

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

16TH SAC Meeting

Pangkalan Kerinci, Indonesia, 11-12 Juli 2019

SAC MEMBERS	1. Mr. Joseph Lawson (<i>Chair</i>) 2. Pak Al Azhar 3. Prof. Jeffrey Sayer 4. Dr. Neil Byron 5. Ibu Erna Witoelar
TOPICS OF DISCUSSION	
<p>Opening Remarks and Discussion of SAC Stakeholder Forums</p> <p>The SAC meeting started with a discussion between SAC and APRIL on the two preceding SAC Stakeholder Forums in Jakarta and Pekanbaru. The SAC was encouraged by the interest shown by the diversity of the stakeholders who participated in the two forums. The SAC noted the interests of stakeholders in the development of an Indonesia-based, sustainable and innovative textile industry.</p> <p><u>Jakarta Forum</u> (<i>see separate meeting notes</i>)</p> <ul style="list-style-type: none"> • KPMG presented the results from the 2019 SFMP 2.0 Assurance process • APRIL presented its action plans to address the findings from the SFMP 2.0 Assurance process • APR presented an overview of the viscose business, as requested by the SAC <p>SAC Recommendation</p> <ol style="list-style-type: none"> 1. Small and medium forest enterprise – SAC noted the concerns raised by stakeholders on the need to develop small and medium forest enterprise, and to review the company's policy framework that might enable such developments (i.e. APRIL SFMP 2.0). The present policies does not appear to be conducive to the development of local forest enterprises. 2. SAC believes that Asia Pacific Rayon (APR) offers tremendous economic benefits to the Indonesian textile industry and can be another source of employment for people in Sumatra, especially in Riau Province, and SAC thus recommends APRIL to continue supporting the national effort to promote Indonesia textile industry. APR will provide more added values and more employment per unit of raw material input and is therefore 	

consistent with long term sustainability goals.

Pekanbaru Forum *(see separate meeting notes)*

- KPMG presented the results from the 2019 SFMP 2.0 Assurance process
- APRIL presented its action plans to address the findings from the SFMP 2.0 Assurance process
- Observers presented their observations from their participation in the field visits which took place during the Assurance Process. The SAC highly values the input from local observers in the assurance process and will encourage KPMG to continually improve the quality of this engagement
- APRIL presented an overview of its Community Development program, as requested by the SAC

SAC Recommendation

SAC fully acknowledges the Forum participants and the importance of their input. SAC cites the following as examples of where it encourages immediate action by APRIL:

1. Overlapping land claims – a dialogue should be conducted between APRIL and communities to discuss issues of mapping, encroachment and delineation of conservation areas. The SAC can be available to assist with facilitation of this dialogue.
2. Livelihood planting – a dialogue should be conducted with local communities to discuss management and remuneration for livelihood plantings.
3. Community Development program - APRIL should empower Village Enterprise (BUMDES) and encourage community development team to engage with provincial government program on Riau Hijau. This is consistent with the Small and Medium Forest Enterprise (SMFE) target.
4. Grievance mechanism - exists for workers but SAC recommends APRIL to ensure that workers are free to submit a grievance without concern of negative consequences from the company. SAC noted the existence of an anonymous hotline to enable complaints to be lodged.
5. Perception mapping - APRIL should continue to develop a perception mapping program for local stakeholders. The perception of APRIL by local stakeholders is not always the same and understanding this is critical to be able to adequately address concerns.

1. Land Cover Change (LCC) Monitoring

APRIL presented on the LCC Monitoring mechanism implemented by the company, in line with APRIL's commitment to no deforestation in its supply chain. APRIL shared the monitoring guidelines for owned concessions (RAPP), Supply Partners, and Open Market (OM) suppliers, including the reporting timeline and the process of LCC verification. Trends for the last three years

of LCC Monitoring were presented, referencing APRIL's SFMP Assurance Report. APRIL reported that the percentage of verified LCC is lowest for OM Suppliers, although the overall trend is decreasing. In summary, the percentage of areas recorded with LCC in Open Market suppliers' concessions is less than 0.1% of total concession area.

SAC also noted that there were higher levels of LCC among open market suppliers. APRIL explained this was mainly due to the existence of a large area of customary land within a single concession in Sarawak that had experienced high levels of LCC by the local communities. Apart from this, however, the number of LCC cases is low and declining.

APRIL informed the SAC that OM suppliers are now more encouraged to support the conditions of SFMP 2.0. The discontinuation of a supply contract with one of the Open Market Suppliers because of a confirmed LCC that was due to plantation development without the conduct of HCV and HCS had been noted by other Open Market suppliers and helped to encourage compliance.

SAC Response

- The SAC recognized that supplier engagement can be difficult and that APRIL has made a lot of progress over the years including the recent visits by suppliers to APRIL operations in Riau and the periodic face-to-face meetings with suppliers. Supply partners continue to show progress in their compliance with SFMP2.0.
- The SAC believes that trust building with suppliers is key to improving the effectiveness of LCC monitoring.
- The SAC recognized that the LCC monitoring system is producing good results and needs to be continued.

2. SFMP 2.0 Assurance Process

APRIL presented a review of the SFMP 2.0 Assurance Process thus far. Up to 2019, APRIL has completed five Assurance Processes, including the interim and full assurance audits. APRIL shared the highlights of the Assurance Process:

- 45 Indicators covering the nine SFMP 2.0 key commitments;
- One commitment has zero non compliance (NC)/Opportunity for Improvement (OFI);
- Three other commitments have three or fewer OFI;
- NC's were identified in three commitments;
- 56% of Indicators (25 of 45) have no recorded NC or OFI.

APRIL shared that there is an opportunity to review SFMP Assurance indicators to ensure better alignment with specific SFMP commitments, and suggested developing one headline indicator for

each of the nine SFMP commitments. As currently done, APRIL will continue to include some of the results from the SFMP 2.0 Assurance Process into the annual Sustainability Report.

SAC Response

- The SAC noted that having local stakeholders as observers in the SFMP 2.0 assurance process has given tremendous value to the process.
- The SAC recognized the importance of increasing the efficiency of the SFMP assurance process while ensuring the process stays robust, detailed and comprehensive.
- The SAC anticipated that there will be a need to re-examine the SFMP indicators as conditions evolve. The SAC will monitor this issue and a decision will be taken in the future on the timing and process for such modification. Any modification of the indicator set will be based on consultation with stakeholders. When a decision is made to report only bi-annually on certain indicators the reason for doing so must be communicated to stakeholders.
- The SAC generally agreed that the SFMP 2.0 assurance report should give a broad assessment across all nine categories of SFMP 2.0, complemented with a biennial in-depth assurance assessment of selected high-risk indicators.
- The SAC recognized that the SFMP 2.0 Assurance Report needs to be better communicated to all stakeholders, and stakeholders should be consulted on ways to improve the report's content and presentation.

SAC Recommendation

- The SAC recommends that APRIL communications, KPMG and the SAC work together to produce an easy to understand, summary report in Bahasa Indonesia for distribution to local stakeholders. This report may also include further information about the role and function of the SAC.
- The SAC recommends APRIL to clarify to stakeholders the difference between the SFMP 2.0 assurance report and APRIL's own Sustainability Report which adopts the Global Reporting Initiative framework.
- The SAC requests APRIL to follow up with KPMG on further aligning SFMP assurance indicators with specific SFMP commitments and finding ways to improve the efficiency of the process, while keeping it robust, comprehensive and credible.

3. Long Term Wood Supply Audit

As a follow up to the 14th SAC Meeting in December 2018, where APRIL provided an update on its long term wood supply plan, APRIL invited Indufor Group Finland, a forest consulting service provider, to present the results of its independent review of APRIL's long term wood fiber supply. Indufor explained that the work was completed as a peer review and involved a combination of

field work and desk analysis.

Objectives of the review were stated as: 1) to carry out an independent review of the components of APRIL's long term wood supply plan and 2) to give the SAC an independent assurance on the reliability of APRIL's long term wood supply plan.

The study included four steps, covering the period 2011 - 2018:

1. Data gathering and preparation for field mission
2. Field diagnostic mission at APRIL/PT RAPP
3. Review of the control points
4. Presentation of results to APRIL Management and the SAC

Indufor presented to the SAC a summary of the results, and advised that a public summary report will be published in the near future.

SAC Response

- The SAC is encouraged to learn that APRIL is on track to meet fiber self-sufficiency targets.
- The SAC is impressed to learn that APRIL's existing modelling is professional and world-standard as independently confirmed by the rigorous analysis carried out by the third-party (Indufor).
- The SAC will wait for the public summary report to be published for stakeholders.

4. Community Tree Farming Program and HCSA Assurance on Marga Madani (MM) and Padu Pilihan (PP)

The Small Grower Community Tree Farming program was initiated by APRIL, together with Rainforest Alliance, to propose economically competitive tree farming to deliver socio-economic and conservation benefits, as part of community enterprise development models. To date, RA has completed an analysis of the existing regulatory framework, a kick off workshop with APRIL, and field work visits to multiple villages.

The objective is to develop a program that provides a balance between community enterprise development opportunities, fiber production and fulfilling the objectives of the social forestry program set forth by the Government. Additional focus areas will be capacity building and technical assistance activities.

Separately, APRIL provided an update on the High Carbon Stock Approach (HCSA) assessment in two community areas managed by cooperatives in Riau – Marga Madani and Padu Pilihan. APRIL shared that the assessments have been completed by Proforest and are now available on the HCSA Website.

Results from the assessment show that 76% of the total area is recommended for conservation. The areas are located more than 200km from APRIL's mill in Pangkalan Kerinci. APRIL

acknowledges the limited plantation development may result in the cooperatives seeking other means to develop a larger part of their land, and may risk the cooperatives rejecting the current partnership with APRIL due to the small development area.

SAC Response

- The SAC acknowledged that Community Forestry has been a recurring topic and is supported as a priority by stakeholders as expressed in the forums held in Jakarta and Pekanbaru, as well as being a high priority for the Government of Indonesia.
- The SAC supported the objective of the program presented by APRIL to devise an attractive program for communities, where cost, benefit, and risk will be shared between APRIL and the community in a manner that meets their needs and aspiration.
- The SAC acknowledged that companies who would like to implement such a program should be flexible in terms of the arrangement, such that it fits with communities' needs. Local contexts should determine the appropriate approaches that the company and the communities adopt. The SAC encourages approaches where decision making is devolved to local leaders who should be the champions for such initiatives.
- The SAC recognized that HCSA is a valuable tool especially for significant areas of development but may have limitations when applied to smaller land-holdings in highly fragmented landscapes. The cost of assessments alone in community smallholder areas is an insurmountable obstacle to the implementation of community forestry. The HCSA could inadvertently be posing a limitation to programs that have the potential to provide significant livelihood gains for local people. HCSA in these circumstances does not appear likely to yield any conservation gains.
- The SAC was discouraged to learn that the HCSA Assessment process undertaken by APRIL for the two trial cooperatives was costly and resulted in proposals for land allocation that were neither economically or environmentally sound.
- The SAC recognized that Community Forestry is a high priority for all stakeholders including the communities, NGOs, private companies, as well as government. However, the SAC noted that the commitment set forth by APRIL in its SFMP 2.0 goes beyond compliance with prevailing Indonesian government requirements and is itself proving to be not conducive to the further development of Community Forestry.

SAC Recommendation

- The SAC recommends APRIL to initiate a broad-based conversation with all stakeholders on appropriate ways to apply HCSA or alternative ways of ensuring the conservation of environmental and social values in areas where community forestry is to be developed.
- The SFMP will need to be revisited by the SAC and APRIL in due course to ensure that it does provide conducive conditions under which Community Forestry targets can be met. This

includes an evaluation of whether or not current SFMP 2.0 requirements create an unintended consequence of impeding development of local community programs.

- The SAC urged APRIL to continue to explore innovative ways of crafting an attractive package for smallholder tree farms that meet the need of communities, the company and Government at all levels.
- The SAC recommended APRIL to intensify its engagement with local community representatives when implementing the community-driven sustainable forest management commitments

5. Regulatory Updates

APRIL provided updates on the new regulation issued by the Ministry of Environment and Forestry (MoEF), i.e. Regulation No. 10/2019 regarding the determination, stipulation and management of peat dome peaks based on peat hydrological unit.

SAC Response

- The SAC appreciates the progress that APRIL has made regarding engagement with regulatory agencies.

SAC Recommendation

- APRIL should continue its engagement with policy makers, especially on community forestry.

7. APRIL Economic and Fiscal Impact Study

The Institute for Economic and Social Research (LPEM) at the Faculty of Economic and Business, University of Indonesia presented a final report on the Economic and Fiscal Impact of APRIL Indonesia ('APRIL') for the period 2015-2018, analyzing the impacts that APRIL and its supply partners have had on the economic and fiscal development of Pelalawan Regency and Riau Province during the given three-year period. Methods used for this study included: (1) multiplier approach for economic impacts, and (2) fiscal contribution and multiplier approach for fiscal impacts.

For the economic impact, the study analyzed the contribution of APRIL to Gross Domestic Product (GDP)/Gross Regional Domestic Product (GDRP) at provincial, district and national levels, and on employment opportunities at the national level, and in Riau Province and Pelalawan Regency. In addition, the study also evaluated the distribution of inter-regency impact within Riau Province, as well as the impact of APRIL's Community Development program on household income creation.

For the fiscal impact, the scope of the study covers the direct and indirect contribution of APRIL to the central government's national tax revenue and the regional income of Riau Province and Pelalawan Regency.

The study concluded that APRIL has contributed sustainably and significantly to the economic development of Pelalawan Regency and the surrounding areas in Riau Province, as shown by the increase in the creation of GDRP, household income, employment creation, as well as central and local government revenues.

SAC Response

- The SAC acknowledges that the economic and fiscal impact studies give credible estimates and are consistent with many other studies that have been done elsewhere for forest and timber as well as for pulp and paper industries.

SAC Recommendation

- While the SAC acknowledges that the study has been conducted to a high standard, the SAC encourages further refining and checking of the data to ensure that the report adequately reflects APRIL's contribution to the economy of Riau Province and Indonesia. SAC noted that care is needed in selection of "multiplier" factors as these are not constant over time and from place to place.

8. Updates on APRIL's Partnership with Lembaga Adat Melayu Riau

A representative from APRIL and Al Azhar reported on the partnership program between APRIL and Lembaga Adat Melayu Riau (LAMR) on Malay Riau culture training for teachers of APRIL's partner schools. This program was preceded with the development of Riau Malay custom guideline book and initiation of Riau Malay custom into school's curriculum. APRIL and LAMR will collaborate with Riau Government and Universitas Lancang Kuning (UNILAK) for developing the learning module and training of trainers, which will be used in the training of the teachers. This program consists of two phases, where the first phase was started this year, covering four regencies and the second phase will start in 2020 and covers eight regencies across Riau Province.

SAC Response

- The SAC appreciates the updates on the partnership program as presented by Al Azhar.
- The SAC expresses their interest to visit the Istana Peraduan Siak as well as to meet with the teachers and students participating in the partnership program at their next meeting in December

9. Stakeholder Engagement

APRIL shared with the SAC updates on stakeholder engagement, including its participation in the Sustainability Policy Transparency Toolkit (SPOTT) assessment by the Zoological Society of London, as well as in the Carbon Disclosure Project's Forest questionnaire. Participation in such sustainability assessments help drive continuous improvement and strengthen APRIL's sustainability transparency. APRIL also shared that its Sustainability Report 2018, which is independently verified and the 10th report to be published by APRIL, has been released. In addition, there was a discussion on the stakeholder engagement for viscose rayon.

SAC Response

- The SAC noted the progress being made in international sustainability initiatives and that APRIL ranks well in relation to other companies in the transparency assessments for the forestry sector. The SAC encourages APRIL to continue the engagement.
- The SAC flags the importance of the Riau Hijau initiative in supporting APRIL's measures to demonstrate sustainability.

10. RGE Updates

An RGE representative offered updates on the various Business Groups across Indonesia, China, Spain, Canada and Brazil. The updates covered an overview of the market positions and key developments for each BG in 2018, as well as the outlook for 2019. Additionally, the progress of sustainability programs and initiatives from each Business Group, including the progress on the APRIL baseline impact assessment using the UN Sustainable Development Goals as a framework, was shared with the SAC.

SAC Response

- The SAC commends RGE for its effort to integrate sustainability throughout the RGE businesses.
- The SAC acknowledges that sustainability is now a major focus of 'Continuous Improvement' for RGE businesses.

11. Updates on the Tiger Poaching Incident

The SAC discussed recent developments regarding the tiger poaching incident in the Kampar region. The SAC was saddened to learn that a tiger recently rescued from the Kampar region subsequently died from pre-existing complications.

The SAC was very encouraged by a recent article in "Forest Hints" where the Minister highlighted

growth in the Sumatran tiger population. The SAC noted the significance of the Kampar's tiger population as being one of the last remaining viable populations in Sumatra. The SAC encouraged APRIL to continue conservation actions to protect the tigers.

12. Update on APRIL SDG Impact Assessment

APRIL provided written updates to the SAC regarding its SDG Impact Assessment initiative. After the publication of [APRIL's SDG Prioritization Report](#) APRIL continued with the first batch of SDG targets which will be selected for the Impact Assessment phase. The Impact Assessment has been completed following an Impact Pathway Framework that was created for each of the operational activities and initiatives conducted by APRIL. This included interviews with APRIL's staff, mapping of APRIL's activities to specific SDGs, and validating and refining the impact pathway.

SAC Response:

- The SAC is encouraged to see the progress of APRIL's SDG project and its emphasis on the practical action.
- The SDGs are providing a valuable framework for the further development of APRIL's actions in favor of local and regional development.

NEXT SAC MEETING

- Date: 2-6 December 2019
- Location: Jakarta and Pangkalan Kerinci, Riau
- Agenda:
 - To include a visit to RER
 - To include a visit to Istana Peraduan Siak and a meeting with teachers and students participating in the APRIL and Lembaga Adat Melayu Riau's partnership program.

Appendix

Overview of “Malay Culture of Riau” local content in the schools at Riau Province

By Al Azhar (SAC Member)

Local content is learning material in the curriculum of Indonesian formal education that prepared in accordance with the local needs and context. In the history of education in Riau, Malay cultural subjects have existed since the 1980s, namely the Arabic-Malay letters. The aim is to equip students with the skills to read and write texts in that letters, which since the early 14th century have been used in the Malay tradition of writing. Thousands of manuscripts and print of Malay writing tradition are produced using that letter. That legacy is now stored in worldwide libraries. In 2010, the learning material was extended to the knowledge of several iconic artifacts of Malay in Riau (including, knowledge of technology in traditional Malay economic activities).

In 2013, the national curriculum has changed. In the current curriculum, Curriculum 2013, local content material can be integrated into national subjects, can also be a separate subject. By the Local Regulation No. 5/2018 on “The Implementation of Education”, the Riau Provincial Government designated it as a separate subject, and the material was Malay Culture of Riau. In that regulation, the Malay Customary Institution of Riau was tasked with reviewing old learning material, and has given recommendation for some changes as needed.

Now, the learning material of Riau Malay Culture, in general say, is the Malay cultural heritage in Riau, which in National Regulation No. 5/2017 on Cultural Improvement is referred to as the objects of cultural advancement. Its coverage both, intangible cultural heritage (values, norms and traditions) as well as artifacts (tangible cultural heritage). In accordance with the characteristics of the 2013 Curriculum, its learning practices focus on character formation, integrity and identity awareness. More than knowledge, this local content learning is a part of the way to internalized positive character, integrity, and awareness of identity. So, for example, by learning on various language and art expressions, as well as ritual ceremonies and social celebrations of Riau Malay, students (from elementary to high school) are proportionally brought to recognize and actualize core values of Malay culture, such as honesty, modesty, politeness, togetherness, ecosystem balance, etc. By learning about local history and its networks, they are brought to mainstreaming another core values of Malay culture, such as openness, pluralism and tolerance awareness, etc. Those changes are discussed in the training of trainers.

Finally, the platform of Malay Culture of Riau learning in our schools is a way of knowing oneself to be actively involved in the progress of the world; not a kind of frustration

inheritance from the old generation who is stuck in passive-nostalgic attitude; nor does it build a kind of new primordial.