



Stakeholder Advisory Committee (SAC)

SAC Meeting (Virtual)

22 April 2024

The Stakeholder Advisory Committee (SAC) consists of independent forestry and social experts with the mandate to provide:

- Oversight and recommendations on the implementation of APRIL Group's Sustainable Forest Management Policy (SFMP) 2.0. The Committee selected KPMG PRI to provide assurance on APRIL Group's progress towards meeting its Policy commitments.
- Strategic advice on the implementation of APRIL2030 commitments and targets.

The SAC meets in person or virtually two to three times a year.

Please refer to the [SAC Terms of Reference](#) for a full description of the SAC's role and responsibilities.

SAC MEMBERS PRESENT

1. Dr. IB Putera Parthama (Co-chair)
2. Mr. Rod Taylor (Co-chair)
3. Dr. Neil Byron
4. Prof Jeff Sayer

APRIL

Sustainability & External Affairs

The SAC meeting agenda included:

1. Management updates: Business growth and acquisitions; RGE Sustainability Committee; FSC Updates (APRIL)
2. Community benefit sharing and partnership models (Neil Byron, SAC)
3. Insight on recent SBTi governance and position on offsets (Rod Taylor, SAC)
4. SFMP 2.0 Assurance process
5. Deforestation and conversion cut-off date
6. Responses to NGO / Media reports (APRIL)

Location: Virtual

DISCUSSION SUMMARY

1. Management Updates

- **Vinda International Holdings Limited acquisition** – RGE has officially acquired Vinda, an industry leader in the manufacture of high quality hygiene products, including tissue, incontinence care, feminine care, baby care to professional hygiene products, with a production capacity of 1.9 million tons/year. The integration process with RGE is ongoing, including the alignment with RGE Sustainability Policies, 2030 commitments and other related sustainability aspects.
- **RGE Sustainability Committee** –The RGE Sustainability Committee was formed in April 2024 to align and drive sustainability commitments and performance across RGE business groups. The committee is comprised of RGE Managing Director, RGE Vice Chairman, RGE Sustainability Director, Apical Executive Director (palm representative), and Sateri President (fiber representative).
- **FSC Updates**
 - APRIL continues to progress in its process to end its disassociation with FSC. Social and environmental baseline assessments are being conducted by independent assessors in the three

impact areas -- Riau, North Sumatera and parts of Kalimantan. APRIL's remedy plan will be developed and implemented according to the provisions of the FSC Remedy Framework.

- Some stakeholders are proposing a capacity fund for local communities to be able to effectively engage in the remedy process.
- Internal readiness continues in APRIL and other RGE business groups, including the adoption of foundational policies and the conduct of Human Rights Impact Assessment.
- Stakeholder Forum in June 2024 – APRIL will host a Stakeholder Forum on the FSC remedy process in June 2024. The objective is to encourage a shared understanding of the FSC Remedy Framework and seek support and constructive inputs from stakeholders to help achieve positive environmental and social outcomes.

2. Community Benefit Sharing Models for Community Forestry - Neil Byron, SAC

SAC Recommendation(s):

2.1 APRIL to pursue community forestry arrangements anchored on capacity building and socio-economic empowerment, therefore also potentially forming part of FSC remedy actions.

Neil Byron shared a briefing paper on the possibilities for community forestry models, summary as follows:

A wide range of investment and ownership arrangements exist for plantations.

Castella et al. (2009) identified seven arrangements for rubber plantations in Laos, but the same framework applies to wood plantations in almost any countries (Table 1). Each arrangement has been classified based on the contribution of production factors by farmers or companies, namely land, labor, capital, market, and technical knowledge.

Regimes	Land	Labour	Capital	Technology	Marketing
Smallholders 5+0 (with own land and capital)	X	X	X	X	X
Smallholders 5+0 (with government assistance)	X	X	X	X	X
Contract Farming 4+1	X	X	X	X	O
Smallholders (with credit)					
Contract Farming (3+2)	X	X	O	X	O
Contract Farming (2+3)	X	X	O	O	O
Contract Farming (1+4)	X	O	O	O	O
Concession Farming	O	O	O	O	O

- *The "5+0" model means the farmer supplies the land and labor, uses his own funds and his own technical know-how, and markets the produce to who-ever offers the best price;*
- *the 2 + 3 contract farming regime is one type of out grower schemes in which the farmer contributes land and labor (2) and the company/investor supply technology, finance and markets (3),*
- *while the 0 + 5 concession regime implies that farmers are not involved, and so are excluded.*

A common perception is that smallholder plantation owners only obtain low profit margins from tree plantations. However, in the case of Eucalyptus in Thailand and Acacia in Vietnam, small farmers are making extremely high annual

incomes from their trees by doing it all (5+0). They grow trees because that is the most profitable thing they can do with their land, their labor and their capital (but they have developed systems that require very little capital investment). The technology is very simple, proven and easily learned; there are very competitive markets eager to buy everything they produce, so they have been producing more every year for the past 20 years. Examples of contract farming and out growers for pulpwood (e.g. in Philippines, Thailand and Vietnam) exemplify independent farm woodlots and strip planting without collective community arrangements (i.e. through individual household planting, contract farming and concessions).

- The SAC observed that there is no one-size-fits-all model, although in Indonesia the most common scenario is the 2+3 contract farming regime. Collective arrangements such as cooperatives or farmer groups are also common.
- APRIL raised a question of how the different regimes impact arrangements for equitable sharing of benefits and decision making between the company and communities, factoring in their respective contributions.
- The SAC identified that common arrangements span from purely commercial to arrangements with community capacity building objectives. Common arrangements include 1) land rent and share of timber value (i.e. commercial transaction); 2) communities as labor; 3) communities actively involved in decision making and management. There are ways of negotiating these elements in a contract. APRIL's partnership with RECOFTC to develop agroforestry-based community forestry enterprise (CFE) can be used as a basis for better understanding the most appropriate arrangement.
- APRIL agreed that the objectives should include socio-economic empowerment and engagement such as building capacity of women's groups.
- The SAC noted that a capacity building approach for community forestry can form part of the remedy in the FSC process. It is important that these can be defined as an aspiration by the communities' and included in the agreements with them. FPIC should be maintained as part of the process. The SAC recommends for APRIL to consider this approach as part of the remedy actions.

3. Insight on recent SBTi governance and position on offsets - Rod Taylor, SAC

- APRIL requested insight from Rod Taylor on the recent evolution of [SBTi regarding its position](#) on the use of offsets for Scope 3 abatement. Many factors drive this position including the intent to incentivize the carbon market, the role of nature based solutions and ultimately climate action. On the supply side, the [Integrity Council for the Voluntary Carbon Market \(ICVM\)](#) is setting and enforcing a global benchmark for high-quality carbon credits – the Core Carbon Principles.

4. SFMP 2.0 Assurance process

APRIL presented an update on the SFMP 2.0 assurance process [of 19 indicators](#), preliminary results and expected timeline for report delivery. On site / field inspections were completed by KPMG in Feb-March 2024. APRIL also reported that Opportunities for Improvements (OFIs) identified in 2023 that pertain to operational health and safety, due diligence system for wood chip suppliers, internal fire analysis, tree cover loss monitoring and the grievance system have been closed. The formal 2024 results will be presented in the annual Stakeholder Forum planned for July, 2024.

5. Deforestation and conversion cut-off date

SAC Recommendation:



5.1 SAC strongly recommends for APRIL to maintain its existing cutoff date as defined in its Sustainable Forest Management Policy 2.0 (SFMP 2.0)

In light of FSC, PEFC and the European Union Deforestation-free Regulations (EUDR) all moving to a later cut off date of 31 December 2020 for forest conversion, SAC strongly recommends for APRIL to continue to uphold its commitments in its Sustainable Forest Management Policy and to maintain its existing cutoff date of June 2015.

6. NGO Report – Deforestation Anonymous

SAC Recommendation:

6.1 SAC recommends for RGE to include a statement in an appropriate policy that provides clarity to stakeholders on its corporate structure to address perception of obscurity.

- The SAC seeks a response from APRIL on the report *Deforestation Anonymous*. The report claims of links between RGE and a fibre supplier, PT Mayawana Persada.
- RGE released an [official statement](#) categorically refuting the existence of any ownership or form of control between RGE and its shareholders and PT Mayawana Persada, as well as PT Phoenix Resources International.
- The SAC recommends that the appropriate RGE Policy include a clearer statement on corporate structure to address perception of obscurity.
- The SAC observed that in most cases these reported areas are concessions that have been granted by the government with industrial plantation licenses, highlighting the existing complexities of land tenure in Indonesia.

Next Meeting Date

The next SAC in person meeting will be held on 17-19 July 2024 in line with the 2024 SAC Stakeholder Forum in Jakarta and Pekanbaru. A prior virtual meeting with Co-chairs will be necessary to confirm the agenda. The SAC proposes to have more time to directly interact and discuss with stakeholders beyond the forums.