



*cutting through complexity*

# APRIL SAC

**Specified Auditing Procedures on  
SFM Policy Implementation**

December 8, 2014



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# 1. Engagement Objectives and Scope

## Objectives of Engagement

The Objective of the engagement was to:

- Conduct agreed upon specified auditing procedures to assess APRIL Group's implementation of the SFM policy for the period between January 28 and June 30, 2014 and to provide a report of our findings to the APRIL Stakeholder Advisory Committee.

The specified auditing procedures do not constitute an audit of the SFM Policy and hence no audit opinion on compliance with the policy is provided.

## Scope and Restrictions

The scope of activities assessed as part of the specified auditing procedures covered specific assertions by APRIL in relation to each commitment in the SFM Policy as they relate to:

- The activities of APRIL on its own concessions
- The activities of long term suppliers on their concessions
- The activities of short term suppliers on their concessions
- Activities carried out in the period from policy implementation (January 28, 2014) to June 30, 2014



## 2. Site Visits Conducted

Date	Location	Key Topics Covered			
		HCV	FPIC	Wood Legality	Peatland
Sept. 16 – 19	RAPP – SEI Kampar (Meranti)	●	●	●	●
Sept. 16	RAPP - Pelalawan			●	●
Sept. 17 - 18	RAPP - Ukui			●	
Sept. 19	RGMS – Hutan Hak			●	
Sept. 22 – 26	Adindo HL (3 areas) *	●		●	
Sept. 30 – Oct. 2	RAPP – Pulau Padang *	●	●	●	
Sept. 30 – Oct. 2	SRL – Rupert *	●	●	●	
Oct. 14 – 15	RAPP – Logas *		●	●	
Oct. 16 – 17	Bukit Raya Mudisa *	●	●	●	



Concession visited during the conduct of the specified auditing procedures. Visits included meetings with villagers at a total of 18 villages.

Additional input on areas of concern to consider during the conduct of specified auditing procedures was provided by FKMM Riau (Indonesia Communication Forum on Community Forestry), Riau Peat Community Network, Scaleup (Sustainable Social Development Partnership) and JMGR (Jaringan Masyarakat Gambut Riau).

### **3. Results of Specified Auditing Procedures**

# Policy Introduction

(The Policy) .....covers all fibre suppliers to APRIL's mill in Kerinci as well as to any future mills acquired by APRIL.

**APRIL ASSERTIONS:** APRIL applies its SFM Policy to all suppliers of fiber to the Kerinci mill.

**Specified Procedures:**

Examine 100% of Fibre supply contracts to determine whether APRIL requires suppliers to apply the requirements of APRIL's SFM policy as a condition of the contract

Examine the APRIL Pulpwood Purchase Policy to determine whether it requires suppliers to apply the requirements of APRIL's SFM policy

**Findings:**

Fibre supply contracts are updated annually. Most contracts have not yet been updated to reflect the SFM policy. Those that have been updated have additional language addressing requirements for High Conservation Value (HCV) assessments but do not include language that covers the full scope of the policy.

The Pulpwood Purchase Policy provided is dated 2002 and does not reflect the commitments in the SFM Policy.

# Policy Introduction

**APRIL will engage with sister pulp and paper companies within the Royal Golden Eagle Group to adopt the principles underlying APRIL's SFMP**

**APRIL ASSERTIONS:** APRIL has communicated its policy to sister pulp and paper companies within the Royal Golden Eagle Group and encouraged them to adopt the principles underlying APRIL's SFMP.

**Specified Procedures:**

Review of correspondence with RGE sister pulp and paper companies and (where applicable) responses received from the sister pulp and paper companies.

**Findings:**

RGE has communicated its policy commitment to sister pulp and paper companies within the Royal Golden Eagle Group (RGE) encouraging them to adopt the principles embodied in the policy.

Responses from Asia Symbol (Shandong) Pulp and Paper Company and Bahia specialty cellulose S.A. indicate that they use only plantation wood and (limited amounts of) PEFC/FSC certified wood. However, the responses do not provide any indication as to commitment of these companies to the broader scope of commitments in the SFM policy.

APRIL also communicated its policy commitment to Toba Pulp Lestari (which is not listed as part of RGE on the RGE website and is a public company). While no formal response is on file from Toba Pulp Lestari, interview evidence indicates that APRIL is assisting Toba Pulp Lestari in the development of an SFM policy commitment.

# Long-Term Sustainability

**APRIL sources fibre from non High Conservation Value Forest (“HCVF”) areas that have been identified through independent HCV assessments, based on Indonesian HCV toolkit and peer-reviewed by HCV Resource Network**

**From 28th January 2014, APRIL declares a moratorium in concession areas throughout APRIL’s fibre supply chain where HCV assessments have not been completed**

## **APRIL ASSERTIONS:**

- APRIL did not source any fiber from HCVF between January 29 and June 30, 2014:
- Recent HCV assessments were conducted consistent with the Indonesian HCV toolkits and peer reviewed by individuals listed on the HCV Resource Network.
- For any new suppliers or assessments after June 1, 2014 the peer reviewer is assigned by the HCV Resource Network.

## **Specified Procedures:**

Review of deliveries information by supplier and cross-check against scale records for a sample of deliveries from 8 concessions. Trace deliveries back to source and determine if required HCV documentation is in place for the concession.

For 5 concessions review HCV documentation to assess whether stakeholder input was considered in the HCV report and whether a peer review was conducted and the peer review comments addressed in the final HCV report. Conduct field inspections on the 5 concessions to assess, on a sample basis, whether site conditions were consistent with those identified in the HCV report

## **Findings:**

APRIL has interpreted this commitment to apply to new concessions, although the policy statement does not explicitly exclude existing concessions.

Mixed hardwood (MHW) deliveries from older concessions occurred throughout the period to June 30<sup>th</sup> :

- Approximately 50,000m<sup>3</sup> came from concessions established prior to APRIL requiring HCV assessments (i.e. prior to 2005). Formal processes for establishing whether these sites have HCV values are not established. One of these sites proposed for logging was observed to have 2 IUCN red listed species present.
- Approximately 123,000m<sup>3</sup> came from concessions with some form of older HCV assessment pre-dating the current policy commitment (e.g. internal HCV assessments, HCV assessments prior to the establishment of the Indonesian HCV toolkit, HCV assessments using the Indonesian toolkit but not “peer reviewed by HCV Resource Network” or not using an individual listed by the HCV Resource Network).
- Approximately 1,139,000m<sup>3</sup> came from concessions with HCV assessments that have been peer reviewed by individuals that are listed by the HCV Resource Network.
- To date, no concessions have had HCV assessments “peer reviewed by HCV Resource Network”. Recent peer reviewers have been by individuals listed by the HCV Resource Network which is not a functionally equivalent process.



# Long-Term Sustainability

**APRIL sources fibre from non High Conservation Value Forest (“HCVF”) areas that have been identified through independent HCV assessments, based on Indonesian HCV toolkit and peer-reviewed by HCV Resource Network**

**From 28th January 2014, APRIL declares a moratorium in concession areas throughout APRIL’s fibre supply chain where HCV assessments have not been completed**

## **Findings (continued):**

- Deliveries of MHW from two short term third party supplier concessions in Kalimantan without finalized HCV assessments occurred up until April 2014. Delivery information was insufficient to determine the specific date the MHW was logged. Review of Satellite imagery for these areas did not identify new cleared areas after the date of policy implementation. Communication from the supplier confirmed that MHW logging stopped on these concessions prior to January 28, 2014.
- For one third party supplier concession, minutes of meetings with stakeholders were not included within the HCV documentation. As a result, the extent of consultation was unclear.
- On two concessions, there were weaknesses in HCV marking (riparian HCV areas that did not have the required information boards on one concession and HCV areas without boundary marking on another).
- As already noted by the Stakeholder Advisory Committee (SAC), historic HCV delineation does not appear to fully account for the maintenance of landscape level biodiversity through designation of areas of sufficient size to support populations of all native species.

# Long-Term Sustainability

**APRIL and its Long-Term Supply Partners will complete their plantation establishments by the end of 2014**

**APRIL ASSERTIONS:** N/A

**Specified Procedures:**

Review of wood supply plan for wood supply after 2014.

**Findings:**

The draft Kerinci Wood Supply M6C5 plan (2014-2023) indicates no MHW supply from APRIL or long-term supply partners after calendar 2014. However:

- Some remaining MHW is expected to be logged off existing APRIL and Long-Term Supply Partner concessions after 2014. The amount exceeds 17,000m<sup>3</sup>. and would result in technical non-compliance with the policy.
- PT. Adindo Hutani Lestari is not recognized as a Long-Term supply partner and will continue to supply MHW after 2014. The company signed a supply contract in August 2014 covering the period to the end of 2016, as a result it is unclear why the category of "Long-Term supply partner" does not apply to PT. Adindo Hutani Lestari.

# Long-Term Sustainability

**APRIL will only use plantation fibre by the end of 2019. APRIL commits to annual reviews of its fibre supply, with the intent of accelerating plantation fibre self-sufficiency**

## **APRIL ASSERTIONS:**

- APRIL has ongoing initiatives to accelerate fibre self sufficiency.
- APRIL has set targets for annual increased in plantation fibre use and collected data to assess current status against these targets.
- APRIL's transition to plantation fiber is currently consistent with its targets.
- Fibre self-sufficiency targets are based on APRIL's pulp and paper production target.

## **Specified Procedures:**

Determine whether the long-term fibre supply plan is consistent with the proposed amount of plantation.

Determine whether APRIL has initiated activities to accelerate fibre supply self-sufficiency.

## **Findings:**

The fiber supply plan is linked to pulp and paper production targets and shows transition to 100% plantation fibre by the end of 2019.

The remaining area of plantation to be established as of end of Q2 2014 was 10,371 ha (8,604 ha by APRIL and 1,767 ha by long term suppliers) with APRIL being behind plan for the year but expecting to catch up by year-end.

Plantation self-sufficiency targets are embedded in the fibre supply plan and are aggressive in nature.

A large number of research and development initiatives focused on improving plantation MAI, reducing plantation mortality and disease losses, increased use of eucalypts, tree improvement, improved nursery and plantation practices and improved harvest practices are underway and/or planned to increase plantation yields and reduced dependence on MHW purchases. These are consistent with the intent of accelerating fibre supply self-sufficiency.

# Long-Term Sustainability

**APRIL has a robust Chain of Custody (CoC) tracking system and mill wood sourcing monitoring system to ensure all fibre comes from non-HCVF areas**

**APRIL ASSERTIONS:**

- APRIL's CoC system is designed to identify the source of all fiber received by the Kerinci mill and its HCVF status.
- APRIL has implemented its CoC system.
- APRIL has implemented a system of checks over the accuracy of delivery documentation.

**Specified Procedures:**

Tracing of a sample of wood deliveries to source documents and related field sites for 8 concessions.

Inspection of wood delivery documentation and wood legality inspection documentation.

**Findings:**

APRIL has developed and implemented a chain of custody (CoC) system for mill wood sourcing that has been third-party certified.

Weaknesses in the CoC system and associated inspection processes were identified as follows:

- RAPP inspections of PT Wana Subur Lestari and PT. Mayangkara Tanaman industri in Kalimantan failed to identify the lack of a completed HCV report for those concessions (Note: subsequent changes to the inspection checklists occurred prior to KPMG's assessment and would limit the likelihood of this error occurring in the future).
- The transparency of the CoC between compartments and barge loading areas may be lost during reload activities increasing the risk that wood of unknown sourcing could enter the supply chain.
- It is not clear that there is a annual timber legality inspection for APRIL's own concessions similar to the spot check system on delivery documentation completed for suppliers
- Weaknesses in delivery documentation were noted:
  - The barge delivery document numbering process loses the transparency of the CoC system at Sei Kampar (Meranti) Estate.
  - Missing information on trip tickets at PT. Adindo Hutani Lestari.
  - Pelalawan Estate had one document using a different conversion calculation to the rest of delivery document samples.
  - The wrong calculation of volume was observed on a loading ticket at Ukui Estate.

# Long-Term Sustainability

**APRIL will not establish a new pulp mill and/or a new pulp line until it achieves plantation fibre self-sufficiency for its long term sustainability**

**APRIL ASSERTIONS:** No new pulp mills or pulp lines have been established between January 28, 2014 and June 30, 2014.

**Specified Procedures:**

Interview with Management.

Written representation from Management.

Mill site visit.

**Findings:**

No evidence was identified of new pulp line or pulp mill.

# Long-Term Sustainability

**APRIL will update its Procurement Policy and renegotiate contracts with its fibre suppliers to ensure its fibre procurement is in full compliance with APRIL's SFMP**

## **APRIL ASSERTIONS: NA**

### **Specified Procedures:**

Examine 100% of fibre supply contracts to determine whether APRIL has renegotiated contracts with suppliers to apply the requirements of APRIL's SFM policy as a condition of the contract.

Examine the APRIL Pulpwood Purchase Policy to determine whether it requires suppliers to apply the requirements of APRIL's SFM policy.

### **Findings:**

Fibre supply contracts are updated annually. Most contracts have not yet been updated to reflect the SFM policy. Those that have been updated have additional language addressing requirements for High Conservation Value (HCV) assessments but do not include language that covers the full scope of the policy.

The Pulpwood Purchase Policy provided is dated 2002 and does not reflect the commitments in the SFM Policy.



# Forest Protection and Conservation

## APRIL reaffirms its commitment to HCV assessments since 2005

### APRIL ASSERTIONS:

- APRIL did not source any fiber from HCVF between January 28 and June 30, 2014:
- Recent HCV assessments were conducted consistent with the Indonesian HCV toolkits and peer reviewed by individuals listed on the HCV Resource Network.
- For any new suppliers or assessments after June 1, 2014 the peer reviewer is assigned by the HCV Resource Network.

### Specified Procedures:

Review of deliveries information by supplier and cross-check against scale records for a sample of deliveries from 8 concessions. Trace deliveries back to source and determine if required HCV documentation is in place for the concession.

For 5 concessions review HCV documentation to assess whether stakeholder input was considered in the HCV report and whether a peer review was conducted and the peer review comments addressed in the final HCV report. Conduct field inspections on the 5 concessions to assess, on a sample basis, whether site conditions were consistent with those identified in the HCV report

### Findings:

See HCV Findings on Slide 8-9.

# Forest Protection and Conservation

**APRIL and its Long-Term Supply Partners protect and manage more than 250,000 hectares of conservation zones identified through HCV assessments**

**APRIL ASSERTIONS:**

- 250,000ha of conservation zones have been mapped and established on the ground.
- Active Management of conservation zones occurs to reduce the risk of damage to conservation values.

**Specified Procedures:**

Review GIS analysis and current land status within conservation zones.

Confirm presence of conservation areas in the field and review of monitoring data to assess implementation of monitoring plans through field visits to 30 conservation zones in five concessions and additional helicopter overview of selected HCV areas.

**Findings**

Current area in Conservation status per APRIL calculation (which excludes area in ER licences) is 255,148 ha.

Conservation area disclosed includes 2,443 ha in HTR.

Of the total area within conservation, 4,527 ha were in agriculture, 145 ha were in infrastructure, 18,815 ha were open and 14,425 ha were in scrub

Total non-forest was 15% at the end of Q2 2014 (12% at the end of Q1 2014)

Field inspection of conservation zones indicated that they were established on the ground (with one isolated exception where a canal had been cut in an HCV area) and that monitoring was implemented.

APRIL has an active fire response program to reduce the risk of damage to conservation values.

# Forest Protection and Conservation

**APRIL has committed to restore 20,000 hectares of degraded peatland within the core zone of Kampar Peninsula through the Restorasi Ekosistem Riau (RER) initiative in Riau province**

**APRIL ASSERTIONS: NA**

**Specified Procedures:**

Interview with staff, review of restoration licence, review of restoration plan and summary of progress to date. GIS analysis of area under restoration licence.

**Findings:**

A restoration licence is in place for an area of approximately 20,091 ha in the Kampar peninsula.

A restoration plan has been initiated and progress against plan is being tracked.

# Forest Protection and Conservation

**APRIL will initiate a new ecosystem restoration project to restore additional 20,000 hectares of degraded peatland at the core zone of Pulau Padang**

**APRIL ASSERTIONS:** APRIL has acquired a new restoration licence for peatland at the core zone of Pulau Padang.

**Specified Procedures:**

Review or Ecosystem Restoration (ER) licence and management plan.

GIS analysis of area under ER licences.

**Findings:.**

- An ER licence has been acquired and a management plan submitted to Government for approval.
- The area under the licence is approximately 20,450 ha.

# Forest Protection and Conservation

**APRIL will support biodiversity and carbon conservation initiatives with a focus on landscape basis. APRIL will strive to support conservation areas equal in size to APRIL's plantation areas**

**APRIL ASSERTIONS:**

APRIL is acquiring Ecosystem Restoration licences that will be managed to support biodiversity and carbon conservation initiatives.

As of June 30, 2014 APRIL has established conservation areas that are 78.9% of existing plantation areas.

**Specified Procedures:**

Review ecosystem restoration plans.

GIS analysis of area designated as conservation area and area under plantation.

**Findings**

As already noted by the SAC, historic HCV delineation does not appear to fully account for the maintenance of landscape level biodiversity through designation of areas of sufficient size to support all native populations.

APRIL analysis indicates 366,686 ha of "conservation areas" and 464,823 ha of plantation.

The re-calculated ratio of conservation area to plantation was materially consistent with APRIL's calculation.

Conservation area includes ER licences, conservation zones (including 37,912 ha of non-forest) and 37, 823 of Tanaman Kehidupan (livelihood crops area).

# Forest Protection and Conservation

**APRIL will participate in the development of an industry-accepted methodology of High Carbon Stock (“HCS”), by initiating a pilot study within its concession area**

**APRIL ASSERTIONS:**

- APRIL has signed an MOU and agreed to work with IDH on defining an industry standard for HCS

**Specified Procedures:**

Review of MOU, participants, work to date and pilot study.

**Findings:**

Review of a non binding MOU between APRIL and IDH Sustainable Trade Initiative indicates that its initial focus is "exploring industry standards for high carbon stock forests that are applicable in the Indonesian context" under the Sustainable Trade Initiative on Pulp and paper (STIPP). IDH is to facilitate their STIPP platform and dissemination of learnings and provide co-funding for studies and pilot testing different best practices. APRIL is to participate, share information as appropriate and work with suppliers to promote HCS industry standards.

The agreement was signed in June 2014 so there was limited opportunity for subsequent progress in the period ending June 30, 2014.

A pilot study has not yet been initiated.



# Forest Protection and Conservation

**APRIL will adopt for new concession areas the best practices in the industry pertaining to HCS if and when relevant standards are established**

**APRIL ASSERTIONS:** There have been no new logging concession areas granted since January 28, 2014.

**Specified Procedures:**

Determine if new concessions (post SFMP) adopt any existing HCS Standards.

Identify whether APRIL is applying interim measures for concession areas in the process of being developed but for which HCS Standards have not yet been established.

**Findings:**

No new concessions have been established since the SFM Policy was announced.

The 2 most recent concessions, which are still being actively developed (Pulau Padang and PT Adindo Hutani Lestari concessions) both include mapping of HCS that can be protected as part of the HCV assessment process.

# Peatland Management

**APRIL and its fibre suppliers protect and manage forested peatland areas identified as HCVF and HCS**

**APRIL ASSERTIONS:**

- NA

**Specified Procedures:**

Review of HCV reports for Pulau Padang and PT. Adindo Hutani Lestari concessions.

Field inspection of Pulau Padang peatland HCV implementation.

**Findings:**

The Pulau Padang and PT. Adindo Hutani Lestari HCV reports include both HCVF and HCS concepts.

There are areas of peatland that are identified as HCV within the Pulau Padang and PT. Adindo Hutani Lestari concessions.

More than one type of treatment is identified for peatland identified as HCV:

- Protection – some areas are protected.
- Management – some of the peatland falls within HCV 4.1 within The HCV assessment reports. These areas have specified practices to manage watertable integrity (such as not having canals cut into them) but do not extend protected status to the peatland forest.

Field inspection indicated that the practices had been implemented in accordance with the HCV report except:

- One canal was identified as erroneously cut into an HCV area on Pulau Padang. No further development of the area was noted.
- Shortly prior to the announcement of the SFM Policy, canal development occurred into an HCV area on the PT. Adindo Hutani Lestari concession. The HCV area was subsequently relocated.

# Peatland Management

**APRIL declares a moratorium on forested peatland areas, including canals and other infrastructure activities, until independent HCV assessments have been completed, and HCS assessments will be conducted if and when relevant standards are established**

## **APRIL ASSERTIONS:**

No canal development or peatland logging takes place prior to the completion of HCV assessments (and only in accordance with these assessments) .

## **Specified Procedures:**

Field inspection of peatland development on 2 recent concessions with peatland.

## **Findings:**

This commitment is limited to not carrying out industrial activities on peatland prior to a completed HCV assessment (i.e. it is a redundant commitment).

APRIL has interpreted this commitment to apply to new concessions, although the policy statement does not explicitly exclude existing concessions. As a result, no controls are currently in place to ensure that any Mixed hardwood (MHW) deliveries from older concessions do not come from peatland that has not been subject to an HCV assessment. (Approximately 50,000m<sup>3</sup> came from concessions that were established prior to APRIL requiring HCV assessments for concessions, i.e. prior to 2005).

Field inspections identified two instances where this policy commitment had been breached shortly prior to the SFM Policy commitment:

- Deliveries of MHW from two short term third party supplier concessions in Kalimantan that had not finalized HCV assessments occurred up until April 2014. Chain of custody information for these deliveries was insufficient to determine the specific date the MHW was logged. Review of Satellite imagery for these areas did not identify new cleared areas after the date of policy implementation. Communication from the supplier confirmed that logging of MHW stopped on these concessions prior to January 28, 2014.
- Shortly prior to the announcement of the SFM Policy, canal development occurred into an HCV area on the PT. Adindo Hutani Lestari concession. The canal development occurred prior to the completion of the peer reviewed HCV report. The HCV area was subsequently relocated.

Field inspections identified one instance where this policy commitment had been breached subsequent to the SFM Policy commitment:

- One canal was identified as erroneously cut into an HCV area on Pulau Padang. No further development of the area was noted.

# Peatland Management

**APRIL engages with peat experts to implement best practice management to reduce and avoid greenhouse gas (GHG) emissions within the peatland landscape.**

**APRIL ASSERTIONS:**

- April has sought expert advice on the reduction of emissions resulting from the management of plantations established on peatland.
- Recommendations received have either been implemented or are scheduled for implementation within the next 12 months.

**Specified Procedures:**

Review of Peatland SOP.

Review of consultant reports and scientific reports related to peatland management and greenhouse gas emissions on APRIL concessions.

Field inspection of Meranti and Pelalawan estates to examine peat management practices.

Review of HCV reports for Pulau Padang and PT. Adindo Hutani Lestari concessions.

Interview with member of Indonesian Government Monitoring, Reporting and Verification (MRV) team.

**Findings:**

APRIL has gathered broad information from peatland experts to develop its management program.

The management program continues to be monitored and tested and is evolving based on findings.

Preliminary work was conducted in 2008 looking at carbon losses from peat and water in plantations. A more comprehensive study has now been initiated to compare past and future GHG emissions to a baseline scenario of no plantation development.

Close monitoring is conducted on peatland condition. However, site specific baseline watertable conditions are not established to support assessment of changes in watertable depth.

RAPP SOPs are not applied by all suppliers. As a result, there is not a consistent operational standard being applied for management of watertable changes.

# Legal Compliance and Certification

**APRIL reaffirms its commitment to comply with all prevailing laws and regulations, and requires all its fibre suppliers to do so**

**APRIL ASSERTIONS:**

- APRIL has established a due diligence system to assess compliance with prevailing laws and regulations by suppliers.
- Suppliers were inspected under the due diligence system in the period from January 28, 2014 to June 30, 2014.
- Supplier inspections that identified regulatory concerns were followed up with action plans.
- Action plans to address identified performance concerns have been implemented.

**Specified Procedures:**

Review hierarchy of inspections, system implementation assessments (SIA), internal audits and monitoring data, assess scope and intensity of inspection coverage, identify process for addressing findings from inspection and monitoring processes and reporting out.

**Findings:**

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

Multiple levels of inspection, monitoring and internal audit exist. Issues identified during inspections are followed through to closure and overall performance is reported to management.

The level of internal inspections is significant. However, field inspections of suppliers that are not long-term supply partners are very limited.

We identified errors in the inspection results for one supplier regarding the status of the HCV report (the inspection erroneously indicated that the HCV report had already been completed). APRIL has changed its checklist since these inspections so the error is unlikely to recur.

While honey trees and Ramin were noted as being protected during field inspections, the likelihood of survival of these trees is reduced when they are left as individual trees.

# Legal Compliance and Certification

**APRIL participates in global SFM certification schemes and encourages its fibre suppliers to do the same**

**APRIL ASSERTIONS:** APRIL staff participated in the development of a standard and application for recognition of an SFM certification standard for Indonesia by PEFC.

**Specified Procedures:**

Review of certification cooperation agreement, interview with management, review of pilot project arrangements, review current status of proposed PEFC standard for Indonesia.

**Findings:**

A Forestry Certification Cooperation Agreement was signed between RAPP and PT AJA Sertifikasi Indonesia in June, 2013. RAPP had a representative on the industry chamber of the committee working on the standard and was a pilot site where one pilot audit was conducted as part of the development of the standard.

The Indonesian SFM standard has recently been approved by PEFC.



# Legal Compliance and Certification

**APRIL has the Indonesian Timber Legality Assurance System (INDO-TLAS)/Sistem Verifikasi Legalitas Kayu (SVLK) and Origine et Legalite des Bois (OLB)/Timber Legality Origin certifications for assurance of timber legality. APRIL will undergo annual reviews to maintain certification status**

**APRIL ASSERTIONS:** Indonesian Timber Legality Assurance System (INDO-TLAS)/Sistem Verifikasi Legalitas Kayu (SVLK) and Origine et Legalite des Bois (OLB)/Timber Legality Origin certifications for assurance of timber legality were in place covering all sources of supply between January 28, 2014 and June 30, 2014.

**Specified Procedures:**

Check APRIL has maintained Indonesian Timber Legality Assurance System (INDO-TLAS), Sistem Verifikasi Legalitas Kayu (SVLK) and Origine et Legalite des Bois (OLB)/Timber Legality Origin certifications.

**Findings:**

Certifications are in place.

Timber legality certification was in place for 9 of the 9 concessions sampled during field inspections.

APRIL maintains procedures to check timber legality is in place for new suppliers.

# Community Engagement and Social Responsibility

**APRIL commits to the Free, Prior, Informed, Consent (FPIC) principles implemented in the Indonesian context**

**APRIL commits to resolve any outstanding community conflicts in a fair and transparent manner with input and feedback from stakeholders**

**APRIL ASSERTIONS: N/A**

## **Specified Procedures:**

Meetings with community members of 18 villages across 5 concessions.

Review of sample documentation associated with FPIC processes and disputes (Standard Operating Procedures and records)

Follow-up investigation of 4 specific disputes to determine if they were identified in APRIL's dispute tracking systems and subject to resolution.

Field inspection of 1 specific claim regarding harvest operations in a disputed area.

## **Findings:**

RPF/SGR-0002-PR : Social Governance Relationship Standard Operating Procedure for RAPP provides the basis for the implementation of SFM policy commitments in relation to FPIC and resolution of community disputes.

- The SOP does not reflect existing processes for cessation of operations in areas subject to dispute.
- It pre-sets limits on any resolution of claims based on Ministry of Forestry Regulations that may reduce the ability of the SOP to effect resolutions.

The disputes identified and examined were all identified as open issues for resolution in APRIL's tracking systems.

Individual site visits and meetings identified the following:

- The complexity of some situations (particularly situations where there are overlapping land claims between villages) is beyond that which the Company is equipped to resolve.
- In some cases, documentation of processes was found to be incomplete (e.g. no mapped traditional/customary areas on one concession).
- Concerns regarding RAPP operations in an area claimed by Began Malibur village were assessed and it was determined that the area identified as having RAPP operations (which is outside the concession and very close to Began Malibur village) had not been operated. However, RAPP operations have occurred within part of the concession area now being claimed by Began Malibur, and which is considered the traditional territory of Lukit village which has provided consent for operations.
- 3 of the villages visited identified a need for training and community capacity building. Concerns were also raised regarding the performance of crops planted for villages in livelihood plantation areas. The ability of villages to successfully take over management of these crops and to realize their productive potential is central to the concerns.

# Community Engagement and Social Responsibility

**APRIL commits to the Free, Prior, Informed, Consent (FPIC) principles implemented in the Indonesian context**

**APRIL commits to resolve any outstanding community conflicts in a fair and transparent manner with input and feedback from stakeholders**

Findings (continued):

Villages in the vicinity of concessions that were established prior to the current procedures for consultation have not had exposure to these processes and consequently may not understand:

- their role and responsibilities in the protection of these areas (particularly related to fire management).
- the process of resolving land conflicts.
- how to file a complaint / response with the company.

As a result, some older claims may never have been recorded. It is not clear the extent to which the Company's FPIC and conflict resolution commitments are/could be able to address the legacy of prior land use decisions made under different processes that did not involve documented consent.

Some older supplier concessions (e.g. Rupat) do not yet have procedures in relation to livelihood plantation management and land rights issues. It is understood that this supplier plans to develop livelihood plantations for communities but, to date, has no SOPs to guide this process.

# Good Corporate Governance and Transparency

**APRIL will establish a Stakeholder Advisory Committee (“SAC”) to ensure transparency and implementation of this SFMP**

**APRIL ASSERTIONS:**

- The Stakeholder Advisory Committee was active during the period subject to assurance.
- Formal recommendations of the SAC are publicly available on *April Dialog* website.

**Specified Procedures:**

Review of Aprildialog.com website, discussion with SAC, review of SAC meeting materials.

**Findings:**

The SAC is established.

The aprildialog.com website contains up to date information from SAC meetings with meeting minutes being posted along with APRIL responses in less than 3 months.

# Good Corporate Governance and Transparency

**The SAC will appoint an independent verification auditor and oversee monitoring and verification of the implementation of APRIL's SFMP**

**APRIL ASSERTIONS:** Current engagement letter with an independent third party for provision of verification services.

**Specified Procedures:**

None.

**Findings:**

An engagement letter is in place for an independent verification auditor to conduct specified procedures over SFM policy implementation.

# Good Corporate Governance and Transparency

<b>Key stakeholders, including WWF-Indonesia, will be invited to participate in the SAC</b>
<b>APRIL ASSERTIONS:</b> N/A
<b>Specified Procedures:</b> Review of SAC membership and interview with SAC.
<b>Findings:</b> The SAC is able to determine who is invited to participate on the SAC. WWF was invited to participate and one SAC member is associated with WWF.



# Good Corporate Governance and Transparency

**APRIL will continue to publish an independently-verified Sustainability Report based on Global Reporting Initiative (GRI) standards**

**APRIL ASSERTIONS:**

- Periodic sustainability report published based on GRI Guidelines.
- Independent verification of sustainability report data for the most recent reporting period.

**Specified Procedures:**

Management representation regarding timing of next report.

Review of timing of prior reports.

**Findings:**

A report is published every 2 years.

Per APRIL , a “Sustainability report will be developed covering 2 years 2013-2014 and will be published April 2015.”

# Good Corporate Governance and Transparency

APRIL will provide regular progress update on the implementation of APRIL's SFMP to key stakeholders	
<b>APRIL ASSERTIONS:</b> Publicly available summary report and SAC commentary on findings within 3 months of the issuance of the third party assurance report.	
<b>Specified Procedures:</b>	None possible at this time.
<b>Findings:</b>	NA



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