the feasibility of applying new technology at scale.

For recycled textile use, APRIL is currently in collaboration with an external organization on pre-consumer textile waste survey in Indonesia, Sri Lanka and Bangladesh. In terms of trial, up to now APRIL is able to decolorize and separate an amount of polyester from the textile waste and mix recycled textile pulp with regular dissolving wood pulp for viscose production. Going forward, APRIL will focus on pushing up higher mixed ratio of recycled textile pulp in viscose.



For reduction of solid waste to landfill, APRIL's target is on track. Key to support this progress are the sludge utilization as fuel substitute and ash utilization as road subgrade. In addition, several related R&D studies are also in place.

Related to APRIL2030, APRIL updated the SAC on recent discussions with several banks for a Sustainability-Linked Loan (SLL). By agreeing to this, APRIL's loan instrument is incentivized through the achievement of a predetermined set of sustainability performance targets. This is the first SLL that APRIL was involved in which reflects sustainability's increasing integration in the business. To complete the process, APRIL worked with an independent assurance body to verify the proposed sustainability targets, including their materiality, representativeness and credibility of baseline which were all reported in a Second Party Opinion (SPO) statement.

The SAC commends APRIL's serious effort in identifying strategies and initiatives to achieve the APRIL2030 Sustainable Growth target. The SAC recommends APRIL to add industry benchmark in their monitoring of progress against targets in order to understand how APRIL is performing vis a vis the industry average. They also inquired about APRIL's seriousness in achieving the textile waste target knowing all the challenges and if recycled board paper would be used as part of the downstream diversification. APRIL reaffirmed that the use of textile waste for viscose is a serious business strategy and various parallel streams of research and pilots are being pursued to look into commercial scalability. The use of recycled board is not being considered due to the quality and market safety standards for the intended board production.

In addition, the SAC welcomes APRIL's involvement in the Sustainability Linked Loan and wishes to learn more about it as the trend of linking financing with sustainability is increasing.

RECOFTC Community Forestry Project

A RECOFTC representative reported on the Community Forestry model that they have been working on with APRIL. By way of background, RECOFTC was approached by APRIL to develop a community forestry framework to guide APRIL's work with the communities. APRIL noted that its sustainable forest management policy needs to be much more conducive to the development of community forestry, noting many of the existing commitments apply mainly to large-scale plantation development.

RECOFTC explained that Community Forestry consists of five elements: Human Capital, Natural Capital, Financial Capital, Physical Capital, and Social Capital. In developing the community forestry framework, RECOFTC conducted: literature review, including the review of existing framework and developing indicators for questionnaire; field test through group discussions and local community interviews; and amendment of community forestry framework, based on inputs from the ground.

RECOFTC continued to convey that there are five principles of community forestry, including the availability of natural resources, effective governance and participation, rights and institutional settings, addressing community needs, and adaptive management and learning.



Adopting this framework will allow APRIL to develop a community forestry program that provides a balance between community enterprise development opportunities, fiber production, and fulfilling the objectives of the social forestry program (PSKL) set forth by the Government.

APRIL added that this community forestry framework would be very useful in transitioning from smallholder tree farming models to a sustainable and equitable community forestry enterprise. The key is to understand how this can be operationalized on the ground to enable local communities to be part of APRIL's value chain.

The SAC appreciates the update from RECOFTC and agreed that a community forestry framework can be beneficial to APRIL as well as to the surrounding communities. The SAC agrees that this framework would not necessarily entail a revision of the existing SFMP 2.0 but instead can be a stand-alone framework that the company adopts. The SAC also suggested looking into the existing government social forestry program (PSKL) and to support and align with this.

RECOFTC appreciates the input given by the SAC and agreed that this framework can be aligned with the government's program. RECOFTC also recalled that to make this successful, there will need to be a trust building exercise with the local communities and other stakeholders which will take time.

Supplier Compliance (Written Update)

APRIL provided a written update to the SAC with regards to APRIL's Open Market Supplier compliance monitoring, including: the trend in the number of OM Suppliers; their compliance status against APRIL's due diligence framework; the increase in the number of verifiers; the OM suppliers' certification status; results of regular land cover change (LCC) monitoring and verification; and their SFMP2.0 compliance based on latest assurance result.

The SAC appreciated the update and reminded APRIL of the increasing importance of ensuring stringent monitoring and capacity building amongst the Open Market suppliers.

Closing

The SAC co-chairs thanked all participants for attending the meeting and reminded that there will be two more meetings before the end of the year.

Next Meeting Date

Date (tbd) : Early November

Location : Virtual (Zoom)