



STAKEHOLDER
ADVISORY
COMMITTEE

APRIL SAC

**Final SAC Recommendations on
APRIL's Sustainable Forest Management Policy Implementation
(Based on KPMG Performance Registrar Inc. Specified Auditing Procedures Report)**

Prepared by: Stakeholder Advisory Committee

December 10, 2014

The Stakeholder Advisory Committee (SAC) commends APRIL on the considerable progress that has been made in implementing the Sustainable Forest Management Policy (SFMP) adopted on 28th January 2014. APRIL has taken appropriate actions to support implementation of the SFMP and has worked constructively with the SAC, notably in the conduct of an independent verification process by KPMG Performance Registrar Inc. (KPMG). The SAC recognises the considerable contributions that APRIL has made to the improved livelihoods of many people living in the areas of its operations through creation of employment and improvement of social and physical infrastructure.

The SAC is particularly impressed by the pursuit of the commitment to match all plantation areas on a one-to-one basis with conservation areas and the acquisition of Ecosystem Restoration concessions on the Kampar Peninsula and Pulau Padang, which will provide significant conservation gains. The SAC also commends implementation of fire management policies that have greatly reduced wildfires in the APRIL concessions and have contributed to reducing fires in surrounding landscapes.

The SAC has reviewed the KPMG Specified Auditing Procedures and endorses the findings. Our detailed recommendations are provided in this report. The major issue of concern is the continuing use of Mixed Hardwood (MHW) sources. This should be addressed in two ways:

1. Accelerating the transition to 100% use of plantation fibre. All efforts should be made to achieve this target before the current 2019 deadline. The future plan for transition to plantation fibre should be more broadly shared.
2. Ensuring that all MHW sourced prior to 100% transition to plantations is fully in accordance with SFM policies. Issues regarding sourcing of MHW from areas where conversion was initiated prior to present High Conservation Value (HCV) assessments need to be resolved.

Additional policy measures are required to address the following issues:

1. An overall spatial plan for retention or restoration of natural forest in the entire area of operations should be developed urgently. The objective should be to retain conservation areas that are sufficiently large, effectively managed, representative and connected. This will enable greater progress to be made in ensuring the conservation of native biodiversity than the piecemeal HCV approach at present being used.
2. More emphasis should be given to making clear and quantifiable “Conservation Gains”:
 - Ecosystem Restoration concessions should be pursued vigorously and will contribute to overall conservation gains and to landscape scale conservation;
 - Conservation areas need to be monitored and options explored for recreational and scientific visitors. They may generate revenue through eco-tourism and carbon markets. They should be managed in consultation with local stakeholders.

The SAC also observed that while timber legality processes are well established, the existing framework of land use regulations is complex and may include conflicting land use designations and requirements, creating challenges for compliance programs.

APRIL has limited capacity to resolve the land disputes that have created problems in some of its operational areas. The Free Prior and Informed Consent (FPIC) approach is valuable and important but it is not sufficient. The SAC recognises that the government agencies concerned with land allocation and land rights have to intervene to solve these problems and encourages APRIL to engage with the BPN and other concerned agencies.

The SAC recommends that APRIL develop an action plan to address these issues and the more detailed recommendations in this report and report on progress to the next SAC meeting in mid-2015.

Objectives

This report is the first of what are expected to be a series of reports tracking the performance of APRIL in implementing its Sustainable Forest Management Policy (SFM Policy) commitments announced on January 28, 2014.

This first report assesses the initial actions of APRIL in the period directly following policy establishment on January 28, 2014 through to June 30, 2014.

Scope and Approach

This report addresses the full scope of activities under each commitment in the SFM Policy as they relate to:

- The activities of APRIL on its own concessions.
- The activities of long term suppliers on their concessions.
- The activities of short term suppliers on their concessions.

Field data to support our conclusions and recommendations was gathered by KPMG Performance Registrar Inc. who conducted agreed upon specified auditing procedures to assess APRIL's progress on each of the SFM Policy commitments. This involved assessment work by a multi-disciplinary team that visited 9 forest concessions and met with stakeholders during September and October 2014.

A copy of the supporting KPMG report is available upon request.

Recommendations in relation to policy commitments are summarized under the following topics

- APRIL's Mixed Hardwood and HCV Sourcing Commitments
- APRIL's Commitments to Transition to Full Reliance on Plantation Fibre
- APRIL's Forest Protection and Conservation Commitments
- APRIL's Peatland Management Commitments
- APRIL's Regulatory Compliance and Certification Commitments
- APRIL's Social Commitments
- APRIL's Transparency Commitments
- The Broader Picture, APRIL's Commitments in Relation to Royal Golden Eagle Group

APRIL's Mixed Hardwood and HCV Sourcing Commitments (part 1)

Corrective Action Required

Current corrective actions required to avoid or eliminate non-conformance with policy

Summary of the key commitments: APRIL has established a moratorium for concessions where independent HCV assessments have not been completed based on the Indonesian HCV toolkit and peer-reviewed by the HCV Resource Network. This moratorium extends to curtail logging of all MHW by APRIL and its long-term supply partners after 2014. APRIL has also committed to participate in the development of an industry-accepted methodology for High Carbon Stock ("HCS"), and adopt these standards, once established, for all new concessions.

What we concluded on APRIL's initial implementation of these commitments: APRIL established its HCV commitments with a focus on application of the requirements to new concession areas. However, as written, the commitments also apply to all existing concessions, which span a broad range of practices from no HCV assessment to peer-reviewed HCV assessments based on the Indonesian toolkit, depending on the age of the concession.

Mixed hardwood (MHW) deliveries from older concessions established prior to introduction of the SFMP, occurred throughout the period to June 30th 2014:

- Approximately 50,000 m3 came from small remaining areas of concessions established prior to 2005. Formal processes for establishing whether these sites have HCV values are not established. One of these sites proposed for logging was observed to have two IUCN red-listed species present
- Approximately 123,000 m3 came from small remaining areas of concessions with some form of older HCV assessment pre-dating the current policy commitment (e.g. internal HCV assessments, HCV assessments prior to the establishment of the Indonesian HCV toolkit, HCV assessments using the Indonesian toolkit but not peer reviewed by HCV Resource Network)

APRIL's HCV and MHW commitments were not broadly understood by some managers and staff at the concession level.

At the time of the assessment, commitments to curtail MHW logging by APRIL and its long term supply partners had not been clearly communicated to some concession managers and reflected in adjustments to plans for 2015. This is a critical commitment that will be a key test of policy implementation in 2015.

APRIL has participated in the establishment of a High Carbon Stock (HCS) methodology development process, and has committed to adopt an HCS standard once developed. We would urge caution in adopting an HCS standard if it does not incorporate both above and below ground carbon.

APRIL's Mixed Hardwood and HCV Sourcing Commitments (part 2)

Summary of the key commitments: APRIL has established a moratorium for concessions where independent HCV assessments have not been completed based on the Indonesian HCV toolkit and peer-reviewed by the HCV Resource Network. This moratorium extends to curtail logging of all MHW by APRIL and its long-term supply partners after 2014. APRIL has also committed to participate in the development of an industry-accepted methodology for High Carbon Stock (“HCS”), and adopt these standards, once established, for all new concessions.

Our recommendations:

- APRIL should clarify how its HCV commitment affects its existing concessions.
- Per prior SAC recommendations, the HCV Resource Network peer review process should be used for all future peer reviews, rather than using individuals listed by the HCV Resource Network.
- The HCV assessment of PT Adindo Hutani Lestari concession should be subject to an additional review by the HCV Resource Network.
- MHW from older concessions that have not been subject to an HCV assessment should not be logged. *De minimis* rules should be established for those cases where isolated very small patches of MHW may be cleared, where they are impacting operational efficiency, but only once a risk based assessment of the potential for HCV values has identified that these are not present in the stand.
- APRIL should review its planning processes to determine how MHW stands were scheduled for logging when internal monitoring data identified the presence of an IUCN red-listed species in the area.
- APRIL should update its standard operating procedures to ensure that forestry activities, including canal development, are not initiated on any new concessions prior to the formal release of a peer reviewed final HCV report.
- It is important to communicate the HCV and MHW commitments to all RAPP concession managers as well as long term supply partners, particularly in relation to any potential hold-over MHW harvest areas from the 2014 operating plans (which should not be logged based on the SFM policy but which may be scheduled for logging in 2015 in the absence of broader communication of the commitment across all long term supply partners).
- APRIL needs to define clearly how it differentiates between long term supply partners (who are unable to cut MHW after 2014) and short term suppliers (who are able to cut MHW after 2014). This is particularly important as PT Adindo Hutani Lestari, which has a multi-year contract, is treated as a short-term supplier.

APRIL's Commitments to Transition to Full Reliance on Plantation Fibre

On Track

Actions underway. Further progress expected through continuous improvement initiatives.

Summary of the key commitments: APRIL is committed to only use plantation fibre by the end of 2019. As part of this commitment, annual fibre supply reviews are conducted with the intent of accelerating plantation fibre self-sufficiency.

What we concluded on APRIL's initial implementation of these commitments: APRIL has initiated a broad range of initiatives in order to improve the productivity of existing plantations and has set a target of 2019 for self-sufficiency based on the existing plantation footprint.

Our recommendations:

- Continue to focus on initiatives to shorten the timeframe to self-sufficiency, including consideration of initiatives outside of the existing plantation footprint.
- Develop a comprehensive dashboard to monitor progress on self-sufficiency initiatives.

APRIL's Forest Protection and Conservation Commitments

On Track

Actions underway. Further progress expected through continuous improvement initiatives.

Summary of the key commitments: APRIL has made commitments to strive for conservation areas equal in size to APRIL's plantation area, building on 250,000 hectares of conservation zones identified through HCV assessments. In expanding conservation areas APRIL has committed to undertake new Ecosystem Restoration projects on the Kampar Peninsula and on Pulau Padang and to support biodiversity and carbon conservation initiatives on a landscape basis.

What we concluded on APRIL's initial implementation of these commitments: APRIL has acquired three Ecosystem Restoration (ER) licences on the Kampar Peninsula and one on the island of Pulau Padang, leading to significant progress toward its key one-to-one conservation area to plantation target.

APRIL also manages a well established fire prevention and management program that is necessary to reduce the potential scale of impacts from fire, particularly fire associated with third-party land encroachment activities.

Field inspection indicated that the practices had been implemented in accordance with the HCV report except that one canal was identified as erroneously cut into an HCV area on Pulau Padang. No further development of the area was noted.

Our recommendations:

- APRIL should consider transparent disclosure and tracking of land use status within conservation zones as a key indicator of progress towards achieving the one-to-one conservation commitment.
- Restoration areas represent an opportunity to showcase conservation gains more broadly. Such opportunities should be explored to provide social and economic benefits to both APRIL and local communities.
- In working toward its one-to-one commitments, APRIL should develop an overall spatial plan for retention or restoration of natural forest in the entire area of operations. The objective should be to retain conservation areas that are sufficiently large, effectively managed, representative and connected. This will enable greater progress to be made in ensuring the conservation of native biodiversity than the piecemeal HCV approach at present being used.
- APRIL should undertake restoration actions to minimize the impact of the canal developed in error into an HCV area on Pulau Padang.

APRIL's Peatland Management Commitments

On Track

Actions underway. Further progress expected through continuous improvement initiatives.

Summary of the key commitments: APRIL and its fibre suppliers are committed to protect and manage forested peatland areas identified as HCVF and HCS. Additionally, APRIL is committed to engage with peat experts to implement best practice management to reduce and avoid greenhouse gas (GHG) emissions within the peatland landscape.

What we concluded on APRIL's initial implementation of these commitments: APRIL has solicited input from a range of scientists and its peatland management practices continue to evolve. Efforts are currently underway to update a 2008 study assessing the greenhouse gas implications of APRIL's management practices on peat compared to a no-plantation establishment baseline.

SFM policy commitments in relation to forested peatland require some clarification in order to be consistently understood by stakeholders.

Our recommendations:

- The policy commitment should be clarified to explicitly address under which conditions forested peatland identified as HCV 4.1 may be developed and what constraints apply to these operations.
- Formal baseline expectations should be developed as part of site-level information on water table conditions, particularly for hydro buffers and conservation areas.
- Application of APRIL Standard Operation Procedures (SOP) across all suppliers would improve performance on peat management and lead to consistent standards for water table management.
- Completion of the ongoing study on the greenhouse gas implications of existing peat management practices is critical to a full understanding of the impacts of these practices and on opportunities for improvement in practices. APRIL should seek broad input on the final methodology and results of the study given its importance to understanding what types of practice are appropriate on peatland.

APRIL's Regulatory Compliance and Certification Commitments

On Track

Actions underway. Further progress expected through continuous improvement initiatives.

Summary of the key commitments: APRIL has committed to comply with all prevailing laws and regulations, and to require all its fibre suppliers to do so. APRIL has committed to the maintenance of timber legality certification and the provision of support for the development of sustainable forest management certification in Indonesia.

What we concluded on APRIL's initial implementation of these commitments: Forestry operations in Indonesia take place within a complex and conflicting framework of land use regulations. APRIL's application of the requirements focuses on those requirements associated with the concession documents and Ministry of Forests Regulations which may conflict with other land use designations/requirements. Resolution of this issue requires regulatory reform across multiple levels of government.

The Company has developed multiple levels of inspection, monitoring and internal audit. Issues identified during inspections are followed through to closure and overall performance is reported to management. The level of internal inspections is significant. However, field inspections of suppliers that are not long-term supply partners are very limited.

Our recommendations:

- APRIL should increase the intensity of supplier inspections and focus this time on supplier performance, particularly for MHW suppliers.
- APRIL has a number of management systems designed to monitor both performance and forest condition. However, additional emphasis needs to be placed on using the information to maximize the effectiveness of the systems, e.g. using collated monitoring data to assess whether proposed logging activities have the potential to create impacts on locally present listed species.
- Protection of honey trees and *Ramin* was noted in the field. However, individually retained trees have a low chance of survival. There are opportunities to improve the survival of retained trees through alternative strategies to single stem retention.
- Create a database to report all findings from inspections and their status of resolution to management. Ensure that the learnings from any individual supply partner/concession are applied to all supply partners/concessions.

APRIL's Social Commitments

Progress Required

Actions initiated but currently incomplete. Further actions required to get on track.

Summary of the key commitments: APRIL has committed to the Free, Prior, Informed, Consent (FPIC) principles implemented in the Indonesian context in relation to the development of new concessions and to the resolution of any outstanding community conflicts in a fair and transparent manner with input and feedback from stakeholders.

What we concluded on APRIL's initial implementation of these commitments: Implementation of FPIC in the "Indonesian context" has proved to be a significant challenge, which has not historically been aided by the issuing of licences over areas prior to the FPIC process taking place. Within this context, the organization has developed procedures to implement FPIC concepts in new concessions and has had a degree of success in implementing these procedures. However, in some cases, particularly in areas where there are overlapping land use claims, the organization is not in a position to successfully resolve these disputes without intervention by Government.

The organization appears to maintain good records of existing disputes and tracks disputes to closure. However, the legacy of older concessions established prior to FPIC processes being developed would be expected to yield a number of ongoing disputes arising out of historic land use decisions made in the absence of FPIC. Resolution of these it likely to be an ongoing challenge.

Our recommendations:

- While APRIL has developed an SOP to address the requirements of FPIC, it is not equipped to resolve land use conflicts that involve overlapping land claims between communities and should seek a greater level of government involvement in the resolution process.
- FPIC is an important element to address for new Ecosystem Restoration (ER) licences in order to achieve community support and create appropriate conditions for CCB/REDD recognition. The earlier this process starts the more effective it will be.
- APRIL's SOP should reflect current practice of suspending operations in areas subject to significant disputes.
- There is a need to establish and communicate clear expectations regarding the resolution of disputes related to older concession areas, particularly those that relate to the legacy of historic plantation establishment practices prior to the commitment to FPIC principles.

APRIL's Transparency Commitments

On Track

Actions underway. Further progress expected through continuous improvement initiatives.

Summary of the key commitments: APRIL committed to set up and maintain a Stakeholder Advisory Committee (SAC), comprising key stakeholders, including WWF Indonesia, who would have the power to appoint an independent verifier to oversee monitoring and verification of SFM Policy implementation. The SAC would provide regular progress updates to stakeholders.

What we concluded on APRIL's initial implementation of these commitments: APRIL has supported the establishment and maintenance of an SAC that has the power to report to stakeholders and to engage third party verifiers. The SAC has reported out on progress and has been able to engage APRIL in discussions on areas for improvement, which the organization has acknowledged publicly. SAC meeting summaries are available to all stakeholders through the [aprilialog.com](http://aprildialog.com) website.

In this first year of reporting by the SAC there was limited time to engage external stakeholders in the development of criteria against which APRIL's policy implementation should be tested. In future years it is important to gather more of this feedback in advance of field assessments in order to allow an assessment process that is more focused on stakeholder informational needs.

Our recommendations:

- The planning process for future SFMP verifications should incorporate a formal opportunity for stakeholder input.
- APRIL and the SAC should continue to look for opportunities to broaden stakeholder representation on the SAC.
- For transparency purposes, direct external communication by SAC could be more frequently utilized in preference to APRIL announcement.
- Given the range of SFM commitments, the overlap between some of the commitments, and the high potential for some commitments to be misunderstood, there is an immediate need for APRIL to develop, and make available to stakeholders, a "what we mean by this" supplement to the SFM policy.
- An annual sustainability report should be considered post-2015 to avoid the information being too dated to be of significant relevance to stakeholders. GRI G4 Guidelines should be adopted for these reports.

The Broader Picture- APRIL's Commitments in Relation to Royal Golden Eagle Group

Progress Required

Actions initiated but currently incomplete. Further actions required to get on track.

Summary of the key commitments: APRIL has committed to communicate its SFM policy to sister pulp and paper companies within the Royal Golden Eagle Group and to encourage them to adopt its underlying principles.

What we concluded on APRIL's initial implementation of these commitments: Royal Golden Eagle Group (RGE) has communicated APRIL's commitment to sister pulp and paper companies within RGE. The responses received focus on the proportion of fiber sourced from natural forests but do not extend to a broader consideration of the other commitments embedded in the policy.

Our recommendations:

- RGE should adopt an overarching set of principles that all member companies apply rather than have one member company commit to influence the others.

Summary of Results

| Policy Element | Findings | | |
|--|---|---|---|
| | CAR | PR | OT |
| APRIL's Mixed Hardwood and HCV Sourcing Commitments |  | | |
| APRIL's Commitments to Transition to Full Reliance on Plantation Fibre | | |  |
| APRIL's Forest Protection and Conservation Commitments | | |  |
| APRIL's Peatland Management Commitments | | |  |
| APRIL's Regulatory Compliance and Certification Commitments | | |  |
| APRIL's Social Commitments | |  | |
| APRIL's Transparency Commitments | | |  |
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OT : On Track



PR : Progress Required



CAR : Corrective Action Required

