

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

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# 1. Summary and Conclusions

In 2018, KPMG Performance Registrar Inc. (KPMG PRI) completed a limited assurance engagement over APRIL Group's (APRIL's) implementation of 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 independent Stakeholder Advisory Committee (SAC) of APRIL to undertake a limited assurance engagement over the data for 45 performance indicators presented by APRIL in relation to its SFMP 2.0 for the period from January 1, 2017 to December 31, 2017.

## **The SFMP Performance Indicators**

The SFMP 2.0 performance indicators were developed by APRIL with the input of its SAC to provide quantitative information on APRIL's progress in implementing its commitments under SFMP 2.0. The development process for the indicators included input from both local and international stakeholders.

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 eight 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 for a reasonable assurance engagement, and therefore a lower level of assurance is obtained.

## Our Findings and Conclusions

Based on our examination:

*The 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 two non-conformances in the implementation of SFMP 2.0 requirements during the reporting period. These are summarized in Appendix 3 of our report along with formal corrective action plans developed by APRIL to address the underlying causes of the non-conformances.

In the course of our work we also identified 12 opportunities for improvement, relating to both the collection and reporting of performance indicator data and processes to achieve conformance with SFMP 2.0. These are summarized in Appendix 4 of our report.

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

Our findings are also provided on an indicator by indicator basis within Sections 7 to 15 of our report, along with explanatory notes on the performance information.

**Emphasis of matter** – without qualifying our conclusion above, we draw attention to the fact that ongoing improvements in APRIL's data related to historic encroachment activities and land claims is leading to significantly improved data on both the total area subject to claim as well as the amount of conservation area subject to claim or encroachment. As this process remains in progress we were unable to provide assurance over data related to areas under claim or encroachment and conservation area impacted by claims and encroachment in indicators and II.a, II.b., III.a and VI.b.

## Use of the Report

Our assurance report is provided solely to the Stakeholder Advisory Committee of APRIL in accordance with the terms of our engagement. Our work has been undertaken so that we might report to the Stakeholder Advisory Committee 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 Stakeholder Advisory Committee for our work, for this assurance report, or for the conclusions we have reached.

KPMG PRI

KPMG Performance Registrar Inc.  
Vancouver BC Canada  
July 27 2018

## 2. Brief overview of APRIL's Operations

APRIL Group 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 Supply Partner concessions located on Sumatra (of which 29 provided deliveries during 2017). 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](http://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**

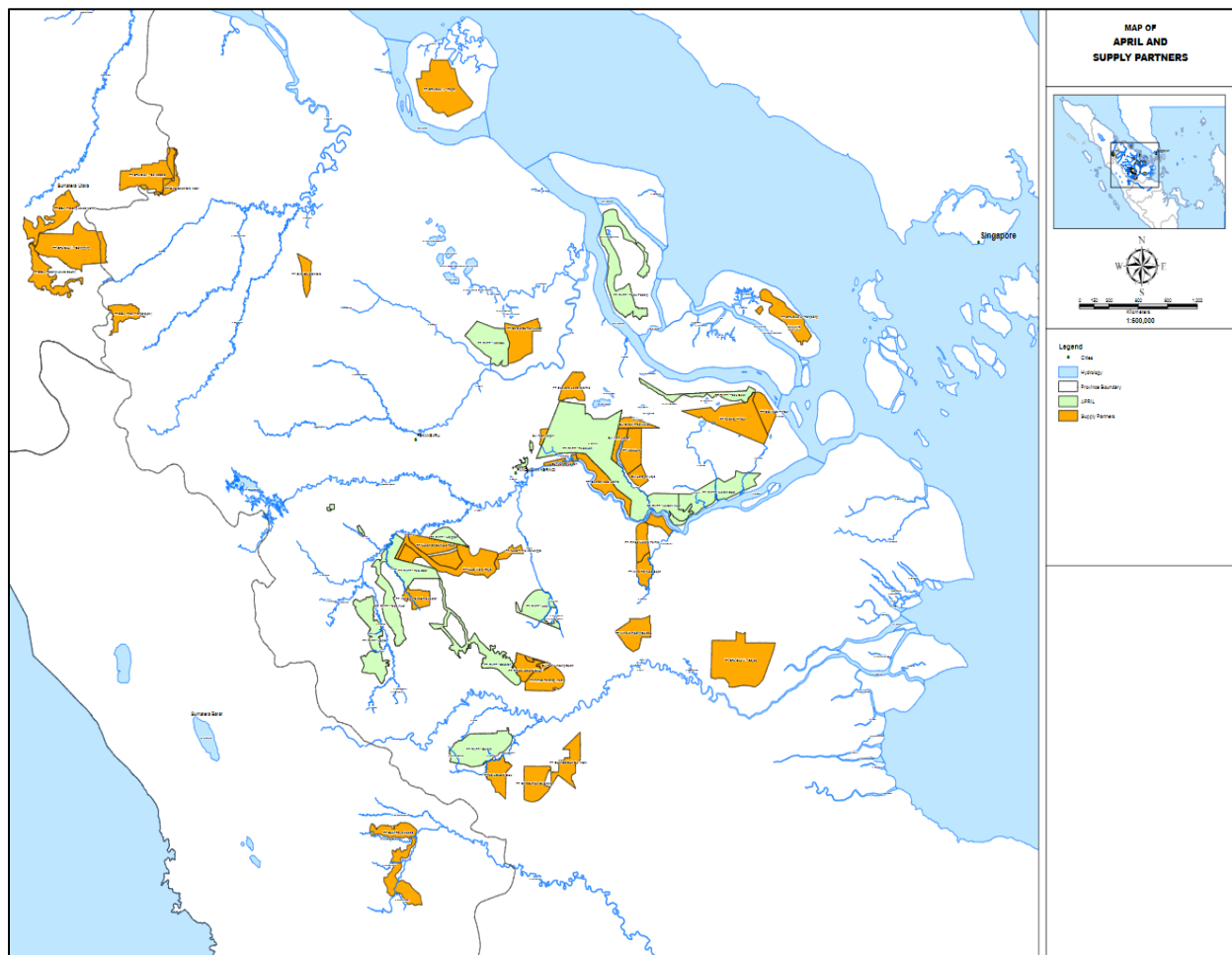
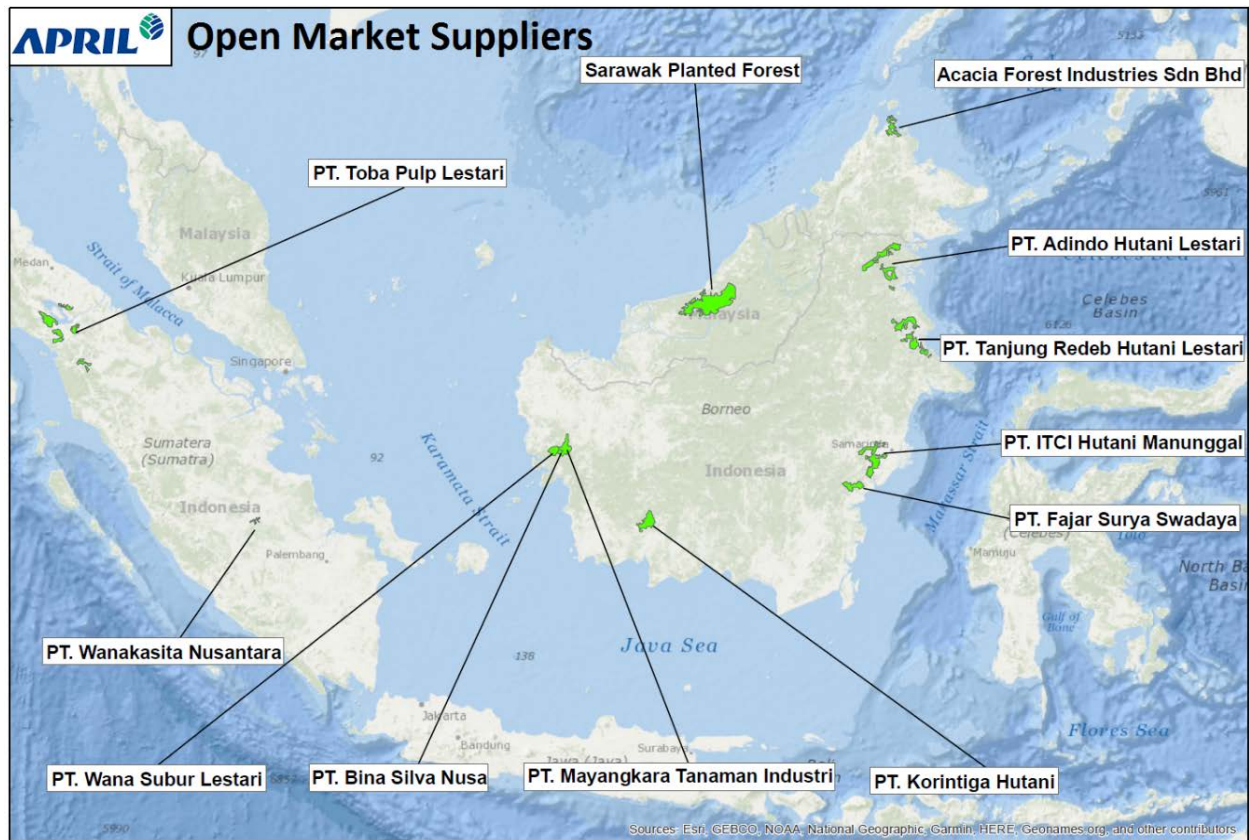


Figure 2 General Location of Open Market Suppliers



# 3. 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. SFMP 2.0 and the Development of Performance Indicators

SFMP 2.0 was announced publicly on June 3, 2015 and is the second iteration of APRIL's Sustainable Forest Management policy. The policy can be found at [www.aprilasia.com/en/sustainability/sustainability-policy](http://www.aprilasia.com/en/sustainability/sustainability-policy) and in [Appendix 1 of this report](#).

The policy contains commitments in relation to:

- Long Term Sustainability;
- Forest Protection and Conservation;
- Peatland Management;
- Continuous Reduction of Carbon Footprint;
- Proactive Support of Local Communities;
- Respect (for) the Rights of indigenous Peoples and Communities;
- Responsible Practices in Our Work Places;
- Legal Compliance and Certification; and,
- Good Corporate Governance, Verification and Transparency.

## SFMP 2.0 Indicators

**Purpose of Indicators** – The SFMP 2.0 indicators have been established in order to track implementation of SFMP 2.0 over time.

**Indicator Development** – In order to establish current performance and to track APRIL's progress in the implementation of SFMP 2.0, it was clear that a set of performance indicators would be required that would be capable of providing up to date information on key aspects of APRIL's operations that could be used to judge the overall state and effectiveness of SFMP 2.0 implementation.

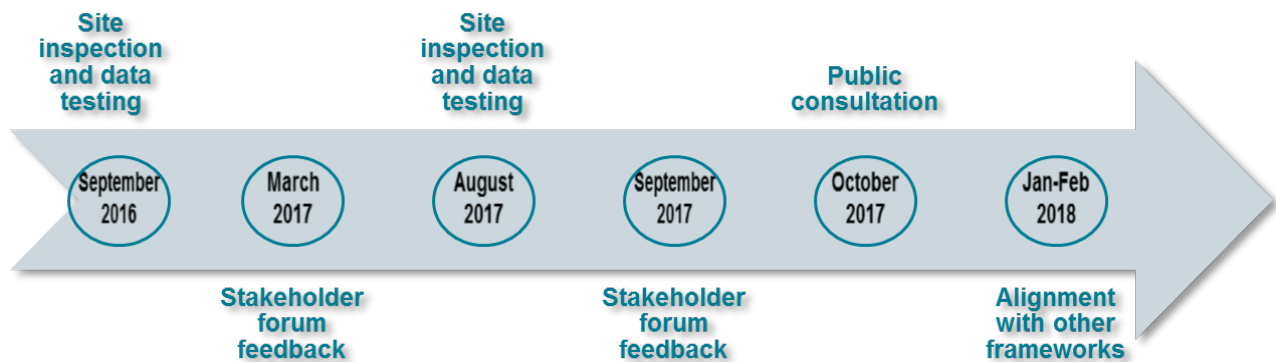
Since 2015, APRIL has worked with its independent SAC and external stakeholders to develop a set of indicators to track implementation of key commitments under SFMP 2.0. The indicators were subject to stakeholder consultation with both local and international stakeholders during the development process.

Since the initial development of the indicators in 2016, ongoing refinement and updates to the indicators have been made based on feedback from the SAC and external stakeholders as well as through continuous improvement in data collection and reporting by APRIL and its suppliers. The development process for the indicators was available publicly and is further described at <http://sustainability.aprilasia.com/category/sfmp-2-0-indicators>

The SFMP 2.0 indicators used to assess performance for calendar 2017 are a result of the processes undertaken in Figure 3 below.



Figure 3 Process undertaken to update indicators for 2017



The indicators used to assess performance for calendar 2017 covering the key commitments under SFMP 2.0<sup>1</sup> are provided in Appendix 2 of this report.

The indicator set is not expected to remain static for future reporting periods, and will be adjusted over time to reflect:

- The availability of new data that is better suited to monitoring SFMP 2.0 performance;
- Changing areas of interest identified by stakeholders through both APRIL and SAC stakeholder engagement processes;
- Emerging areas of interest identified by APRIL's SAC; and
- Public feedback on the indicators, which are publicly available on APRIL's sustainability dashboard.

As a result of stakeholder feedback, including review of alternative indicator frameworks, a number of the existing indicators established for the 2016 assurance program were modified or additional disclosures proposed (approximately 1/3 of the existing indicators). An additional seven new indicators were added, leading to new requirements in seven of the nine categories of commitments in SFMP 2.0. The new indicators are shown in Figure 4 below.

<sup>1</sup> SFMP 2.0 was issued on June 3, 2015. Subsequent amendments were made to SFMP 2.0 after the indicator development process for calendar 2017 reporting to include commitments related to invasive species, genetically modified organisms and pesticides and other hazardous materials. These amendments were not within the scope of the current assurance process and will be addressed by subsequent assurance reports.

Figure 4: Additional indicators included within the revised indicator set for calendar 2017 reporting

	<b>Additional SFMP 2.0 Indicator:</b>
I.h	Ha of plantation in outgrower programs
II.d	% of ecosystem restoration area with formal plans for protection and/or restoration objectives for rare, threatened and endangered species
IV.d	Overall carbon footprint
V.h	# of farmers trained to cultivate farmland
VII.d	Number of males and females in permanent and part-time positions
VIII.c	# of legal sanctions received and resulting actions
IX.e	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery

# 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 International is a global network of independent member firms offering audit, tax and advisory services. KPMG member firms can be found in 154 countries and territories. Collectively they employ 200,000 people across a range of disciplines.

KPMG PRI operates as a certification and verification body under the ISO 17021 (management system assurance) and ISO 14065 (GHG assurance) programmes.

KPMG PRI is accredited to conduct certification as follows:

- PEFC chain of custody
- SFI chain of custody
- PEFC Forest Management certification (Canadian Standards Association and Sustainable Forestry Initiative standards)
- ISO 14001 (Environmental Management Systems)
- ISO 9001 (Quality Management Systems)
- ISO 14065 (Greenhouse Gas Verification)

KPMG PRI supports KPMG's Center of Excellence in Forestry in providing field-based assurance over forestry practices. A separate wholly owned subsidiary, KPMG Forest Certification Services Inc. provides FSC forest management and chain of custody certification.

KPMG 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 under each of the indicators in Appendix 2 for the period between January 1, 2017 and December 31, 2017.

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

## Conduct of the Engagement

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

- Planning visit and stakeholder input on proposed field sample – February / March 2018

In February 2018 a planning visit was made to the Kerinci millsite to review revisions to SFMP 2.0 indicators with APRIL, confirm readiness for reporting and develop a draft sample of concessions and sectors for field

visits. Subsequently, in early March, 2018 the draft field sample was shared with the Stakeholder Advisory Committee and with local stakeholders at a meeting in Pekanbaru for feedback before the sample was finalized.

- Final engagement plan – March 2018

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 – April 2018

Concession field visits were undertaken to check indicator data provided by APRIL. In addition, staff and management interviews and document and record reviews were undertaken at the corporate office at the Kerinci millsite.

The main field assessment of performance was carried out between April 3 - 24, 2018 and involved visiting the Kerinci millsite, fiber operations offices as well as field visits on eight sectors / concessions as shown in Figure 5 below. Field visit locations were selected based on the following criteria:

- Supplier status (ongoing supply of fiber);
- Volume supplied (preference for suppliers > 150,000 tonnes);
- If and how recently visited by KPMG;
- Land cover change identified from independent satellite data (particularly larger areas);
- Significant increase in land claims;
- Significant decrease in land claims;
- Encroachment and loss of conservation area;
- Public sanctions by government;
- Media coverage, and
- Soil type (peat or mineral).

## Figure 5: Scope and Location of Site Visits

The following table lists the site visits performed by the KPMG team in order to complete certain assurance procedures as part of assessment of SFMP 2.0 during the reporting period.

Sector / Concession	Ownership	Dates
Baserah Riau Province, Sumatra	PT. RAPP	April 10-13
Teso Barat Riau Province, Sumatra	PT. RAPP	April 4-6
Mitra Kembang Selaras Riau Province, Sumatra	Supply Partner – PT. Mitra Kembang Selaras	April 16-18
Nusa Wana Raya Riau Province, Sumatra	Supply Partner – PT. Nusa Wana Raya	April 16-19
Ekawana Lestari Dharma Riau Province, Sumatra	Supply Partner – PT. Ekawana Lestari Dharma	April 10-12
SRL IV Rupert Riau Province, Sumatra	Supply Partner – PT. Sumatera Riang Lestari	April 16-19
Adindo Hutani Lestari East Kalimantan	Open Market Supplier - PT. Adindo Hutani Lestari	April 9-12
PT. Fajar Surya Swadaya East Kalimantan	Open Market Supplier - PT. Fajar Surya Swadaya	July 10

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, community development projects and records of the status of 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 – May / June 2018.

In the reporting phase, the engagement team reviewed additional documentation supporting indicator performance and gathered explanations to support key assertions in the indicators. Initial conclusions were fact-checked with APRIL prior to completing the draft report.

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

- Action planning and acceptance – June/July 2018

APRIL developed and submitted corrective action plans for the non-conformances identified during the assurance process. 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 ten 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;
- Four local forestry consultants; and,
- One local (KPMG Indonesia) assurance professional.

**Stakeholder Observers** – Stakeholder observers' involvement in the field inspections:

- In order to support transparency of the assurance process, stakeholder observers were invited to attend the field inspections at one PT. RAPP sector and one Supply Partner concession.
- The two observers were selected by stakeholders at a stakeholder meeting in Pekanbaru 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 the field teams over a three day period during meetings with employees at the concession, community development inspections, 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.

**Relationship to other audit processes** – Shortly after the completion of the field element of the KPMG PRI assurance process, APRIL undertook pilot audits on PT. RAPP and a number of Supply Partners' concessions under the Singapore Environmental Council Green Labelling Scheme (SGLS). This involved field inspections at concessions that were not visited by KPMG PRI in 2018.

While the scope and criteria for the SFMP 2.0 assurance process are different from the SGLS pilot audits, we have reviewed the SGLS outputs to date in relation to the SFMP commitments. Any of these findings that are not already captured in existing APRIL action plans or ongoing improvement initiatives will be followed up in subsequent assurance processes for any impact on APRIL's SFMP 2.0 performance.

## 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	<b>APRIL data for the period from January 1, 2017 to December 31, 2017</b>	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
INFORMATION PROVIDED BY KPMG PRI	<b>Evidence Reviewed</b>	The key evidence reviewed by KPMG PRI in relation to performance
	<b>Findings</b>	Additional information to provide context to the indicator data and explain the link between the indicator data and SFMP 2.0
	<b>Non-Conformances</b>	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.
	<b>Opportunities for Improvement</b>	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.
	<b>Good Practices</b>	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 second full year of reporting under the newly developed set of performance indicators. In a 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 Supply Partners and 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:

### **PT. RAPP**

For the current assurance engagement, a number of additional disclosure items were incorporated in relation to indicators in order to provide greater context. This data was not available for the following indicators:

- Indicator IX.b: Additional disclosures to make publicly available the size of each Supply Partner concession.

### **Supply Partners**

APRIL indicator performance reporting lacks data for Supply Partners, totaling 38% of current plantation fiber supply, for the following indicators:

- Indicator V.e # of multi-stakeholder forums by location
- Indicator V.f # of stakeholder attendees

### **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 III.a # of Ha of plantation, conservation and ecosystem restoration on peatland
- Indicator VI.b # of Ha of APRIL and supplier concessions currently inactive due to unresolved conflicts
- Indicator VII.a # of fatalities
- Indicator VIII.a # of instances of fire on concessions by cause – 8 of 10 Open Market Suppliers did not provide the data.



# 8. SFMP 2.0 Performance Indicators

## I. Long Term Sustainability Indicators

### Indicators Assessed

Eight Long Term Sustainability performance indicators were assessed as follows:

I	Long Term Sustainability:
<b>Overall objective: 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.</b>	
a.	Tonnes and % of fiber supply by region (PT. RAPP, Suppliers, (concessions, community forests))
b.	# of Ha developed by category (Forested, Non-Forested and HCV <sup>1</sup> /HCS <sup>2</sup> and non-HCV/HCS)
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
e.	% Change in mill fiber consumption capacity
f.	Land or licenses acquired by APRIL after 3 June 2015 and # of hectares of associated development (HCV/HCS and non-HCV/HCS)
g.	Third party mill deliveries (# of tonnes) from post June 3, 2015 clearing of HCV, HCS forests or forested peatlands
h.	Ha of plantation in outgrower programs

<sup>1</sup>High Conservation Value

<sup>2</sup> High Carbon Stock

The 2017 performance indicators focus on the sourcing of fiber for the Kerinci mill, the maintenance of high conservation values and the replacement of mixed hardwood as a fiber source for the mill.

## Indicators Performance

I	<b>Long Term Sustainability:</b>
a.	Tonnes and % of fiber supply by region (PT. RAPP, Suppliers, (concessions, community forests))

### APRIL data for the period from January 1, 2017 – December 31, 2017

This table shows the breakdown of wood deliveries to the PT. RAPP pulp and paper mill in Kerinci by source.

Wood Source	Deliveries (tonnes)	Deliveries (%)
<b>Plantation</b>		
PT. RAPP	3,328,511	33%
Supply Partners <sup>1</sup>	3,912,848	38%
Open Market Suppliers <sup>2</sup>	2,910,590	29%
Community Forestry	-	0%
<b>Sub-Total</b>	<b>10,151,949</b>	<b>100%</b>
<b>Mixed Hardwood (MHW)</b>		
PT. RAPP	-	0%
Supply Partners <sup>1</sup>	-	0%
Open Market Suppliers <sup>2</sup>	-	0%
Community Forestry	-	0%
<b>Sub-Total</b>	<b>-</b>	<b>0%</b>
<b>Total</b>	<b>10,151,949</b>	<b>100%</b>

<sup>1</sup>Supply Partners are those suppliers that are included within APRIL's long-term fiber supply plans and are expected to be a continuing part of the plantation footprint for the Kerinci pulp and paper mill. Supply Partners generally provide all of their fiber supply to APRIL and are all located in Sumatra. These suppliers are included within APRIL's 1:1 commitment to maintain conservation areas equal in size to its plantations.

<sup>2</sup>Open Market Suppliers are those that currently supply fiber to the Kerinci mill but may also supply fiber to other mills. Open Market Suppliers are located in Sumatra, Kalimantan and Malaysia. Open Market Supplier data is not included within APRIL's land bank or its commitment to conserve one hectare for every hectare of plantations.

### Evidence Reviewed

APRIL provided information on deliveries by supplier to the Kerinci mill for 2017. We cross-checked the information against scale delivery data on a sample basis to check the accuracy of the classification as plantation fiber, weight delivered and the source of the supply.

### Findings

This is a key indicator of APRIL's degree of fiber self-sufficiency from its own and Supply Partner plantations. The data indicates that PT. RAPP and Supply Partner plantations supplied 71% of the total fiber to the Kerinci mill for pulp production and that all of this was plantation fiber. Most of the additional fiber is sourced from Kalimantan. Consistent with SFMP 2.0, no mixed hardwood deliveries were received after December 31, 2015.

<b>I</b>	<b>Long Term Sustainability:</b>
b.	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).

**APRIL data for the period from January 1, 2017 to December 31, 2017**

Ha of initial planting on previously deforested land	PT. RAPP	Community Fibre	Supply Partners	Open Market Suppliers
Mineral Soil	27	0	699	Data is incomplete at this time. See Section 7 of this report for the status of information available on Open Market Suppliers
Peatland	0	0	14	

All planting took place on areas previously deforested through fire or encroachment and that were not identified as being High Conservation Value (HCV) areas.

None of the areas planted were subject to High Carbon Stock (HCS) assessment.

**Evidence Reviewed**

Planting records for first time planting of 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. This was supplemented with field observations of recently recovered areas.

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 to confirm correct categorization of any changes. In addition, data on first time plantings were reviewed for sites with large (>50 hectares) first time planting or first time planting on peatland to assess whether they related to new development.

Field inspections were undertaken on a sample basis to confirm whether or not the land cover changes were associated with new development.

**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 peatland<sup>2</sup>.

<sup>2</sup> 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.

For PT. RAPP no new development was identified.

For Supply Partners there were two instances where land recovery and planting operations were determined to be inconsistent with APRIL's commitments (See Non-Conformance #1 and Opportunity for Improvement #2 below).

For Open Market Suppliers, no new development has been identified to date but not all information has yet been received from the suppliers (See Opportunity for Improvement #1 below).

### **Non-Conformance #1**

Review of land recovery and planting operations following encroachment and settlement of land claims at Supply Partners identified one area where the activities were inconsistent with APRIL SFMP 2.0 requirements:

- 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.

### **Opportunity for Improvement #1**

While APRIL has implemented a Land Cover Change monitoring system across its Supply Partners and 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

### **Opportunity for Improvement #2**

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.

<b>I</b>	<b>Long Term Sustainability:</b>
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 the period from January 1, 2017 to December 31, 2017

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

	PT. RAPP	Community Fibre	Supply Partners	Open Market Suppliers
# of non-compliant new development detected by APRIL (ha)	-	-	*	**
% of non-compliances resulting in corrective action (e.g., rehabilitation, implementation of agreed corrective actions, removal of supplier).	N/A	N/A	N/A	N/A

\*While no non-compliant new development was identified for Supply Partners during the period, KPMG PRI identified development that was inconsistent with SFMP 2.0 commitments per Non-conformance #1.

\*\* While no non-compliant new development was identified for Open Market Suppliers during the period, approximately 511 hectares of areas flagged through the land cover change monitoring system remained unverified as at December 31, 2017. This is approximately 36% of the total area flagged for Open Market Supplier concessions during 2017.

### 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. Government sanctions are treated separately and reported in Indicator VIII.c in this report.

While Non-conformance #1 describes non-compliant development related to restoration activities on peatland, it is not included in the above data as it was not identified in 2017, although an action plan has since been developed by APRIL to address the non-conformance.

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

#### APRIL data for the period from January 1, 2017 – December 31, 2017

This table shows the Kerinci mill's 2017 MHW deliveries.

Wood Sources	MHW Deliveries (Tonnes)	
	January 1- December 31, 2017	%
PT. RAPP	-	0%
Supply Partners	-	0%
Open Market Suppliers	-	0%
<b>Sub-total</b>		<b>0%</b>

#### 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 and Futong port were carried out to determine if mixed hardwood was present in inventory.

#### Findings

No evidence was identified of mixed hardwood delivery during 2017.

I	<b>Long Term Sustainability:</b>
e.	% Change in mill fiber consumption capacity.

**APRIL data for the period from January 1, 2017 – December 31, 2017**

<b>Log Consumption 2016</b> <b>(tonnes)</b>	<b>Log Consumption 2017</b> <b>(tonnes)</b>
10,182,550	10,413,540

**Evidence Reviewed**

Interviews with management, mill tour, Indonesian Government fiber capacity certification, log consumption data. Review of third party certification of capacity.

**Findings**

This indicator was developed to provide transparency over the Kerinci mill's fiber consumption. This was particularly important up until December 31, 2015, as until that time, the mill accepted deliveries of MHW and any projects within the mill that increased its consumption capacity would have put additional pressure on remaining natural forests.

No projects were identified in 2017 that would significantly change the mill fiber consumption capacity, however, ongoing efficiency projects allow for continuous growth in intake. Additionally, there are ongoing projects that are designed to use more of the pulp production rather than sell it as market pulp:

- A new paper machine was constructed mid-2017 at the Kerinci mill.
- A viscose rayon fiber factory is under construction adjacent to the mill site.

Both of the above projects use pulp as a raw material and allow for increased internal use of the mill's existing pulp production. They do not change the mill's fiber consumption capacity.

<b>I</b>	<b>Long Term Sustainability:</b>
f.	Land or licenses acquired by APRIL after 3 June 2015 and # of hectares of associated development (HCV/HCS and non-HCV/HCS).

**APRIL data for the period from January 1, 2017 – December 31, 2017**

<b>Land or licenses acquired by APRIL</b>
No new land or licenses were acquired.

**Evidence Reviewed**

We reviewed a summary of fibre sources to the mill and compared this to existing Supply Partner and Open Market Supplier concession data. The fibre deliveries list was cross-checked against scale data and the type of fibre (plantation or MHW) checked on a sample basis against delivery data.

We also conducted management interviews regarding any license changes or new licenses since June 3, 2015.

**Findings**

A number of SFMP 2.0 commitments apply to new land or licenses acquired, including specific approaches to the identification of HCV and HCS prior to development, constraints on the development of forested peatland and a commitment to free prior and informed consent by indigenous peoples and local communities prior to operations being started.

No evidence of new land acquisition or licenses was identified. Maps showing the location of concessions from which fiber is sourced is publicly available at <http://sustainability.aprilasia.com/>.



<b>I</b>	<b>Long Term Sustainability:</b>
g.	Third party mill deliveries (# of tonnes) from post June 3, 2015 clearing of HCV, HCS forests or forested peatlands.

#### APRIL data for the period from January 1, 2017 to December 31, 2017

This table shows the number of tonnes of MHW deliveries to the Kerinci mill that were identified as coming from HCV, HCS or forested peatlands logged after June 3, 2015.

<b>Wood Sources</b>	<b>Third party deliveries from post June 3, 2015 clearing of HCV, HCS forests or forested peatlands. (Tonnes)</b>
PT. RAPP	-
Supply Partner	-
Open Market Supplier	-
<b>TOTAL</b>	-

#### Evidence Reviewed

APRIL provided detailed information on deliveries by supplier to the Kerinci mill for the year 2017. We cross-checked the information against scale delivery data on a sample basis to check the accuracy of the classification (plantation species or mixed hardwood), weight delivered and the source of the supply.

#### Findings

This commitment focuses on the mixed hardwood (MHW) component of the wood supply. As a result of the moratorium on MHW that was announced on June 3, 2015, all MHW hardwood was eliminated from the continuing fiber supply by December 2015.

Site visits to concessions, chain of custody assessment, site inspection of the mill timber inventory and biomass inventory used for energy did not identify MHW in deliveries.

Delivery reports for the mill only identified deliveries of plantation species in 2017.

I	<b>Long Term Sustainability:</b>
h.	Ha of plantation in outgrower programs

Company	Ha of Livelihood Plantation
PT. RAPP	1,231
Supply Partner	13,124
<b>Total</b>	<b>14,355</b>

**Evidence Reviewed**

APRIL Land bank and site visits to concessions.

**Findings**

Livelihood outgrower programs offer a potential source of plantation fiber that is relatively close to the mill. Expansion of local fiber sourcing can provide economic benefits to local communities and the opportunities for expanding this source of fiber have been discussed with APRIL's independent Stakeholder Advisory Committee. To date, the number of hectares of plantation in outgrower programs remains relatively small (3%) relative to the overall plantation area.

## II. Forest Protection and Conservation Indicators

### Indicators Assessed

Four Forest Protection and Conservation Performance Indicators were assessed as follows:

<b>II</b>	<b>Forest Protection and Conservation:</b>
<b><i>Overall objective: 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></b>	
a.	Hectares and % of conservation and restoration area impacted by fire, development or encroachment
b.	Ratio of conservation area to total plantation area
c.	# and ha of APRIL and supplier concessions included within landscape level processes
d.	% of ecosystem restoration area with formal plans for protection and/or restoration objectives for rare, threatened and endangered species

The 2017 performance indicators focus on the creation and maintenance of conservation areas and the development of landscape level plans to address long-term conservation goals.

## Indicator Performance

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

### APRIL data for the period from January 1, 2017- December 31, 2017

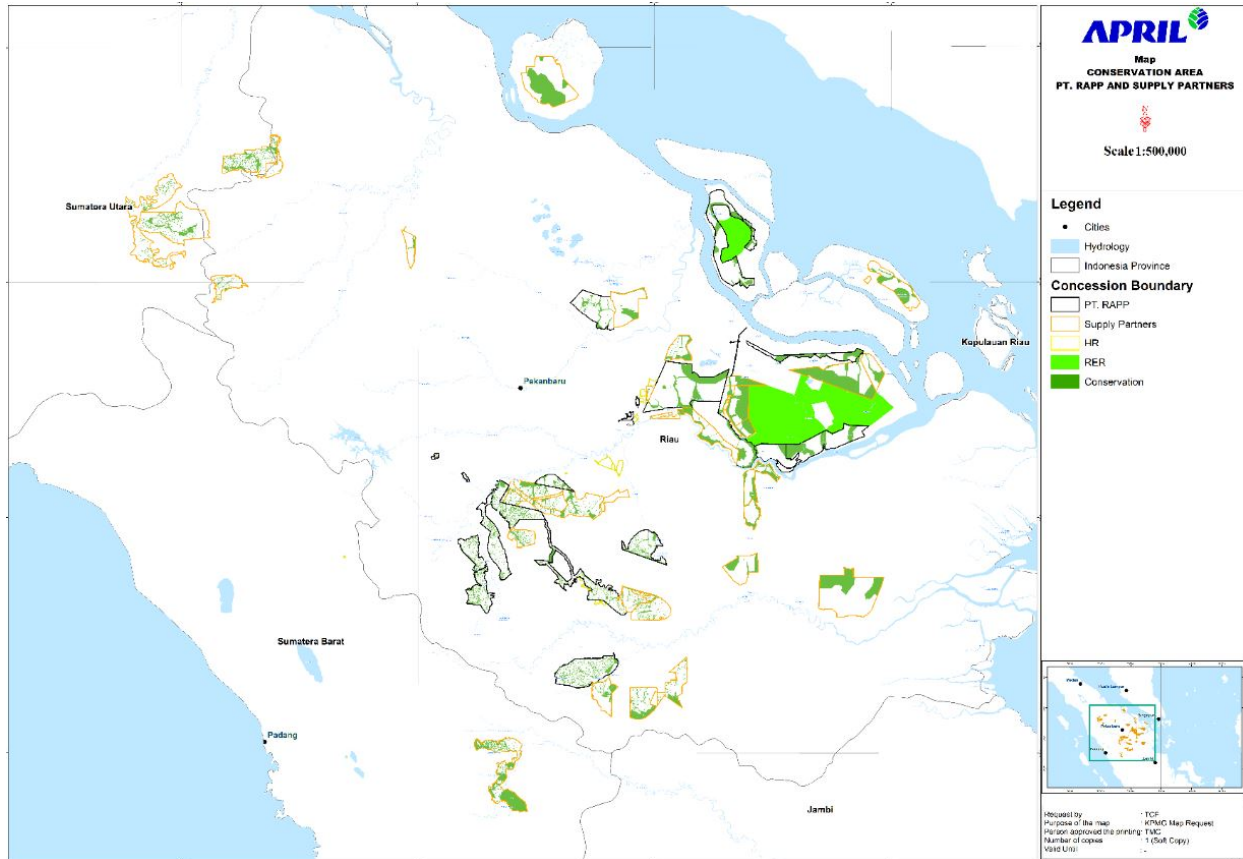
	Conservation area <sup>1</sup> as at December 31, 2017 (Ha)	Hectares and % of conservation loss by cause			
		Fire	Development	Encroachment	%
PT. RAPP	69,972	-	-	236.7	0.3%
Supply Partners	148,596	3	-	525.7	0.4%
Ecosystem Restoration Licenses	150,852	-	-	-	0.0%
<b>Total</b>	<b>369,420</b>	<b>3</b>	<b>-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

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

### Evidence Reviewed

The hectares of conservation area presented above 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 6 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 2017, which is reflected in the data above.

The number of hectares that are currently forested (as opposed to agriculture, infrastructure, open area, scrub) was not able to be reliably determined as at December 31 2017 as described below.

In 2015, APRIL implemented a “PIMS” system to track the status of encroachment activities and areas subject to land claims. This system tracks the location, status and resolution of these claims, which are primarily in conservation areas. While this system has been in place since 2015 and has been used since then to track new claims, there remained a legacy of historic (i.e. pre-2015) encroachment activities and claims that had not yet been entered in the system. During 2017, PT. RAPP undertook significant activities to incorporate remaining historic data into this system for all of its concession sectors, leading to a significant increase in the amount of area, particularly forested conservation area, recorded as being under claim or encroached. This process was not fully complete at the end of 2017 and has not yet been completed by Supply Partners. As a result, there remains significant uncertainty as to the exact amount of forested conservation that has historically been lost through encroachment activities and the area that is still pending the resolution of a claim. As a result, we were unable to examine sufficient, appropriate evidence to allow us to provide assurance over the number of hectares of conservation that are currently forested and the number of hectares that remain subject to unresolved land use conflict as of December 31, 2017.

### **Good Practice #1**

In 2017, PT. RAPP made significant progress in developing Conservation Landuse Management Plans for the sectors within its concession. This risk based mapping program is designed to identify priority areas for protection, and considers existing conservation and its quality, adjacent habitat features outside of concession boundaries that can be linked with, and associated risks to existing conservation (such as focal areas for encroachment). This process is also leading to improvements in the quality of data on the status of remaining forested areas.

### **Opportunity for Improvement #3**

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.

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.

It is noted that Conservation Landuse 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 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.

<b>II</b>	<b>Forest Protection and Conservation:</b>
b.	Ratio of conservation area to total plantation area <sup>1</sup>

### APRIL data as of December 31, 2017

	Conservation area <sup>1</sup>	Total plantation area	Ratio
PT. RAPP	69,972	209,252	33%
Supply Partners	148,596	237,415	63%
Community Forestry	-	8,348	0%
Ecosystem Restoration Licenses (RER) <sup>2</sup>	150,852	-	100%
<b>Total</b>	<b>369,420</b>	<b>455,015</b>	<b>81%</b>

<sup>1</sup>Conservation area for the purpose of this indicator excludes approximately 18,000 ha of PT. RAPP and 22,000 ha of Supply Partner conservation area that is under land claim.

<sup>2</sup>Ecosystem Restoration Licenses are granted by the Indonesian Government for degraded forest areas and allow for the restoration of these sites through the implementation of long-term ecosystem restoration activities. The ecosystem restoration activities are multi-year projects involving collaboration between APRIL, civil societies, NGOs and Government.

### Evidence Reviewed

Recalculation of ratio based on plantation and conservation area data maintained in Landbank.

### Findings

This indicator tracks progress on APRIL's commitment to establish conservation areas equal in size to its plantation areas. The ratio currently considers all conservation areas (regardless of quality) except those that are subject to land claim.

As noted for indicator II.a during 2017, PT. RAPP undertook significant activities to update its database on encroachment activities, leading to a significant increase in the amount of area, particularly forested conservation area, recorded as being under claim or encroached. This process was not fully complete at the end of 2017 and has not yet been completed by Supply Partners. As a result, there remains significant uncertainty as to the exact amount of conservation that is still pending the resolution of a claim. As a result, we were unable to examine sufficient, appropriate evidence to allow us to provide assurance over the number of hectares of conservation that are not subject to unresolved land use conflict as of December 31, 2017.

<b>II</b>	<b>Forest Protection and Conservation:</b>
c.	# and Ha of APRIL and supplier concessions included within landscape level processes

### APRIL data as of December 31, 2017

	# of concessions included in landscape level processes <sup>1</sup>
Kampar Peninsula	16 (including 4 ecosystem restoration licenses)
Pulau Padang	2 (including 1 ecosystem restoration license)
<b>Total</b>	<b>18</b>

<sup>1</sup> The landscape approach is defined in the glossary to SFMP 2.0 as a long-term collaborative approach bringing together diverse stakeholders aiming to achieve a balance between multiple and sometimes conflicting objectives in a landscape and/ or seascape. Landscapes are defined as “a heterogeneous socio-ecological system in space”.

### Evidence Reviewed

Identification of concessions within the scope of proposed landscape level plans and agree the number of concessions to APRIL Landbank.

APRIL provided progress reports and details of contracts with implementation contractors to support the stated level of progress on each of the landscape level plans as follows:

Landscape Level Plan Scope	Kampar Peninsula	Pulau Padang
# of concessions included	16	2
Landscape Plan Development Criterion	Development Status*	Development Status*
Process for negotiation and communication of clear goals	Design	Not yet initiated
A clear and agreed theory of change	Design	Not yet initiated
A rigorous and equitable process for continuing stakeholder engagement.	Design	Not yet initiated
Connection to policy processes and key actors	Design	Not yet initiated
Clear Allocation of Responsibility and Authority	Design	Not yet initiated
Effective governance	Not yet initiated	Not yet initiated
Spatially defined landscape	Implemented	Not yet initiated
Landscape Plan Development Criterion	Development Status*	Development Status*
Clearly understood biodiversity values	Implementation	Not yet initiated
Transparency	Design	Not yet initiated

\* Development status is categorized as either: Not yet Initiated, Contractual Stage (contractual arrangements for development parties in process), Design Stage (detailed planning phase for project design underway involving local stakeholders), Implementation Stage (Active and ongoing implementation of designed processes with local stakeholders) or Monitoring Stage (all design elements fully implemented and ongoing monitoring of effectiveness initiated).



In determining progress in the development of landscape level plans the following criteria, developed by the independent Stakeholder Advisory Committee were applied:

Criterion	SAC expectation
<i>Process for negotiation and communication of clear goals</i>	The definition of clear goals should be a stakeholder-driven process and will require skilled facilitation. The facilitation process should be independent to the extent possible.
<i>A clear and agreed theory of change</i>	<p>The development of a theory of change to attain goals is a key process step.</p> <p>A valid theory of change is built upon analysis of past trends, the exploration of scenarios and understanding of drivers of change. It must be produced and agreed upon through a multi-stakeholder process that brings together all sources of knowledge about the landscape.</p> <p>In developing a theory of change, key milestones and processes to achieve the goals must be identified – these should provide the basis on which process and outcome metrics are identified.</p>
<i>A rigorous and equitable process for continuing stakeholder engagement</i>	The landscape approach requires a high level of rigor in equitable engagement of all stakeholders in data collection and decision-making processes. Engagement is essential for feedback to inform learning and as the main vehicle for building the capacity of stakeholders to understand landscape processes. This process is ongoing and combines regular stakeholder meetings as well as alternative approaches (such as panels of local people who are consulted periodically to assess their perceptions of changes in their livelihoods and their environment and/or participatory monitoring). A neutral facilitation process is in place to support stakeholder engagement efforts.
<i>Connection to policy processes and key actors</i>	Explicit connections to policy processes at local, national and global levels are essential in landscape approaches. Connection to the Indonesian Government Forest Management Unit (KPH – Kesatuan Pengelolaan Hutan) process is fundamental.
<i>Clear allocation of responsibility and authority</i>	Internal and third party roles and responsibilities are clearly defined, including responsibility for the development of the landscape approach.
<i>Effective governance</i>	Governance failures remain the fundamental challenge that most landscape approaches are facing and rigorous public discussion of governance metrics will be essential ( <a href="#">Dale et al., 2011</a> , <a href="#">Dale et al., 2013</a> ). Governance metrics should be designed and implemented to measure the effectiveness of institutions, their connectivity and the extent to which they reflect the views of, and are trusted by, the full range of actors in the landscape.
<i>Spatially defined landscape</i>	A spatial data base is created that includes all key landscape and land use features including peat and mineral soil areas, different categories of forest and non- forest land, data on ownership, land use, protected areas and areas of conflict. etc.
<i>Clearly understood biodiversity values</i>	Development and implementation of a plan for assessing the biodiversity values of the set-aside and other natural areas – including values outside of APRIL's concessions.
<i>Transparency</i>	Transparency is necessary for achieving landscape-level outcomes and is required for building trust in the management process and leadership ( <a href="#">Gupta, 2010</a> ). Processes should be developed to ensure that comprehensive and rigorous spatial information systems are in place and that maps, data, publications and processes are both of adequate quality, are in the public domain and are pro-actively communicated to all concerned people ( <a href="#">Rosa et al., 2014</a> ).

## Findings

In December 2015, APRIL announced its intention to invest up to US\$100 million in Riau Ecosystem Restoration over the next ten years to support its forest restoration and conservation initiatives. Activities to date have been primarily focused on the landscape level plan for the Kampar peninsula.

The landscape level plan for the Kampar peninsula covers a large and relatively contiguous area of approximately 384,000 hectares, including 4 ecosystem restoration licenses covering approximately 130,000 hectares. There has been continuing activity on this landscape level plan related to stakeholder engagement processes and collection of community and biodiversity data for the restoration licenses. Broad objectives for the plan have been drafted and a number of stakeholder engagement initiatives continue.

The landscape level plan for Pulau Padang, an area of approximately 56,000 hectares, including approximately 21,000 hectares of ecosystem restoration was previously reported as being in the early stages of development. However, following the modification of the approach to the Kampar peninsula plan this plan has been put temporarily on hold pending while the revised approach is tested with the Kampar peninsula plan.

The development of landscape level plans to address the maintenance of ecosystem integrity through time is a major long-term commitment within SFMP 2.0 that is especially important given the extent to which the greater landscape within which APRIL sources its fiber has been subject to significant loss of natural forest to industrial use. The approach being taken by the Company is to start this process in the areas where it has the greatest concentration of activities, and hence the greatest ability to influence the outcomes, which in APRIL's case, is the Kampar peninsula on Sumatra.

Within the proposed Kampar landscape plan there are five PT. RAPP sectors which are part of one large concession (142,000 ha) and 11 Supply Partner concessions (113,000 ha) as well as four ecosystem restoration licenses (130,000 ha).

Within the Pulau Padang proposed landscape plan there is one PT. RAPP sector (approximately 35,000 ha) and one ecosystem restoration license (approximately 21,000 ha).

<b>II</b>	<b>Forest Protection and Conservation:</b>
d.	% of ecosystem restoration area with formal plans for protection and/or restoration objectives for rare, threatened, endangered (RTE) species

#### APRIL data as of December 31, 2017

Ha of Concession with formal Plan	Still in baseline study
# of RTE Species identified on Ecosystem Restoration Area	48 species (IUCN Red List)
# of species with recovery /protection plans in place.	Still in baseline study
Ha of Concession with formal Plan	Still in baseline study

#### Evidence Reviewed

Interview with Ecosystem Restoration team and review of biodiversity information collected to date for the ecosystem restoration license areas on the Kampar peninsula area.

#### Findings

To date, the overall approach to species recovery and the number of species specific recovery plans that can practically be developed remains a point of discussion. The initial focus has been on the collection of baseline biodiversity data. However, two specific species have been identified for plans to date:

- The White winged duck (*Cairina scutulata*) which is listed as endangered by the International Union for Conservation of Nature (IUCN) and protected by Indonesian law. The duck is indicative of low lying swamp. In Indonesia the duck is extirpated from Java and there are no recent confirmed records for the Malay Peninsula. The duck has been identified as present in the Kampar ecosystem restoration area.
- The Meranti paya tree (*Shorea platycarpa*) which is listed as critically endangered by the IUCN. The species is found along river banks in peat swamp forests, and is rarely found growing deep in the forest. In terms of trade, this type of wood is buoyant and therefore easy to transport. The combination of these two traits makes the species an easy target for illegal loggers. The ecosystem restoration area team has prioritized Meranti Paya as a target species for conservation and restoration. Besides preserving the species, the team also aims to propagate it by planting it in its natural habitat along rivers.

### III. Peatland Management Indicators

#### Indicators Assessed

Two Peatland Management Indicators were assessed as follows:

III	<b>Peatland Management:</b>
<b><i>Overall objective: Minimize greenhouse gas emissions and impacts on peatland function by halting further development of forested peatland and developing and implementing best practices on peatland that is currently non-forested or has established plantations.</i></b>	
a.	# of Ha of plantation, conservation, and ecosystem restoration on peatland.
b.	# and % of Independent Peatland Expert Working Group (IPEWG) recommendations implemented on schedule

The 2017 performance indicators focus on providing data on the current development status of peatland and the implementation of recommendations made by the Independent Peatland Expert Working Group in relation to peatland operations.

## Indicator Performance

III	<b>Peatland management:</b>
a.	# of Ha of plantation, conservation, and ecosystem restoration on peatland

### APRIL data as of December 31, 2017

This table shows the ratio of conservation area to plantation area on peatland.

	PT. RAPP	Community Fiber Plantations	Supply Partners	Open Market Suppliers
<b>Plantation on peatland (Ha)</b>	<b>111,206</b>	<b>6,653</b>	<b>138,823</b>	Data is incomplete at this time. See Section 7 of this report for the status of information available on Open Market Suppliers.
<b>Conservation* on peatland (Ha)</b>	<b>44,413</b>	-	<b>101,869</b>	
Ratio of conservation to plantation	0.4 : 1	-	0.7 : 1	
Ecosystem Restoration on peatland (Ha)	150,852	-	-	
<b>Total conservation and ecosystem restoration (Ha)</b>	<b>195,265</b>	-	<b>101,869</b>	
Ratio of conservation and ecosystem restoration to plantation	1.8 : 1	-	0.7 : 1	

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

### Evidence Reviewed

APRIL data was cross-checked against land use designations in Landbank. Field checks were conducted at the concession level to assess the accuracy of the data supporting conservation area.

### Findings

The overall ratio of conservation area to plantation area for PT. RAPP remains the same as reported in June 30, 2016.

The ratio of conservation area to plantation area for Supply Partners has declined slightly from 0.8 to 0.7:1. The primary changes reducing conservation area were the return of a number of Supply Partner licenses to government during the period due to the lack of development options, and improved data on the area subject to historic land claims (areas subject to land claim is excluded from the definition of conservation areas used in the calculation).

### Subsequent Events

#### 1. Approval of new Long-Term Plans (RKU) on peatland

Subsequent to December 31, 2017 PT. RAPP and Supply Partners operating on peatland submitted new RKUs to comply with Indonesian peat regulations. The PT. RAPP RKU was approved in January 2018, with Supply Partner RKUs approved in subsequent months. The new RKUs create restoration objectives for a significant proportion of existing peatland plantations as peatland protection areas (FLEG).

III	<b>Peatland management:</b>
b.	# and % of Independent Peatland Expert Working Group (IPEWG) recommendations implemented on schedule

**APRIL data for the period from January 1, 2017 to December 31, 2017**

<b>IPEWG Recommendations (Meeting #5-#8)</b>	
Total Recommendations	17
Number of Recommendations Addressed	14 have been acted upon; none are completed. 3 are on hold.

**Evidence Reviewed**

IPEWG Meeting Summary Reports and Meeting Minutes for the year were reviewed (Meeting #5 to Meeting #8) to ensure all recommendations were captured. KPMG PRI confirmed status of a sample of recommendations through review of various types of evidence, including presentation materials, results of studies and analyses performed.

**Findings**

The IPEWG was established in order 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, and
- Development options for non-forested peatland.

APRIL also committed to avoid construction of canals where new plantation development is taking place without first receiving input from the IPEWG.

The first IPEWG meeting was in January 2016. In its first four meetings, the IPEWG generated 67 recommendations which have subsequently been reviewed with IPEWG and either closed or rolled into a formal roadmap and work plan agreed between APRIL and IPEWG.

The IPEWG has been renewed for a second term of two years and there are 17 new recommendations generated by IPEWG Meetings #5 to #8.

14 of the recommendations are considered to be initiated by APRIL. In relation to three of the recommendations on the use of LIDAR, APRIL has indicated better value alternative data acquisition strategies to the proposed collection of LIDAR data across suppliers in the short term.

## IV. Continuous Reduction of Carbon Footprint Indicators

### Indicators Assessed

Four Continuous Reduction of Carbon Footprint Indicators were assessed as follows:

IV	<b>Continuous reduction of carbon footprint:</b>
<b><i>Overall objective: Reduce the lifecycle GHG emissions footprint of our products by increasing mill energy efficiency and use of renewable fuel sources and establishing an accurate baseline for land based emissions from which to initiate emission reductions.</i></b>	
a.	Mill tonnes of GHG / tonne of pulp.
b.	Mill tonnes of GHG / tonne of paper.
c.	% of mill energy needs met by energy source.
d.	Overall carbon footprint

The 2017 performance indicators focus on emissions associated with the Kerinci mill. Research is underway that will allow this data to be supplemented in the future with broader life cycle data that includes land use emissions and sequestration associated with PT. RAPP's plantations.

## Indicator Performance

<b>IV</b>	<b>Continuous reduction of carbon footprint:</b>
a.	Mill tonnes of GHG / tonne of pulp.
b.	Mill tonnes of GHG / tonne of paper.

### APRIL data for the period from January 1, 2017 – December 31, 2017

<b>Greenhouse Gas (GHG) Emissions</b>	<b>Total Mill</b>	
Mill GHG emissions (tonnes of CO <sub>2</sub> e)*	1,614,853	
<b>Emissions Intensity</b>	<b>Pulp</b>	<b>Paper</b>
Production (tonnes)	2,706,926	1,044,769
GHG emissions / tonne of production	<b>0.44</b>	<b>0.72</b>

\* Reported emissions are based on Scope 1 (fossil fuel) emissions for the millsite and exclude biogenic (CO<sub>2</sub>) emissions from the burning of biomass. Scope 2 (energy indirect) emissions are not relevant as APRIL does not procure electricity, heat or steam for the millsite. Scope 3 (other indirect) emissions are not calculated.

### Evidence Reviewed

KPMG PRI reviewed APRIL's GHG Emissions methodology and how the operational boundary was set. The completeness of emissions sources was assessed via a mill site tour, and the appropriateness of emission factors and assumptions were assessed through review of the GHG calculation for accuracy and consistency with third-party sources and methodologies. Data sources were reviewed and observed and reported figures were agreed to internal accounting systems, inventory systems and pulp and paper production tracking systems as applicable.

### Findings

APRIL followed an established methodology developed by the International Council of Forest and Paper Associations (ICFPA) and the National Council for Air and Stream Improvement (NCASI) to develop its GHG emissions profile and followed the requirements of the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)'s GHG Protocol.

Emissions per tonne of paper include the emissions associated with the initial manufacture of pulp that is used as the input to the paper production process.

GHG emissions reduced marginally in 2017, despite increased paper production, as a result of increased use of natural gas and biomass for energy, reduced pulp drying needs and a reduced reliance on coal.



<b>IV</b>	<b>Continuous reduction of carbon footprint:</b>
c.	% of mill energy needs met by energy source.

**APRIL data for the period from January 1, 2017 – December 31, 2017**

<b>Energy Consumption</b>	<b>Mill energy use (TJ)</b>
Fossil fuel energy consumption	16,952
Biomass energy consumption	67,660
<b>Total energy consumption</b>	<b>84,612</b>
% of external energy needs met from biomass	80%
% of external energy needs met from fossil fuel	20%

**Evidence Reviewed**

KPMG PRI reviewed the energy calculations, including assessing the plausibility of assumptions. Data sources were reviewed and observed and reported data was agreed to SAP systems, inventory systems and spreadsheets developed for the Kerinci pulp and paper mill as applicable.

**Findings**

A new paper machine was added in mid-2017 increasing paper production by 30%\*. Additionally, pulp production increased by approximately 3%. However, overall energy consumption has decreased marginally, due to the reduction in pulp drying needs associated with increased paper production and efficiencies in the pulping and chemical processing lines.

\* Comparatives relate to the last full SFMP 2.0 report for the year ended June 30, 2016.

<b>IV</b>	<b>Continuous reduction of carbon footprint:</b>
d.	Overall Carbon Footprint

**APRIL data for the period from January 1, 2017 – December 31, 2017**

<b>Emissions Source</b>	<b>Methodology Status</b>	<b>Calculation Status</b>
Mill Scope 1 and 2 Emissions	Established	Calculated
Fiber operations Scope 1 and 2 Emissions	Established	Not Calculated
Land use emissions	Developed by third party and reviewed by IPEWG	In Progress - Draft

**Evidence Reviewed**

KPMG PRI reviewed the methodology sources used for mill emissions as well as the draft methodology developed for land use emissions based on status reports from the third party developing the methodology.

**Findings**

While it was noted that current SFMP 2.0 performance indicators limit GHG footprint data to the mill site and do not currently include fiber supply operations (including related land use emissions and mobile emissions) it was also noted that significant progress has been made during 2017 in developing, reviewing and implementing a defensible methodology for calculating land-use emissions, which is the most critical part of APRIL's overall GHG footprint.

In developing a defensible methodology to measure GHG fluxes within both plantation and mixed natural forest, APRIL has installed three GHG flux towers. These provide a unique opportunity to accurately measure GHG fluxes associated with different land uses.

## V. Proactive Support of Local Communities Indicators

### Indicators Assessed

Nine performance indicators on Proactive Support of Local Communities were assessed as follows:

V	Proactive support of local communities:
<b>Overall objective: To continually seek opportunities to consult and align with the interests of communities.</b>	
a.	<ul style="list-style-type: none"> <li>- Total \$ spent on social infrastructure projects.</li> <li>- KMs of road built.</li> <li>- # of social infrastructure projects completed.</li> <li>- # of social infrastructure projects for which materials were provided</li> </ul>
b.	Contribution to local GDP
c.	# of education scholarships provided
d.	# of SMEs contracted by APRIL and suppliers
e.	# of multi stakeholder forums by location
f.	# of stakeholder attendees
g.	# of villages in fire free village program
h.	# of farmers trained to cultivate farmland
i.	# of farmer groups supported with agricultural material

The 2017 performance indicators focus on base data on existing initiatives and are considered to be interim pending the development of indicators that more effectively reflect the impact of community initiatives.

## Indicator Performance

<b>V</b>	<b>Proactive support of local communities:</b>
a.	<ul style="list-style-type: none"> <li>- Total \$ spent on social infrastructure projects</li> <li>- KMs of road built</li> <li>- # of social infrastructure projects completed</li> <li>- # of social infrastructure projects for which materials were provided</li> </ul>

## APRIL data for the period from January 1, 2017 – December 31, 2017

Social Infrastructure Projects	PT. RAPP	Supply Partners	Total
Total \$ spent on social infrastructure projects	USD \$141,769	N/A 1	USD \$141,769
KMs of road built	0 km	3.5 km	3.5 km
# of social infrastructure projects completed	8	19	27
# of social infrastructure projects for which materials were provided	94	18	112
# of infrastructure projects for which equipment were provided	58	204	262

<sup>1</sup>2017 was the first year during which Supply Partners reported their community development activities to APRIL. However, as we did not have access to Supply Partner financial data supporting community spending, we were unable to provide assurance over the community development spend of Supply Partners.

## Evidence Reviewed

APRIL provided a breakdown of social infrastructure projects undertaken by PT. RAPP and Supply Partners. On a sample basis, we traced the information back to proof of project completion through signed agreements with the local village.

In addition, we confirmed that the projects were undertaken on a sample of six concessions through a combination of interviews with local stakeholders and physical inspection of the projects.

## Findings

Social infrastructure projects include the building of schools, mosques, village centres, sports arena, community halls, roads and related facilities and materials to support the social, cultural, religious and other activities and needs of local community. The projects are supported by signed contracts acknowledging completion with the heads of village in which the project was completed. Materials provided include materials to complete the construction of a project (e.g. cement) and equipment includes computer equipment, school furniture, sports equipment, etc. Total dollar spent includes the above as well as sponsorship of community events.

## Good Practice #2

Interviews with a number of local businesses (e.g., aquaculture, batik, motorcycle repair shop) who have been supported in their development by the PT. RAPP community development program indicated a long-term interest by

PT. RAPP in the development of these businesses rather than one time support. This includes the provision of business and technical training over time to support the expansion of these businesses.

#### **Opportunity for Improvement #4**

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.

Now that Supply Partners are reporting community development activities to APRIL, there is an opportunity for improvement to both:

- 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.

<b>V</b>	<b>Proactive support of local communities:</b>
b.	Contribution to local GDP

**APRIL data for the period from January 1, 2017- December 31, 2017**

	<b>Contribution to local GDP</b>
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.

**Evidence Reviewed**

Review of the memorandum of understanding between APRIL and University of Indonesia - Lembaga Penyelidikan Ekonomi dan Masyarakat (LPEM FEB UI) engaged to perform study. At the time of the fieldwork, the draft report from the university was available. We obtained evidence of the initial wire payment to the university for the performance of the engagement.

The scope of work is to prepare a report on the economic impact of PT. RAPP in Riau Province for the period of 2015, 2016, and 2017.

**Findings**

This indicator is intended to provide a high level view of regional economic progress for Riau province, where the Kerinci mill site and most of APRIL's fiber supply are located.

A previous 2014 Economic Impact and Fiscal Analysis of APRIL Group Riau Complex by the Institute of Economic and Social Research – Faculty of Economics and Business, University of Indonesia supported by Royal Golden Eagle Group estimates APRIL's historic local contribution at 5.2% to Riau province's GDP.

An updated 2018 Economic Impact and Fiscal Analysis of APRIL Group Riau Complex by the Institute of Economic and Social Research – Faculty of Economics and Business, University of Indonesia supported by Royal Golden Eagle Group estimates APRIL's contribution at 4.49% to Riau province's GDP.

Note: Opportunity for Improvement # 8 from our 2016 assurance report remains "In Progress" until the GDP report is finalized.

<b>V</b>	<b>Proactive support of local communities:</b>
c.	# of education scholarships provided

**APRIL data for the period as of December 31, 2017**

# of education scholarships provided	PT. RAPP	Supply Partners
# of SMA (high school) Scholarships Provided	300	4
# of Talent Pool Scholarships Provided	48	0
# of University Scholarships Provided (beside Talent Pool)	79	0
<b>Total Scholarships Provided</b>	<b>427</b>	<b>4</b>

**Evidence Reviewed**

APRIL provided a breakdown of all scholarships granted by PT. RAPP and Supply Partners valid as of December 31, 2017. On a sample basis, we traced the information back to scholarship agreements signed by both the company representative and the student. In addition, we confirmed that scholarships were provided as reported during one field inspection through interviews with local stakeholders.

**Findings**

SMA (high school) scholarships relate to monetary support provided to a student completing their high school diploma and Talent Pool scholarships relate to monetary support provided to a student completing university programs and include a job with APRIL upon graduation. University scholarships relate to monetary support provided to a student completing university programs but do not lead to a position with the company.

<b>V</b>	<b>Proactive support of local communities:</b>
d.	# of SMEs contracted by APRIL and suppliers.

**APRIL data for the period from January 1, 2017 - December 31, 2017**

<b>Wood Sources</b>	<b># of SMEs contracted</b>
PT. RAPP	145
Supply Partners	97
<b>Total</b>	<b>242</b>

**Evidence Reviewed**

APRIL provided a listing of all Small and Medium Enterprise (SME) organizations contracted by PT. RAPP and Supply Partners during the period. On a sample basis, we traced the information back to signed contracts or purchase orders for services and goods purchased by PT. RAPP and signed by both the Company and the SME.

In addition, we confirmed awareness of the SME Program during three field inspections through interviews with local stakeholders.

**Findings**

Small and Medium Enterprises (SMEs) are suppliers to APRIL owned by individuals from local communities and in business through support from APRIL. The SME Program aims to provide opportunities for individuals within local communities to engage with APRIL through commercial activities that support the company's operations and includes up front capital and training. Areas of contracted work include supplying nursery growing media, harvesting, pallet making and transportation.



<b>V</b>	<b>Proactive support of local communities:</b>
e.	# of multi stakeholder forums by location.
f.	# of stakeholder attendees.

#### APRIL data for the period from January 1, 2017 - December 31, 2017

PT. RAPP Location (Area)	Number of forums	Number of Attendees	Supply Partner Location (Area)	Number of forums	Number of Attendees
Buatan Port	4	93	Data not available	Data not available	Data not available
Futong Port	3	87			
Mill	5	80			
Ukui	2	27			
Cerenti	10	200			
Logas	10	249			
Teso	12	209			
Pulau Padang	6	165			
Pelalawan	6	130			
Meranti	3	61			
Mandau	6	88			
Baserah	7	184			
Langgam	5	93			
<b>Total</b>	<b>79</b>	<b>1,666</b>			

#### Evidence Reviewed

APRIL provided a listing of all community stakeholder meetings held by PT. RAPP during the period. On a sample basis, we traced the information back to a meeting summary and an attendance list.

#### Findings

This indicator is intended to provide transparency on the number of local stakeholder forums provided by PT. RAPP and the number of stakeholder participants involved in the engagement process in relation to PT. RAPP's operations through which local communities can raise concerns.

<b>V</b>	<b>Proactive support of local communities:</b>
g.	# of villages in fire free village program

**APRIL data as at December 31, 2017**

	<b>Fire Aware Communities</b>	<b>Fire Free Village Program</b>	<b>Fire Resilient Communities</b>
Number of Villages	50	18	9

**Evidence Reviewed**

An APRIL developed listing of villages enrolled in the Fire Free Village Program (FFVP) during the period was cross-checked on a sample basis to FFVP agreements signed between APRIL and community representatives. On a sample basis, we also inquired as to which villages received rewards.

**Findings**

This indicator tracks APRIL's success in expanding its FFVP to local villages located on or near APRIL and supplier concessions.

In July 2015, APRIL initiated the FFVP that worked with local villages and provided both training and financial incentives to those villages who were prepared to eliminate fire as a land-clearing tool. The initial program was carried out at villages associated with PT. RAPP plantations and conservation operations and was considered a success in terms of its ability to reduce instances of fire on adjacent areas.

There are three stages to the program for supporting communities in eliminating fire as a tool for land clearance and preparation. The three stages are:

- Fire Aware Community (FAC) - is the preliminary socialization and engagement conducted with villages before entering FFVP. There are currently 50 villages across Riau in this initial stage of engagement;
- Fire Free Village Program (FFVP) - focuses on educating, equipping, supporting and rewarding villages that eliminate fire. Villages with no fires receive a set award while villages with under two hectares of fires receive a partial award; and,
- Fire Resilient Community (FRC) – villages that have graduated from the FFVP and are no longer eligible for rewards but continue to have ongoing engagement with APRIL. For the first time in 2017, nine villages have now moved into the FRC stage.

In 2017, fifteen FFVP villages in the program received their full reward and one village (Penarikan, Pelalawan) received half of their reward.

<b>V</b>	<b>Proactive support of local communities:</b>
h.	# of farmers trained to cultivate land
i.	# of farmer groups supported with agricultural materials

#### APRIL data for the period from January 1, 2017 - December 31, 2017

	PT. RAPP	SUPPLY PARTNERS
# of farmers trained to cultivate farmland	167	0
# of farmers groups supported with agricultural materials	56	10

#### Evidence Reviewed

APRIL provided a listing of all farmer training sessions held by PT. RAPP during the period. On a sample basis, we traced the information back to the signed attendance list.

APRIL provided a breakdown of farmer groups supported with agricultural materials by PT. RAPP and Supply Partners. On a sample basis, we traced the information back to signed agreements with the farmer group as evidence that they received materials.

#### Findings

Formal training takes place in the town of Kerinci and hands-on training is provided in the individual villages of the associated farmer group. Training provided to farmers focuses on Integrated Farming Systems (IFS) which aims to improve the skills of community farmers through agricultural initiatives such as horticulture, plantation, animal husbandry, fishing and paddy planting development. APRIL Group facilitates training, facilitation and on-going technical support to farmers.

Farming materials provided related to fertilizer, pesticide, seeds, fishing net and cattle farming equipment.

## VI. Respect the Rights of Indigenous Peoples and Communities Indicators

### Indicators Assessed

Six performance indicators were assessed addressing commitments to “Respect the Rights of Indigenous Peoples and Communities” as follows:

VI	Respect the Rights of Indigenous Peoples and Communities:
<b><i>Overall objective: To demonstrate respect for the rights of indigenous peoples and rural communities throughout operations.</i></b>	
a.	# and % of new operations (concessions and blocks) with formal agreements in place with indigenous peoples and rural communities
b.	Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes
c.	Established SOP for addressing grievances
d.	Existence of publicly available grievance system
e.	% of grievances addressed within 10 days
f.	% of grievances resolved in accordance with the grievance SOP

The 2017 performance indicators focus on the development of updated processes for the resolution of land claims and grievances.

## Indicator Performance

<b>VI</b>	<b>Respect the Rights of Indigenous Peoples and Communities:</b>
a.	# and % of new operations (concessions and blocks) with formal agreements in place with indigenous peoples and rural communities

### APRIL data for the period from January 1, 2017 - December 31, 2017

<b># and % of new operations with formal agreements</b>
No new Operations were initiated.

### Evidence Reviewed

Review of Landbank, fiber supply delivery information and interviews with management in relation to new operations.

### Findings

This is a critical indicator of APRIL's commitment to the principle of free, prior and informed consent by indigenous peoples and rural communities to the development of any new operations.

No operations were identified on new concessions. As a result, there were no new agreements to report under this indicator.

<b>VI</b>	<b>Respect the Rights of Indigenous Peoples and Communities:</b>
b.	Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes

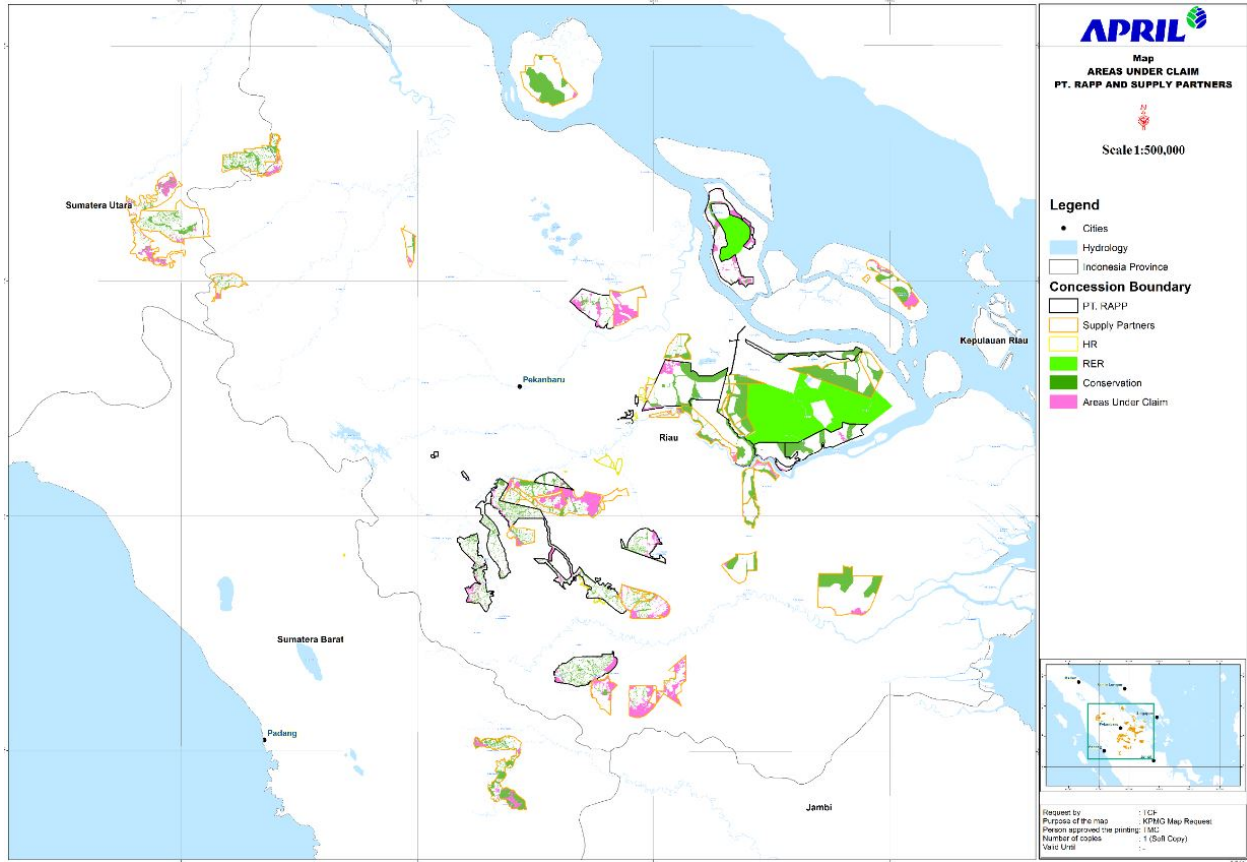
#### APRIL data as of December 31, 2017

Wood Supplier	Ha Inactive due to unresolved land disputes	# of disputes identified	Ha with identified disputes	% identified
PT. RAPP	31,915	593	16,128	51%
Supply Partners	72,163	287	5,446	8%
Open Market Suppliers	Not available			
<b>Total</b>	<b>104,078</b>	<b>880</b>	<b>21,574</b>	<b>21%</b>

#### Evidence Reviewed

The data presented above was compared to APRIL's PIMS database. Site visits at a sample of concessions were undertaken to assess the accuracy of land use categorization. Field inspections were undertaken at a sample of concessions and PT. RAPP sectors to compare data in the PIMS database with ground observations.

Figure 7 General location of PT. RAPP and Supply Partner area under claim



## Findings

Over time, this indicator will track progress on addressing current 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 reported to local authorities and passed to the police if negotiations fail.

In 2015 APRIL implemented a “PIMS” system to track the status of encroachment activities and areas subject to land claims. This system tracks the location, status and resolution of these claims, which are primarily in conservation areas. While this system has been in place since 2015 and has been used since then to track new claims there remained a legacy of historic (i.e. pre-2015) encroachment activities and claims that had not yet been entered in the system. During 2017, PT. RAPP undertook significant activities to incorporate remaining historic data into this system for all of its concession sectors, leading to a significant increase in the amount of area, particularly forested conservation area, recorded as being under claim or encroached. This process was not fully complete at the end of 2017 and has not yet been completed by Supply Partners. As a result, there remains significant uncertainty as to the exact amount of legacy encroachment activities and the area that is still pending the resolution of a claim. As a result, we were unable to examine sufficient, appropriate evidence to allow us to provide assurance over the number of hectares that are currently inactive due to unresolved land use conflict as of December 31, 2017.

Field inspections noted the complexity of tracking encroachment activities to individual claimants and resolving these claims and noted instances where new activities had occurred on the same site after the resolution of a claim, sometimes by the same party, sometimes by unknown parties. In this context, the progress made by PT. RAPP in cataloguing the historic legacy of encroachment activities is a significant step in resolving the issues.

### Opportunity for Improvement #5

During field inspections related to encroachment areas it was noted that:

- 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.
- At one Supply Partner, analysis of land cover data identified a small area with 5-6 year old oil palm that had yet to be included in the land claim database.
- At one Open Market Supplier, an area classified as plantation was found to be planted with oil palm as a result of encroachment.
- At one Open Market Supplier, it was noted that a large percentage of the areas that were regarded as having resolved land claims in 2017 had already been planted with pulp wood prior to the signing of a Memorandum of Understanding confirming resolution of the claim with the third party.



<b>VI</b>	<b>Respect the Rights of Indigenous Peoples and Communities:</b>
c.	Established standard operating procedure (SOP) for addressing grievances
d.	Existence of publicly available grievance system

#### APRIL data as at December 31, 2017

	<b>PT. RAPP</b>	<b>Supply Partners</b>	<b>Open Market Suppliers</b>
<b>Established SOP for addressing grievances</b>	Yes, a formal process is in place to manage grievances received during the reporting period.	Yes, processes exist in relation to grievances and are managed by the individual companies using their own SOPs.	Of the ten Open Market Suppliers, seven have established their own SOPs to manage community grievances during the reporting period.
<b>Existence of publicly available grievance system</b>	APRIL's formal grievance process is available to the public on their Sustainability Dashboard. Grievances received related to PT. RAPP or supplier operations follow this process.  Supply Partner and Open Market Suppliers' own grievance systems are not publicly available.		
<b>Status of grievance process implementation</b>	Grievance system has been socialized to management, staff in sectors, and communities	Grievance system have not been consistently socialized with management, staff and communities across Supply Partner operations	Where grievance systems exist, they have not been consistently socialized with management, staff and communities

#### Evidence Reviewed

Review of individual company grievance standard operating procedures, site visits to a number of local communities to interview village officials and understand the level of community awareness of the procedures, confirmation of the continuing existence of the online grievance process:

<http://sustainability.aprilasia.com/category/grievance-mechanism>

<http://sustainability.aprilasia.com/category/raise-a-grievance>

<http://sustainability.aprilasia.com/category/grievance-tracking>

#### Findings

PT. RAPP developed a publicly available grievance SOP during 2015-2016 which became available on line as of August 30, 2016. The SOP specifies processes for responding to and resolving grievances that include:

- Duties and responsibilities of the Grievance Processing Unit (GPU) at APRIL, including the appointment of a Grievance Coordinator to manage the ongoing implementation of the Grievance Resolution SOP and coordinate progress and actions.
- The creation of a Grievance Committee to make management decisions in relation to grievances.

- Accessibility for lodging a grievance, including email, phone, mail or online.
- A set workflow for handling complaints and grievances, including timelines and an appeal process.

For a grievance system to be effective, it has to be known to and accessible to local communities. These indicators also track the public availability of information on the grievance process to local communities and their level of awareness of these processes.

In addition to the publicly available grievance system, community development teams in individual sectors and concessions continue to include the management of local community concerns raised directly with the community development team as part of their day to day activities.

### **Opportunity for Improvement #6**

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:

- 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.
- 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.

<b>VI</b>	<b>Respect the Rights of Indigenous Peoples and Communities:</b>
e.	% of grievances addressed within 10 days
f.	% of grievances resolved in accordance with the grievance standard operating procedure (SOP)

**APRIL data as of December 31, 2017**

	<b>PT. RAPP</b>	<b>SUPPLY PARTNERS</b>	<b>OPEN MARKET SUPPLIERS</b>
Total # of grievances received	8	0*	0*
# of grievances addressed within 10 days	8	*	*
% of grievances addressed within 10 days	100%	*	*
# of grievances resolved in accordance with the grievance SOP	6	*	*
% of grievances resolved in accordance with the SOP	75%	*	*

*\*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.

**Findings**

These indicators address PT. RAPP and supplier responsiveness to grievances raised by local communities and the implementation of the grievance SOP. The data presented indicates that most grievances continue to be resolved at individual concessions and sectors. This is consistent with our findings from interviews with representatives from local villages who tended to express a preference for dealing directly with the local community development team when issues arise.

**Opportunity for Improvement #7**

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

## VII. Responsible Practices in Our Work Places Indicators

### Indicators Assessed

Four Responsible Practices in Our Work Places Performance Indicators were assessed as follows:

VII	Responsible Practices in Our Work Places:
<b><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>	
a.	# of fatalities (mill, PT. RAPP fiber, suppliers)
b.	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors
c.	% of PT. RAPP, supplier and contractor operations covered by OHS certification
d.	Number of males and females in permanent and part-time positions

The 2017 performance indicators focus on occupational health and safety and processes for addressing labor Concerns.

## Indicator Performance

<b>VII</b>	<b>Responsible Practices in Our Work Places:</b>
a.	# of fatalities (mill, PT. RAPP fiber, suppliers)

### APRIL data for the period from January 1, 2017 - December 31, 2017

	<b>PT. RAPP - Mill</b>	<b>PT. RAPP – Fiber</b>	<b>Supply Partner</b>	<b>Open Market Suppliers</b>
# of fatalities	0	1	0	Not available

### Evidence Reviewed

Review of the health & safety standard operating procedure and 2017 incident database and incident reports. In addition, existence of any fatal incidents was confirmed during field visits through management and worker interviews.

### Findings

This indicator tracks work fatalities for the mill site, fiber operations and Supply Partners.

Fatalities are formally tracked and investigated for all workers, including contractors, across PT. RAPP and Supply Partner locations.

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

**As at December 31, 2017**

	<b>Description of grievance mechanism in place</b>
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	<p>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).</p>
Supply Partner contractors	<p>A regulated grievance mechanism is required by law as specified above for PT. RAPP contractor employees.</p>
Open Market Supplier employees	<p>A regulated grievance processes exists for Open Market Suppliers.</p>
Open Market Supplier contractor employees	<p>A regulated grievance mechanism is required by law as specified above for PT. RAPP contractor employees.</p>

**Evidence Reviewed**

Interviews with April and supplier 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.

### **Non-Conformance #2**

Interviews with contractor workers during field site visits identified isolated weaknesses in implementation of responsible work place practices expected under SFMP 2.0 including:

- 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.

Also, it should be noted that during 2017 an online article quoted the former director general at the Ministry of Environment and Forestry as having identified children of contractor workers from Nias Island that were not receiving education during a field tour to an APRIL concession on the Kampar peninsula in 2016. While interviews with workers from Nias Island took place during the current (2017) assurance process the workers we interviewed indicated that their children were receiving education and that this was provided by the contractor. Future assurance engagements will continue to monitor this concern.

### **Opportunity for Improvement #8**

Interviews with workers and a contractor supervisor at one PT. RAPP sector indicated limited awareness of the existence of formal grievance processes for workers.

<b>VII</b>	<b>Responsible Practices in Our Work Places:</b>
c.	% of PT. RAPP, supplier and contractor operations covered by OHS certification

This table tracks the percentage of operations that have completed some form of occupational health and safety certification by December 31, 2017:

	<b>% of Operations Covered by OHS Certification</b>
PT. RAPP	83%
Supply Partners	17%
Open Market Suppliers	40%

**Evidence Reviewed**

APRIL provided a listing of all areas with Occupational Health and Safety (OHS) certification for PT. RAPP, Supply Partners and Open Market Suppliers. Operations with either OHSAS 18001 certification or SMK3 Certification (in Indonesia) are considered as meeting this indicator.

We agreed new SMK3 certifications received to certificates or audit reports from Surveyor Indonesia demonstrating certification was completed in 2017. We also interviewed estate management during field visits to confirm status of certifications.

**Findings**

This indicator tracks the extent to which a formal health and safety management system is in place to address APRIL’s commitment to ensure the health and safety of workers is protected and that workers are equipped for protection against occupational health and safety hazards.

SMK3 certification is required by local law for all Indonesian companies who are either assessed as “high-risk” by the Ministry of Labor or for companies with greater than 100 workers. As of December 31, 2017, PT. RAPP had completed SMK3 certifications for 10 of its 12 sectors with the remaining two certification audits still outstanding. 17% of Supply Partners had completed SMK3 certifications and 40% of Open Market Suppliers had completed SMK3 or OHSAS 18001 certification.

In addition to SMK 3 certification, PT. RAPP was part way through the process of undertaking OHSAS 18001 certification audits on all of its sectors at the end of 2017

In some cases, individual larger individual contractor companies are also required to achieve SMK3 certification. Opportunity for Improvement # 20 from our 2016 assurance report relates to the certification of these contractor operations and remains “In Progress”.

**Opportunity for Improvement #9**

During field inspections at PT. RAPP and three Supply Partners, isolated safety concerns were observed as follows:

- Ineffective personal protective equipment (PPE) in use by staff and contractors, which included a chainsaw operator with PPE that left an unprotected lower shin and non-functional safety whistles on lifejackets.
- Missing fire extinguishers were noted at a planting contractor camp that had fuel storage.



- 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.
- 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.

<b>VII</b>	<b>Responsible Practices in Our Work Places:</b>
d.	# of males and females in permanent and part-time positions

**As at December 31, 2017**

	Male		Female		Total
	Employees <sup>1</sup>	Contractors	Employees <sup>1</sup>	Contractors	
Mill	2,638	Not available	279	Not available	2,917
Fibre	2,724	6,798	371	2,384	12,277
Supply Partner	1,507	4,896	108	1,815	8,326
Total	6,869	11,694	758	4,199	23,520

<sup>1</sup> APRIL employees include both permanent and short-term employees.

**Evidence Reviewed**

APRIL provided a listing of all employees in the above roles for mill, fibre and Supply Partners with the exception of mill contractors. We inquired with the Human Resources Department as to how employment data is maintained by mill, fibre and Supply Partners and confirmed the accuracy of the data provided on a sample basis by reference to employment contracts and ID cards.

**Findings**

**Opportunity for Improvement #10**

2017 is the first year of reporting for the male - female employment ratio. While data was available for PT. RAPP employees, 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.

## VIII. Legal Compliance and Certification Indicators

### Indicators Assessed

Three Legal Compliance and Certification Performance Indicators were assessed as follows:

<b>VIII</b>	<b>Legal Compliance and Certification:</b>
<b><i>Overall objective: To go beyond legal compliance toward achieving sustainable forest management.</i></b>	
a.	# of Instances of fire on concessions by cause (APRIL or supplier initiated or third party initiated)
b.	% of fiber covered by legality certification
c.	# of legal sanctions received and resulting actions

The 2017 performance indicators focus on legality certification of the wood supply and management of fire risk.

## Indicator Performance

<b>VIII</b>	<b>Legal Compliance and Certification:</b>
a.	# of Instances of fire on concessions by cause (APRIL initiated, supplier initiated or third party initiated)

### APRIL data for the period from January 1, 2017 - December 31, 2017

	# of instances caused by APRIL or supplier	# of instances caused by third parties
a. PT. RAPP	0	25
b. Supply Partner	0	11
c. Open Market Supplier (partial data)*	0*	34*
<b>Total</b>	<b>0</b>	<b>70</b>

*\*The Open Market Supplier data is currently only partially reported and reflects the results of two of the 10 Open Market Suppliers.*

### Evidence Reviewed

An APRIL developed listing of fires during the period on PT. RAPP, Supply Partner and Open Market Suppliers concessions was cross-checked on a sample basis to fire incident reports. Field inspections confirmed the size of a sample of fires.

### Findings

Fire management is a critical element of APRIL's compliance commitments. This indicator tracks the number of instances of fire that occur on APRIL and supplier concessions and the associated cause of the fires.

APRIL maintains an active fire suppression program to address instances of fire on concessions. As a result of the fire suppression program the total hectares lost to fire on PT. RAPP and its long term supplier concessions during the reporting period was limited to 51 hectares.

It should be noted that at the current time, fire data is only reported for two of the 10 Open Market Suppliers and is therefore incomplete.

<b>VIII</b>	<b>Legal Compliance and Certification:</b>
b.	% of fiber covered by legality certification

#### APRIL data as at December 31, 2017

Supplier	Percentage of Kerinci mill fiber inputs between January 1, 2017 - December 31, 2017	Legality Certification	Types of certification <sup>1</sup>
PT. RAPP	32.79%	Yes	PHPL, IFCC and VLK
Supply Partners	38.55%	Yes	PHPL, IFCC and VLK
Open Market Supplier	28.67%	Yes	PHPL, IFCC, VLK and FSC Controlled Wood
Community Fiber Plantations	0.00%	Yes	N/A

*1Indonesian wood legality certifications and FSC Controlled Wood (for supply from Malaysia).*

#### Evidence Reviewed

Recalculation of the percentage of fiber input from each supply source based on 2017 fiber input data.

Sample based checking of legality certifications for individual suppliers.

#### Findings

The indicator tracks the existence of third party compliance mechanisms for checking wood legality requirements for APRIL's fiber supply.

Based on the work undertaken, all of the fiber supply sourced from Indonesia carried wood legality certification. A small proportion (3.1%) of fiber supply is currently sourced from Malaysia and is subject to APRIL's wood legality monitoring program as well as maintaining FSC Chain of Custody certification.

<b>VIII</b>	<b>Legal Compliance and Certification:</b>
c.	# of legal sanctions received and resulting actions

#### APRIL and Supply Partner data as at December 31, 2017

No.	Date Issued	Govt Agency	Legal Entity	Issue	Operational Status
1	Nov-16	MOEF	PT. RAPP	No. SK. 6109 / Menlhk-PHLHK / PPSA / GKM.0 / 11/2016 (PPD) - temporarily stop operational activity	Remedial work completed. No operations until sanction is lifted.
2	Mar-17	MOEF	PT. RAPP	No. SK. 1004 / Menlhk-PHLHK / PPSA / GKM.0 / 3/2017 (Dayun, Blk G) - pull up planted trees	Remedial work completed.
3	Jun-17	MOEF	PT. RAPP	Government Regulation on Utilization of Hazardous Waste No. 101/2014 Article 54, para 2a and 2c – stop sludge burning at Kerinci mill	Sludge burning suspended.
4	Oct-17	MOEF	PT. RAPP	No. SK. 5305 / Menlhk-PHLHK / PPSA / GKM.0 / 10/2017 (Pelalawan) - temporarily stop operational activity	Remedial work completed.
5	Dec-17	MOEF	PT. SRL	No. SK. 6908 / Menlhk-PHLHK / PPSA / GKM.0 / 12/2017 (Blk IV) - temporarily stop operational activity	New RKU approved 2 February 2018.

#### Evidence Reviewed

We reviewed sanctions documentation received by the company and evidence of actions taken.

KPMG also performed a media review to determine the completeness of reported sanctions.

#### Findings

The transition to new government regulations for activities on peatland resulted in a number of sanctions (items 1-4 above) and significant negative publicity for APRIL. Allowable activities on peatland are now embedded in new long term plans (RKUs) for PT. RAPP and Supply Partners which were approved in 2018.

Item #2 above relates to March 2017, when APRIL was required to close canals at seven specific points and remove acacia from approximately 600 hectares of newly planted peatland in the Pelalawan sector following direction from the Ministry of Environment and Forests under the revised peatland regulations. This related to planting activity between March and September 2016 and was therefore raised as a non-conformance in KPMG PRI's previous Interim report on APRIL Group's Implementation of Sustainable Forest Management Policy 2.0.

For item #3, in March 2017, the Law Enforcement team from the Ministry of Environment and Forestry (MoEF) conducted a routine check on PT. RAPP's waste management and noted that the moisture content of the sludge was more than 15%. To burn sludge with more than 15% moisture content requires a separate permit from the MoEF which PT. RAPP is currently processing.

## IX. Good Corporate Governance, Verification and Transparency Indicators

### Indicators Assessed

Five Good Corporate Governance, Verification and Transparency Performance Indicators were assessed as follows:

IX	Good Corporate Governance, Verification and Transparency:
<b><i>Overall objective: To implement best practices in corporate governance and transparency.</i></b>	
a.	Total area and HCV/HCS area by concession publicly available
b.	Supplier list publicly available
c.	% of PT. RAPP, supplier concession maps publicly available
d.	Status of SAC Recommendations
e.	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery

The 2017 performance indicators focus on transparency in relation to suppliers and their concessions.

## Indicator Performance

IX	<b>Good Corporate Governance, Verification and Transparency:</b>
a.	Total area and HCV/HCS area by concession publicly available.

### APRIL data as at December 31, 2017

Supplier	# of HCV Reports Publicly Available
PT. RAPP	11 of 11
Supply Partners	16 of 16
Open Market Supplier	2 of 10 on APRIL Sustainability Dashboard* 6 of 10 available at supplier site

\* APRIL sustainability portal.

This indicator tracks the extent to which High Conservation Value (HCV) and High Carbon Stock (HCS) information is publicly available on APRIL's sustainability portal for APRIL's supply sources. There are 11 PT. RAPP concessions and 18 Supply Partners that have an HCV report available for download from the Sustainability Dashboard. There are no concession level HCS reports that have been required to date and thus none are publicly available.

### Evidence Reviewed

Comparison of HCV report data available on APRIL's sustainability portal with the current supplier list.

### Findings

This indicator tracks the public availability of HCV information by concession/sector.

The information on HCV area by concession is based on existing HCV reports that pre-date the SFMP 2.0 commitment to use HCV Resource Network licensed assessors for all HCV reports.

All PT. RAPP sectors have HCV information available. For sectors established prior to the HCV process, draft HCV information is presented. The draft information is being used as an input to landscape level plans currently being developed for each sector rather than to support the development of a new HCV report.

Supply Partner HCV reports are available where completed. A number of Supply Partners developed their concessions prior to the HCV commitment and do not have an HCV report.

Of the two Open Market Suppliers with no public access to an HCV report, one has a report developed under the Malaysian Government's land use planning process that addresses equivalent information.

### Opportunity for Improvement #11

The current list of suppliers with publicly available HCV reports has not been updated in 2017 to include all new suppliers.



<b>IX</b>	<b>Good Corporate Governance, Verification and Transparency:</b>
b.	Supplier list publicly available
c.	% of RAPP, Supply Partner and Open Market Supplier concession maps publicly available.

#### APRIL data for the period from January 1, 2017 – December 31, 2017

Indicator	Status
Publicly available supplier list	A supplier list has been published on the APRIL Sustainability Dashboard
% of operational maps publicly available	Supply Partners: 100% Open Market Suppliers: 80%

#### Evidence Reviewed

Comparison of the supplier list available on the APRIL Sustainability Dashboard in April 2018 to 2017 supplier data gathered from wood deliveries.

Comparison of the list of concession maps available on the APRIL Sustainability Dashboard in April 2018 against 2017 supplier data gathered from wood deliveries.

The information on the Sustainability Dashboard was accessed on the following website:

<http://sustainability.aprilasia.com/category/list-of-suppliers-and-maps/27>

#### Findings

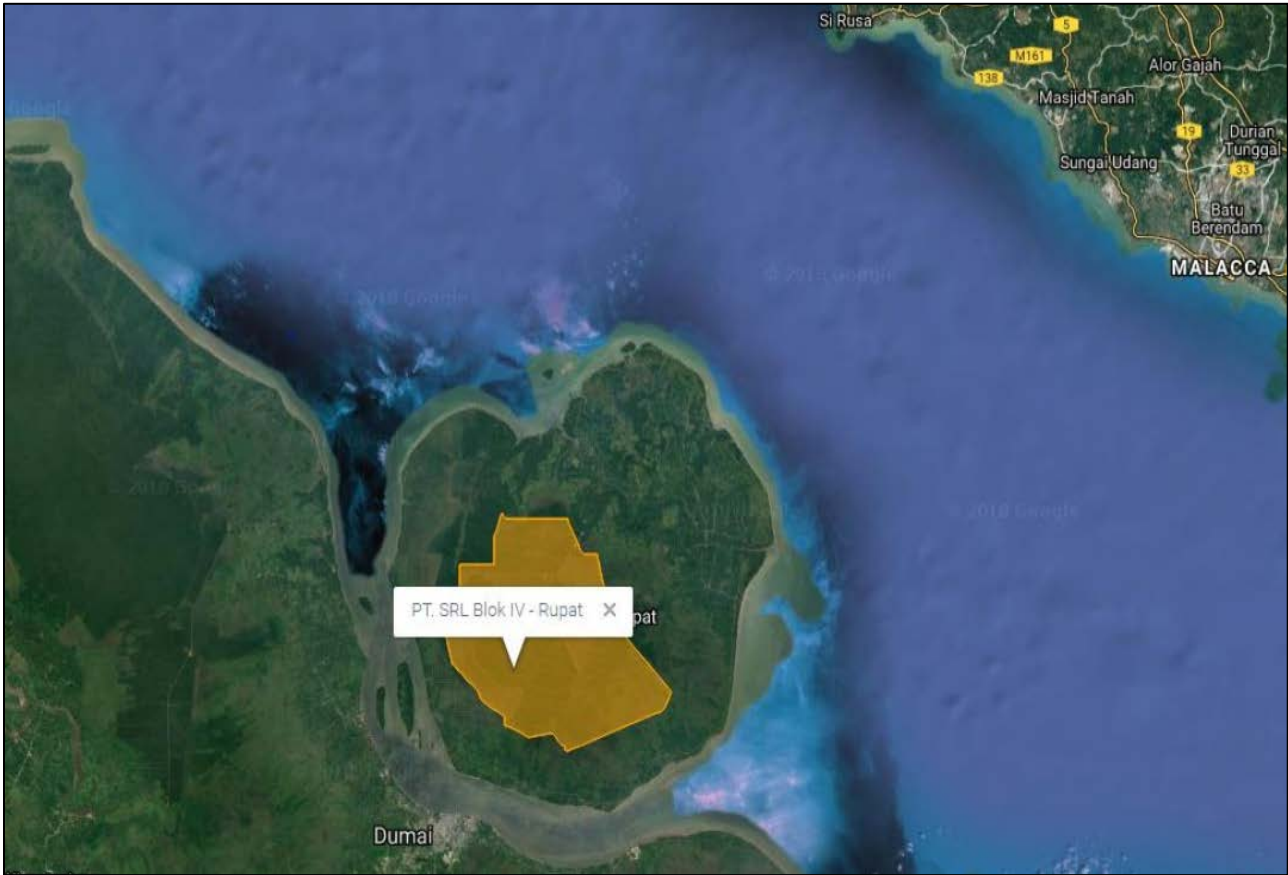
These indicators track the public availability of information identifying APRIL's suppliers as well as availability of APRIL and supplier concession maps. The available supplier listing and maps are compared to internal Land Bank information and wood deliveries.

A supplier list has been published on the APRIL Sustainability Dashboard. Current suppliers were noted as being included within the listing.

Maps for all RAPP sectors are included on the Sustainability Dashboard. A further 32 Supply Partners (100%) had maps posted at the time of the review. Eight of the continuing Open Market Suppliers (80%) had maps posted at the time of the review.

The APRIL Sustainability Dashboard also includes a searchable map of concessions that provides their locations. See Figure 8 below for an example.

Figure 8: Map showing location of PT SRL Blok IV on Pulau Rupert as per APRIL Sustainability Dashboard



<b>IX</b>	<b>Good Corporate Governance, Verification and Transparency:</b>
d.	Status of Stakeholder Advisory Committee (SAC) Recommendations

### APRIL data as of December 31, 2017

The table below is the implementation status of SAC recommendations as of December 31, 2017. These recommendations were raised during the 11 SAC meetings that took place between March 21, 2014 and December 31, 2017.

Status of Recommendations	Number of Recommendations
In Development	2
In Progress	17
Implemented	65
Consolidated	15
Guidance	13
No Longer Applicable	6
<b>Total</b>	<b>118</b>

### Evidence Reviewed

APRIL maintains a list of the Stakeholder Advisory Committee (SAC) recommendations from each of the 11 SAC meetings to date in which all recommendations are assigned a timeline for completion, a priority level and a status as of December 31, 2017. 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, 2017, there have been a total of 118 actionable recommendations or sub-recommendations. During 2017, the SAC met three times and generated 21 new recommendations. The six recommendations categorized as "No Longer Applicable" are primarily related to cost constraints associated with the 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.

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

#### APRIL data for the period from January 1, 2017 – December 31, 2017

New Suppliers	Due Diligence Date	First Wood Delivery
PT. Toba Pulp Lestari	17 May 2017	July 2017
PT. Fajar Surya Swadaya	21 April 2017	June 2017
PT. Bina Silva Nusa	9 October 2017	December 2017
Acacia Forest Industry Sdn. Bhd.	28 August 2017	July 2017

#### Evidence Reviewed

Review of APRIL's SFMP 2.0 Compliance SOP, supplier due diligence reports, new supplier contract sign-offs by APRIL dates and supplier delivery data by month.

#### Findings

APRIL's SFMP 2.0 Compliance SOP was initiated in November 2016, began socialization with Open Market Suppliers in March and April 2017 and was approved in May 2017. Following approval consequent changes to supplier contractual requirements were made in June 2017 and the data collection process was initiated for Open Market Suppliers.

Review of supplier due diligence data indicates that the supplier due diligence process was implemented during 2017 and was applied to all new suppliers with 75% of the new suppliers undergoing the on-site due diligence process prior to the first wood delivery.

#### Good Practice #3

Significant improvements were noted during 2017 in APRIL's ability to access supplier data, particularly Open Market Supplier data to support monitoring of SFMP 2.0. While there remain some gaps in the data, progress has been significant, with a 63% improvement in Open Market Supplier data and a 26% improvement in Supply Partner data availability since May 2017.

#### Opportunity for Improvement #12

While the due diligence process for new suppliers was implemented in 2017, it was not fully functional for the full year.

- 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.
- 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.

*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 Framework<sup>1</sup>.

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);

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<sup>1</sup> 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 hardwoods<sup>2</sup>. 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 peatlands<sup>3</sup>. 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 areas<sup>4</sup>.

## **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;

<sup>2</sup> 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.

<sup>3</sup> Plantation land acquisitions will be reviewed by the SAC.

<sup>4</sup> 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.*

- APRIL will continuously improve its material and energy efficiency throughout the supply chain, and optimize utilization of renewable energy;
- APRIL will increase its carbon sequestration through conservation and ecosystem restoration and continuous improvements in sustainable plantation management practices;
- 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:*

- 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;
- Pro-active Corporate Social Responsibility (CSR) activities especially village entrepreneurship incubations and farming systems;
- Inclusion of smallholders/Small Medium Enterprises (SME) into APRIL's supply chains, where appropriate;
- 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:*

- Respect the Universal Declaration of Human Rights, national laws and ratified international treaties, on human rights and indigenous people;
- Respect of the tenure rights of indigenous peoples and rural communities;
- 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;
- No tolerance for the use of violence, intimidation or bribery;
- 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;
- Resolution of complaints and conflicts through mutually agreed, open, transparent and consultative processes that respect customary rights;
- 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 role out of "One Map" initiative by the Indonesian Government and promote the utilization of degraded lands.

*Appendix 2: Summary of Indicators*

<b>I</b>	<b>Long Term Sustainability:</b>
<b><i>Overall objective: 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>	
a.	Tonnes and % of fiber supply by region (PT. RAPP, Suppliers, (concessions, community forests)
b.	# of Ha developed by category (Forested, Non-Forested and HCV <sup>1</sup> /HCS <sup>2</sup> and non-HCV/HCS)
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
e.	% Change in mill fiber consumption capacity
f.	Land or licenses acquired by APRIL after 3 June 2015 and # of hectares of associated development (HCV/HCS and non-HCV/HCS)
g.	Third party mill deliveries (# of tonnes) from post June 3, 2015 clearing of HCV, HCS forests or forested peatlands
h.	Ha of plantation in outgrower programs
<b>II</b>	<b>Forest Protection and Conservation:</b>
<b><i>Overall objective: 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></b>	
a.	Hectares and % of conservation and restoration area impacted by fire, development or encroachment
b.	Ratio of conservation area to total plantation area
c.	# and ha of APRIL and supplier concessions included within landscape level processes
d.	% of ecosystem restoration area with formal plans for protection and/or restoration objectives for rare, threatened and endangered species

<b>III</b>	<b>Peatland Management:</b>
<i>Overall objective: Minimize greenhouse gas emissions and impacts on peatland function by halting further development of forested peatland and developing and implementing best practices on peatland that is currently non-forested or has established plantations.</i>	
a.	# of Ha of plantation, conservation, and ecosystem restoration on peatland.
b.	# and % of Independent Peatland Expert Working Group (IPEWG) recommendations implemented on schedule
<b>IV</b>	<b>Continuous reduction of carbon footprint:</b>
<i>Overall objective: Reduce the lifecycle GHG emissions footprint of our products by increasing mill energy efficiency and use of renewable fuel sources and establishing an accurate baseline for land based emissions from which to initiate emission reductions.</i>	
a.	Mill tonnes of GHG / tonne of pulp.
b.	Mill tonnes of GHG / tonne of paper.
c.	% of mill energy needs met by energy source.
d.	Overall carbon footprint

V	<b>Proactive support of local communities:</b>
<i>Overall objective: To continually seek opportunities to consult and align with the interests of communities.</i>	
a.	<ul style="list-style-type: none"> <li>- Total \$ spent on social infrastructure projects.</li> <li>- KMs of road built.</li> <li>- # of social infrastructure projects completed.</li> <li>- # of social infrastructure projects for which materials were provided</li> </ul>
b.	Contribution to local GDP
c.	# of education scholarships provided
d.	# of SMEs contracted by APRIL and suppliers
e.	# of multi stakeholder forums by location
f.	# of stakeholder attendees
g.	# of villages in fire free village program
h.	# of farmers trained to cultivate farmland
i.	# of farmer groups supported with agricultural materials

<b>VI</b>	<b>Respect the Rights of Indigenous Peoples and Communities:</b>
<i>Overall objective: To demonstrate respect for the rights of indigenous peoples and rural communities throughout operations.</i>	
a.	# and % of new operations (concessions and blocks) with formal agreements in place with indigenous peoples and rural communities
b.	Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes
c.	Established SOP for addressing grievances
d.	Existence of publicly available grievance system
e.	% of grievances addressed within 10 days
f.	% of grievances resolved in accordance with the grievance SOP
<b>VII</b>	<b>Responsible Practices in Our Work Places:</b>
<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>	
a.	# of fatalities (mill, PT. RAPP fiber, suppliers)
b.	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors
c.	% of PT. RAPP, supplier and contractor operations covered by OHS certification
d.	Number of males and females in permanent and part-time positions

<b>III</b>	<b>Legal Compliance and Certification:</b>
<i>Overall objective: To go beyond legal compliance toward achieving sustainable forest management.</i>	
a.	# of Instances of fire on concessions by cause (APRIL or supplier initiated or third party initiated)
b.	% of fiber covered by legality certification
c.	# of legal sanctions received and resulting actions
<b>IX</b>	<b>Good Corporate Governance, Verification and Transparency:</b>
<i>Overall objective: To implement best practices in corporate governance and transparency.</i>	
a.	Total area and HCV/HCS area by concession publicly available
b.	Supplier list publicly available
c.	% of PT. RAPP, supplier concession maps publicly available
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*



**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).	
<b>Non- Conformance #1 2018</b>	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: <ul style="list-style-type: none"> <li>• 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.</li> </ul>	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	Land Dispute Recovery SOP which provides for immediate planting to prevent re-encroachment was not immediately updated to reflect new internal Operational Guidelines.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	
Indicator VII.b	Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors	
<b>Non-Conformance #2 2018</b>	Interviews with contractor workers during field site visits identified isolated weaknesses in implementation of responsible work place practices expected under SFMP 2.0 including: <ul style="list-style-type: none"> <li>• Discrepancies in understanding and implementation of paid time off for medical purposes for one planting contractor*; and,</li> <li>• 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.</li> </ul>	
<b>APRIL Action Plan(s)</b>	Provide training to Supply Partners and their Contractors on requirements to meet Labor Law and ILO standards.	Timeframes: March 31, 2019
<b>APRIL Root cause analysis</b>	Lack of awareness of Indonesian Labor Laws and Intl Labour Organization standards.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

*Appendix 4: New and Continuing Opportunities for Improvement*

## Continuing Opportunities for Improvement Raised in Prior Reports

APRIL SFM Policy 2.0 Implementation – Continuing Opportunities for Improvement Raised in Prior Reports			
	<b>Performance Indicator Data Reporting Limitations</b>		
<b>Opportunity for Improvement #1 2016</b>	<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>		
<b>APRIL Action Plan(s)</b>	<table border="1"> <tr> <td> <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> </td> <td> <p>Timeframes:</p> <p>1. Review with Suppliers: 90 days</p> <p>2. Reporting: Prior to the next SFMP 2.0 verification report</p> </td> </tr> </table>	<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>
<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>		
<b>APRIL Root cause analysis</b>	The indicator reporting process is a new reporting process. Not all data was readily available in a reliable format for the first report.		
<b>Evidence Reviewed by KPMG PRI</b>	<p>Final action plan accepted – January 2017</p> <p>Supplier due diligence and monitoring program</p>		
<b>Findings (2017)</b>	<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>		
<b>Conclusion on status (June 2018)</b>	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.		

<p><b>Opportunity for Improvement #2 2016</b></p>	<p>APRIL Indicator performance reporting lacks data for short-term suppliers totaling 21% of current plantation fiber supply for the following indicators:</p> <ul style="list-style-type: none"> <li>I.b. # of Ha developed by category</li> <li>III.a # of Ha plantation, conservation and ecosystem restoration on peatland</li> <li>III.c Total Ha developed on peatland</li> <li>VI.b Ha of APRIL and supplier concessions currently inactive due to unresolved conflicts</li> <li>VI.f Established Standard Operating Procedure (SOP) for addressing grievances</li> <li>VI.g # of land conflicts outstanding as of June 30, 2016</li> <li>VII.a # of fatalities</li> <li>VII.b Grievance mechanism in place for labor concerns raised by APRIL or supplier employees and contractors.</li> <li>VIII.a # of instances of fire on concessions by cause</li> <li>IX.a Total area and HCV/HCS area by concession publicly available</li> </ul>	
<p><b>APRIL Action Plan(s)</b></p>	<p>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.</p>	<p>Timeframe 120 days</p>
<p><b>APRIL Root cause analysis</b></p>	<p>The indicator reporting process is a new reporting process. Not all data was readily available in a reliable format for the first report.</p>	
<p><b>Evidence Reviewed by KPMG PRI</b></p>	<p>Final action plan accepted – January 2017 Supplier due diligence and monitoring program</p>	

<p><b>Findings (2017)</b></p>	<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>
<p><b>Conclusion on status (June 2018)</b></p>	<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>

Indicator V.b	Contribution to local GDP.	
<b>Opportunity for Improvement #8 2016</b>	APRIL has not yet determined how best to monitor its contribution to local GDP on an ongoing basis.	
<b>APRIL Action Plan(s)</b>	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.
<b>APRIL Root cause analysis</b>	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.	
<b>Evidence Reviewed by KPMG PRI</b>	Final action plan accepted – January 2017 Internal APRIL communications	
<b>Findings (2017)</b>	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.	
<b>Conclusion on status (June 2018)</b>	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.	

Indicator VII.c	% of PT. RAPP, supplier and contractor operations covered by OHS certification	
<b>Opportunity for Improvement #20 2016</b>	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.	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	The focus of historic monitoring was wood legality and did not include follow-up on achievement of any required OHS certification.	
<b>Evidence Reviewed by KPMG PRI</b>	Final action plan accepted – January 2017  List of PT. RAPP contractors showing certification status and expected certification dates	
<b>Findings (2017)</b>	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.	
<b>Conclusion on status (June 2018)</b>	In Progress.	

## New Opportunities for Improvement Raised in 2018

APRIL SFM Policy 2.0 Implementation – Final Action Plans for Opportunities for Improvement June 2018		
Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
<b>Opportunity for Improvement #1 2018</b>	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.	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	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.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	



Indicator I.b	# of Ha developed by category (Forested, Non-Forested and HCV*/HCS** and non-HCV/HCS).	
<b>Opportunity for Improvement #2 2018</b>	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.	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	Lack of clarity on applicability of HCV/HCS assessment on recovered land in old, deforested areas.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

Indicator II.a	Hectares and % of conservation and restoration area impacted by fire, development or encroachment	
<b>Opportunity for Improvement #3 2018</b>	<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>	
<b>APRIL Action Plan(s)</b>	<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>	<p>Timeframe: December 31, 2019</p>
<b>APRIL Root cause analysis</b>	<p>Focus of resources spent on resolving Land Claims. Rehabilitation efforts of past backlog areas is through protection and natural succession.</p>	
<b>KPMG PRI review of Action Plan</b>	<p>Accepted July, 2018</p>	

<b>Indicator V. a</b>	<ul style="list-style-type: none"> <li>- Total \$ spent on social infrastructure projects</li> <li>- KMs of road built</li> <li>- # of social infrastructure projects completed</li> <li>- # of social infrastructure projects for which materials were provided</li> </ul>	
<b>Opportunity for Improvement #4 2018</b>	<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"> <li>• 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,</li> <li>• begin to align community development programs across Supply Partners to focus on maximizing the impact of dollars spent on community development.</li> </ul>	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	Supply Partners have their own approach to social engagement and community development.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

<b>Indicator VI. b</b>	<b>Ha of APRIL and supplier concessions currently inactive due to unresolved land disputes</b>	
<b>Opportunity for Improvement #5 2018</b>	<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>	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	Lack of understanding of SFMP 2.0 Section VI (f) and lack of consistent implementation of associated SOP.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

<b>Indicator VI. c &amp; d</b>	<b>Established standard operating procedure (SOP) for addressing grievances Existence of publicly available grievance system</b>	
<b>Opportunity for Improvement #6 2018</b>	<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>	
<b>APRIL Action Plan(s)</b>	<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>
<b>APRIL Root cause analysis</b>	Inconsistent monitoring of grievance process implementation.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

<b>Indicator VI. e &amp; f</b>	<b>% of grievances addressed within 10 days % of grievances resolved in accordance with the grievance standard operating procedure (SOP)</b>	
<b>Opportunity for Improvement #7 2018</b>	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	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	Estate Managers do not always consider the need to document issues for transparency to external stakeholders.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

<b>Indicator VII. b</b>	<b>Grievance resolution mechanism in place for labor concerns raised by APRIL or supplier employees and contractors</b>	
<b>Opportunity for Improvement #8 2018</b>	Interviews with workers and a contractor supervisor at one PT. RAPP sector indicated limited awareness of the existence of formal grievance processes for workers.	
<b>APRIL Action Plan(s)</b>	Conduct a refresher Grievance system training to all RAPP sector and Supply Partner managers	Timeframe: March 31, 2019
<b>APRIL Root cause analysis</b>	Lack of awareness of functions outside of direct Job Responsibilities	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

<b>Indicator VII. c</b>	<b>% of PT. RAPP, supplier and contractor operations covered by OHS certification</b>	
<b>Opportunity for Improvement #9 2018</b>	<p>During field inspections at PT. RAPP and three Supply Partners, isolated safety concerns were observed as follows:            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;            Missing fire extinguishers were noted at a planting contractor camp that had fuel storage.            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.            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>	
<b>APRIL Action Plan(s)</b>	Conduct a refresher course on H&S requirements to Estate and Head Office Managers.	Timeframe: March 31, 2019
<b>APRIL Root cause analysis</b>	Lack of awareness of functions outside of direct Job Responsibilities	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

Indicator VII. c	# of males and females in permanent and full-time positions	
<b>Opportunity for Improvement #10 2018</b>	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.	
<b>APRIL Action Plan(s)</b>	Mill HRD to establish a process to collect Male and Female worker statistics.	Timeframe: December 31, 2018
<b>APRIL Root cause analysis</b>	Lack of data collection in relation to contractor workers	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	

Indicator IX. a	Total area and HCV/HCS area by concession publicly available.	
<b>Opportunity for Improvement #11 2018</b>	The current list of suppliers with publicly available HCV reports has not been updated in 2017 to include all new suppliers.	
<b>APRIL Action Plan(s)</b>	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
<b>APRIL Root cause analysis</b>	Annual updates were considered sufficient	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	



Indicator IX. e	% of new suppliers for which the supplier due diligence process was completed prior to the first wood delivery	
<b>Opportunity for Improvement #12 2018</b>	<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>	
<b>APRIL Action Plan(s)</b>	<ul style="list-style-type: none"> <li>• 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,</li> <li>• Socialize the importance of the Due Diligence process to all key managers across the Supply chain to reinforce its importance in APRIL's business.</li> </ul>	Timeframe: September 30, 2018
<b>APRIL Root cause analysis</b>	Relative lack of experience with the new Compliance SOP resulted in insufficient implementation of the Due Diligence process.	
<b>KPMG PRI review of Action Plan</b>	Accepted July, 2018	