



**Stakeholder Advisory Committee (SAC) on
APRIL’s Sustainable Forest Management Policy (SFMP 2.0)**

– 12TH SAC Meeting in Jakarta - Indonesia, 18-20 March 2018 –

SAC MEMBERS	<ol style="list-style-type: none"> 1. Mr. Joe Lawson (<i>Chair</i>) 2. Al Azhar 3. Prof. Jeffrey Sayer 4. Dr. Neil Byron 5. Ibu Erna Witoelar
IN ATTENDANCE	<p>A representative from a financial institution, two APRIL Sustainability partners and an Indonesian doctoral student attended several sessions in the capacity of observers. A representative from KPMG PRI was also present as resource person.</p>
TOPICS OF DISCUSSION	
<p>Opening remarks and general observations</p> <p>Over the past four years, APRIL has made significant progress in advancing conformance with its Sustainable Forest Management Policy. Challenges remain and the March 2018 SAC meeting focused on several of these, including supplier compliance, landscape scale management and implementation of an expanded community forestry program. The SAC was pleased to receive a report detailing the recent approval of APRIL’s long-term work plan (RKU) and looks forward to more information on the proposed restoration plan.</p> <p>The SAC also recognizes that there are significant opportunities to increase the impact and value of its role. Efforts are currently underway to improve communication and expand membership.</p>	
<p>1. Supplier compliance</p> <p>An update was provided to the SAC of the ongoing program to monitor supply chain compliance (supply partners, open market suppliers, and community forestry) with SFMP 2.0 commitments. The program has been implemented since May 2017. It encompasses a due diligence component for potential suppliers (prior to contract signing), as well as a monitoring component for current suppliers, which includes regular visits to supplier sites and continuous land cover change analysis through remote sensing.</p> <p>APRIL acknowledges challenges in obtaining complete data solicited from suppliers, but substantial progress has been achieved, with all suppliers completing 94% of the information requests. Suppliers are given timelines by APRIL to respond to outstanding data requests. The SAC noted that APRIL should communicate more about this monitoring program and in Indonesian language, beyond the current assurance audit reports.</p> <p>APRIL informed the SAC members about the recent ownership changes in PT Korintiga Hutani, a former</p>	

APRIL open market supplier which is now under majority ownership of OJI Holdings. PT Korintiga Hutani is FSC CoC-certified, and the SAC appreciates OJI Holding’s positive reputation in forest management practices. The SAC notes that this development can open the way for APRIL to resume its supply relationship with PT Korintiga Hutani and is consistent with FSC guidance.

Maps of PT Adindo Hutani Lestari were presented to the SAC, showing the peat landscape within concession as well as the peat protection zones identified in the recently revised long-term work plan (RKU). The SAC noted PT Adindo Hutani Lestari has no intention of developing new areas. The SAC is aware of stakeholder interest in Adindo and noted the 2018 assurance review by KPMG will include Adindo in its field visit.

Recommendation

The SAC recognizes that APRIL generally does a good job with internal compliance monitoring. However, challenges remain regarding supply partners and open market suppliers. The SAC encourages APRIL to develop a public supplier compliance matrix, including timelines for full compliance, with consideration for confidentiality of individual supplier names and performance. This matrix is seen by SAC as a step forward in increased transparency.

In addition, the SAC intends to organize a forum with APRIL suppliers at its next meeting.

2. Conservation forest management

APRIL offered an update on the program to develop and implement a framework for managing, restoring and enhancing identified HCVs within concessions. APRIL referred to available landscape approach literature and current HCS approach guidance to build this framework, mapping forest cover, community presence and potential threats to protection of HCVs in 5-km buffers around concession boundaries. The program outputs consist of an Estate-based Conservation Forest Plan, Action Plan and Monitoring Matrix, as well as a visual Action Map. The framework was developed and piloted in one of PT RAPP’s concessions and is currently being rolled out across all other Sectors. Supply partners will be incorporated into this program during the second semester of 2018.

The SAC emphasized the need to continuously engage with communities and other stakeholders on the ground, including governmental actors, to successfully manage the landscape for balanced conservation outcomes. The SAC members recognized that this framework is an opportunity to integrate community views and expectations vis-à-vis conservation and livelihood activities. Through the Fire-Free Village Program experience, APRIL understands that relationship building with communities is the central part to any landscape management process. The SAC also thinks that APRIL has a role to play in informing the dialogue on landscape approach within the Indonesian context, and encourages the Company to take on this challenge.

The SAC endorsed the approach being taken by APRIL, as it is consistent with what SAC had previously requested. The SAC acknowledges that there are challenges in such an approach and that it will require long-term commitment, for which reason members requested to be kept updated on progress.

3. Community forestry

APRIL sees an opportunity for win-win collaboration with local communities through the establishment of sustainable community tree farms that can at the same time serve the commercial and livelihood interest of the community, supply wood to APRIL, and protect the natural environment. Recognizing that the requirements in SFMP 2.0 were developed for large-scale fiber plantations, APRIL has been working since

2017 to develop a viable framework for community tree farms, which would fulfil SFMP 2.0's core commitments of no-deforestation, legality and traceability, and FPIC.

APRIL is conducting a pilot High Carbon Stock assessment in 3 communities, located outside of government-designated forest areas or *kawasan hutan*, in partnership with Proforest and BIDARA. Completion forecast is the second semester of 2018.

The SAC reviewed APRIL's current proposal for a community forestry sustainability framework. As proposed, the SAC agrees it could be acceptable but thinks this framework is challenging from a long-term perspective.

At the 11th SAC Meeting, the SAC supported continuing exploration of various forms of community forestry on mineral soils on private and APL lands (lands outside of the Government forest estate). Subsequently, it has become clear that the proposed pilot areas have numerous limitations: distance from processing facilities, remnant natural vegetation and relatively small net plantable areas, and significant pressures for conversion to oil palm plantations.

Recommendation

The SAC recommends that APRIL explores multiple approaches to encourage emergence of commercially viable and sustainable smallholder and community tree-farming that would:

- Generate sustainable livelihoods for rural people from their land;
- Supply usable volumes of fiber to processing industries;
- Maintain or improve environmental standards and outcomes; and
- Be legal and traceable.

A possible way forward might be for APRIL to announce that it is very supportive, in principle, of farm and community forestry and so is willing to be a long-term purchaser of farmed wood produced by smallholders, groups, communities, cooperatives, on their own existing lands (or lands granted to them for that purpose). Furthermore, the Company is willing to offer technical advice and support as required (e.g. seedling supplies, plantation establishment techniques, etc.) but would not attempt to micro-manage the production. Rather it expects, and would encourage, the evolution of a diversity of production systems that suit diverse sites and the diverse needs of the owners (e.g. different silvicultural regimes, rotations, underplanting).

However, for this to happen, some changes may need to happen to create a more conducive regulatory environment. The industry may need to request that the government support and facilitate the emergence of farm and community forestry through, for example, clarification of land tenure where required, and the removal of regulations that were devised to deal with logging of natural forests but are inapplicable to tree farming of exotic species like acacia, on private lands (e.g. log transit permits).

NGOs and CSOs may also have a role to play in recognizing the legitimacy of commercial small-scale tree farming as a land use on APL (lands located outside the Government forest estate or *kawasan hutan*) and private lands.

A very simple and inexpensive system is needed to ensure legality and traceability of farmed exotic wood from smallholders' or communities' own lands where the level of scrutiny is proportionate to the very small environmental risks and the significant social and economic benefits from such activity.

4. Grievance mechanism

APRIL provided an update on the grievance mechanism, launched in mid-2016. The focus in 2017 was on

socializing the tool with the communities to promote its use for lodging grievances. More than 1,100 individuals living in the vicinity of PT RAPP's concessions participated in this socialization effort. As a result, throughout the year, APRIL received [eight grievance cases](#) which the Grievance Committee validated per current [standard procedure](#). Seven of these eight cases have been addressed and settled by the Company. The outstanding case has to do with availability and harvesting of natural wood species for communities to build boats for the annual Pacu Jalur event (a traditional canoe race). APRIL continues to work with local forestry authorities to seek a solution to address this need.

APRIL noted that local communities frequently reach out to Estate teams to report small concerns (for example, road dust) in an informal manner, without making use of the public grievance mechanism. These concerns are quickly addressed at Estate level within 24-48 hours. The Company is now considering how best to document the handling of such cases.

The SAC recognizes there is still a gap in terms of community awareness and use of the system around APRIL supplier concessions.

5. Strategic fire management

APRIL shared the 2017 fire report and 2018 forecast and plans with the SAC members. 2017 was an above-average rainfall year. 70% of total fire incidents attended by the Company, including areas outside concessions (5km buffer zones), occurred in mineral soils. APRIL managed to halve average fire size thanks to the rapid response by fire suppression teams. Fire incident investigations concluded that 80% of all fire incidents were linked to agricultural activities, the rest being accidental ignitions.

All hotspots monitored by APRIL were ground-truthed by field teams and zero cases were confirmed as actual fires, indicating that hotspots are an inadequate proxy for fire occurrence on the ground. PM10 measurements in APRIL stations across Riau recorded haze levels well below the clean air (50ug/m³) threshold set by World Health Organization throughout 2017.

The annual report about APRIL's Fire Free Village program (FFVP) will be published shortly on the Company's website. Nine villages across Riau are enrolled in the FFVP for 2018, and another 18 are kept engaged with APRIL through the Fire Resilient Communities program, which seeks to ensure a lasting impact and mindset change among communities who have already graduated from the FFVP. In addition, the Fire Free Alliance (FFA) continues to meet and share knowledge. Its members are supportive of instituting a permanent secretariat in Jakarta.

The SAC supported the establishment of a permanent secretariat for the FFA that can help advocate and scale up the fire-free village approach.

6. Independent Peat Expert Working Group (IPEWG)

The IPEWG recently completed its first two years of mandate and the decision was taken by APRIL to extend it for another biennium. The IPEWG is close to finalizing a progress report covering achievements from the first period and challenges ahead.

The first phase of the work had a strong focus on building an understanding of peatland science and working with APRIL to analyze and review the extensive data that has been collected by the Company. For its second phase, the IPEWG intends to work with APRIL field staff to further develop best management practices for existing operations on peatland which address the plantations and the wider landscape. The IPEWG is seeking to recruit one additional Indonesian member. The next face to face meeting will be in

Pangkalan Kerinci in early June.

The SAC members encouraged APRIL and the IPEWG to engage local and global research institutions and government agencies in order to raise understanding and create synergies. The SAC also advised APRIL to combine research with actual trials on the ground that can help prove the Company's best management practices. It is the SAC's opinion that APRIL must be part of a collaborative, integrated and solutions-oriented approach to responsible peat management in Indonesia.

The SAC acknowledges the good work that has been done by IPEWG so far but also notes there needs to be a more holistic approach to understanding peatland systems and particularly their social and economic dimensions. The SAC looks forward to interacting with IPEWG members to discuss this matter at the next SAC meeting.

7. Forest Stewardship Council (FSC)

The SAC was briefed on APRIL's progress to date as well as next steps towards developing a roadmap to end disassociation with the FSC. The SAC noted with interest that conversations continue to move the process forward.

8. Restorasi Ekosistem Riau (RER)

APRIL provided an annual operational review of the progress achieved with the ecosystem restoration project in Kampar peninsula. Throughout 2017, RER teams produced thousands of natural species seedlings for planting, closed several old drainage canals from former logging companies, kept the ecosystem restoration concessions free of fire, continued to monitor the presence of rare and endangered species through camera traps and ground surveys, and carried on various community engagement programs in collaboration with local partners (fish farming, no-burn vegetable gardens, clean water wells, community firefighter training in areas adjacent to RER). RER is also helping local farmers to commercialize honey from the local forest as a source of livelihood and a tool for raising public awareness.

Several RER publications were issued in 2017, including an annotated bird species as well as various baseline studies completed by Fauna & Flora International (FFI) in three of the four RER concessions. The studies range from HCV identification, to carbon stock assessments and ethnographic surveys.

The SAC was also updated on progress towards the establishment of RER's eco-camp, spanning over 32 ha of neighboring plantation area, and expected to be operational by year end. The SAC was pleased to see a plan to host a dialogue on landscape approaches this year at the camp, which will bring together leaders of Indonesian and international conservation organizations. The SAC will take the opportunity at this meeting to honor the legacy of the late Tony Whitten who was a conservation champion and who led the team at FFI in their climate, biodiversity and community surveys in RER.

The SAC supports the use of RER as a method to inform stakeholders of potential landscape approach strategies, and encourages APRIL to work with communities and government to find a solution to ongoing issues surrounding loss of biodiversity, particularly bird poaching. The difficulty of suppressing the capture and trade of birds for the pet trade were noted and RER staff were encouraged to continue their efforts to eliminate this threat to the integrity of the RER area.

9. Policy review

Recent external and internal audits as well as stakeholder feedback resulted in the addition of three



components to the SFMP 2.0 covering chemical use, management of invasive species and genetically modified organisms (GMO). The [proposed addenda](#) were presented for the SAC's review.

The SAC endorsed the addenda to the SFMP 2.0.

10. Operational response to new long-term work plan (RKU)

APRIL presented to the SAC the indicative impact of the revised long-term work plan (RKUs) on production areas in peatland, following the designation of FLEG areas (protection function, where replanting cannot happen after harvesting). FLEG zones are to be managed by APRIL in accordance with the Restoration Plans that have been submitted to the MoEF for their review and approval.

APRIL presented a summary of the operational guidelines developed for the management of FLEG areas, including fire and encroachment prevention, as well as water table management. APRIL intends to socialize boundary demarcation of FLEG areas with local communities, to reinforce the message that these are not abandoned lands. APRIL will continue to uphold its sustainability commitments. SAC will continue to monitor effort to protect FLEG areas against the serious threat of encroachment.

The SAC was pleased to see that the RKU revision had been approved for PT RAPP and for the majority of APRIL's supply partners. The SAC looks forward to the finalization and approval of the submitted restoration plans, and would encourage further consultation with other specialists regarding restoration efforts.

11. APRIL's Sustainable Development Goals (SDGs) analysis

A PwC representative informed the SAC members about the project led by the firm's offices in Singapore and UK to assess APRIL's impacts using the framework of the UN SDGs. PwC is assisting the Company with identification, alignment and prioritization of key SDGs, and with benchmarking against global industry peers as well as business leaders in other sectors. APRIL is seeking to align its priority SDGs with the national and provincial priority SDGs with support from the UN Development Programme in Indonesia. This project is to be completed within 2018.

The SAC considers it to be especially important to use the SDG framework to monitor the broad sustainable development impacts of its activities in the Riau landscape. The SAC looks forward to providing further input to this project.

12. SFMP 2.0 audit

KPMG presented the plan for 2018 assurance review to the SAC members, elaborating on the criteria for the selection of site visits, which include volume of supply, identified land cover change, soil type, changes in land use designation, and supplier type (partner or open market), among others. The SAC reviewed and endorsed the final indicator set for the assurance audit.

At the SAC request and in response to stakeholder interest, the KPMG team will be joined by two local observers during the field verification activities in April. The SAC members requested that observers be selected among participants of the SAC stakeholder forum of 21 March, during which the audit plan would be socialized.

13. Asia Pacific Rayon (APR)

APRIL briefed the SAC on APR, located at the APRIL Kerinci mill site, which is set to become the first fully integrated viscose rayon producer in Asia. The mill will have a capacity of 250,000 tones. APR will sell raw



white textile fiber and non-woven fiber used to manufacture a broad range of textile as well as personal hygiene products. The first production line is expected to go into operation in Q3 2018.

The SAC welcomed the measures being taken to ensure that the APR initiative does not create any environmental problems and noted that the mill will be “state of the art” in terms of emission standards.

APRIL will continue to report on APR to the SAC at the next meeting.

14. SAC communications

There was a consensus among the SAC members regarding the need to strengthen communication and outreach by the SAC to the broader stakeholders in its role as the objective scrutineer of APRIL’s SFMP 2.0 delivery. A plan will be developed to address this. In addition, the SAC is working on finalizing its own progress report, which covers its first four years and highlights key achievements and remaining challenges.

The SAC also decided that a follow-up to the May 2017 APRIL partners meeting should be organized in Q3 or Q4 2018.

NEXT SAC MEETING

Location: Pangkalan Kerinci, Riau

Time: July 2018