



The independent Stakeholder Advisory Committee (SAC) established to oversee APRIL's Sustainable Forest Management Policy (SFMP) met with APRIL's leadership for three days in December 2014. The SAC appointed KPMG Performance Registrar Inc. (KPMG) to assess implementation of APRIL's Policy that was launched in January 2014. The main purpose of this meeting was to review the independent report evaluating the company's progress against its Policy in the Specified Auditing Procedures performed by KPMG.

Following the meeting, the Committee published a list of recommendations on ways to improve APRIL's policy implementation. In accepting these recommendations and offering an initial comment, we note that more detailed and substantive updates will be required to address specific points. We will develop a complete action plan to address the more detailed SAC recommendations by 1st Quarter of 2015 and report on progress in the next SAC meeting in mid-2015.

APRIL's Response to SAC Recommendations

We would like to thank the SAC for its commendation on progress since the SFMP was adopted on 28 January 2014.

We appreciate the acknowledgement of our efforts to improve the livelihoods of people living in the areas of our operations through the creation of 90,000 employment opportunities and the improvement of social and physical infrastructure, as well as our effort towards a one-to-one plantation-to-conservation commitment where we will continue to add to the 250,000 hectares already conserved and 40,000 hectares set aside for eco-restoration initiatives.

We also note the SAC's recognition of our efforts in implementing fire prevention and management policies that have reduced land and forest fires in APRIL concessions and surrounding landscapes.

We embrace the SAC's constructive recommendations regarding the use of Mixed Hardwood (MHW) sources as well as the requirement for additional policy measures. These included the urgent development of an overall spatial plan for landscape basis conservation areas as well as increasing our effort to emphasise clear and quantifiable conservation gains arising from these conservation areas.

All recommendations are accepted by APRIL. Outlined below is our initial response, based on a summary of the SAC's recommendations. Full SAC recommendations are provided in a separate document.

1. Committee Recommendation on APRIL's Mixed Hardwood and HCV Sourcing Commitments:

APRIL appreciated the Committee's acknowledgment that APRIL's High Conservation Value (HCV) commitments are focused on the application of these requirements in new concessions areas. However, as written, the commitments also apply to MHW sourced from small remaining areas in existing concessions established prior to the introduction of our SFMP. APRIL accepts the Committee's recommendation to clarify and strengthen the HCV assessment process in our company concession area as well as our suppliers' areas.

We will also make effort to further engage and reinforce awareness of our SFMP commitments to all APRIL's concession managers as well as its long term supply partners. We will update our standard operating procedures (SOP) to ensure prompt response to the internal monitoring data and verification. We will move quickly to address these matters, acknowledging that the process surrounding HCV assessments is an area of complexity and ongoing concern among stakeholders.

In response to the Committee's recommendation in its August 2014 meeting, APRIL has started to mandate all new suppliers to have their HCV reports peer-reviewed directly by the HCV Resource Network (HCVRN).

In doing so, we will start working to clearly define the parameters and language of our SFMP to remove any ambiguity or uncertainty. These changes will be reflected in the Supplementary Note of our SFMP by 1st Quarter of 2015.

2. Committee Recommendation on APRIL's Commitments to Transition to Full Reliance on Plantation Fibre:

APRIL remains committed to its goal to use only plantation fibre by the end of 2019 and will continue to conduct annual fibre supply reviews with the intent of accelerating fibre self-sufficiency. We will continue to look to all areas where improved productivity can accelerate this timeline. We will also explore other initiatives outside the existing plantation footprint, such as external plantation wood sources. We will submit a timeline for the development of a comprehensive dashboard to monitor progress on APRIL's transition to full plantation fibre.

3. Committee Recommendation on APRIL's Forest Protection and Conservation Commitments:

APRIL acknowledges that it can do more to disclose the extent and vision of its conservation initiatives, delivering more transparency and awareness through reporting, landscape basis spatial planning and mapping to enable greater progress. We will also act on the canal about 40-meter developed in error on an HCV area on Pulau Padang as part of efforts to ensure effective management of conservation areas. At the same time we will investigate ways to increase the social and economic benefits to local communities.

4. Committee Recommendation on APRIL's Peatland Management Commitments:

APRIL will clarify its policy commitment in the Supplementary Note to its SFMP addressing the conditions and constraints that apply to peatland management, particularly on the definition and interpretation of HCV 4.1. We will also address the application of SOPs on water management across all suppliers. We will adopt the Committee's counsel regarding broad input into the ongoing study on the greenhouse gas implications of existing peat management practices.

5. Committee Recommendation on APRIL's Regulatory Compliance and Certification Commitments:

APRIL will increase the intensity of supplier inspections in relation to performance, particularly for MHW suppliers, and use of information to maximize the benefits of existing systems, and establish a reporting system to capture findings from inspections including follow-up actions and outcomes as well as learning that can be shared among suppliers. As stated in our SFMP, APRIL will continue to update and seek national and international certifications that apply to our business.

6. Committee Recommendation on APRIL's Social Commitments:

APRIL acknowledges the importance of a holistic approach in this area and the need for specialist skills including government engagement to safeguard the interest of communities and achieve clarity in relation to the complexities of the existing laws and regulations. We are prepared to strengthen our current SOP and engage with stakeholders to progress towards a solution.

7. Committee Recommendation on APRIL's Transparency Commitments:

APRIL acknowledges this feedback, particularly the opportunity to incorporate stakeholder views in the SFMP verification process and to broaden SAC representation. At the same time, we will also utilize the expertise of the SAC to provide more clarity to stakeholders and develop the Supplementary Note to the SFMP. We will implement these recommendations with ongoing effect.

8. Committee Recommendation on the Broader Picture, APRIL Commitments in relation to Royal Golden Eagle Group:

APRIL will continue to engage with other sister companies within the RGE Group on this recommendation.