SAC Meeting

Report Presentation: Technical Review of the Wood Fiber Supply APRIL Group

May 22, 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.** Dr. Neil Byron **3.** Prof Jeff Sayer
APRIL	Sustainability & External Affairs Fiber One (Planning team)
External	Indufor Oy

The SAC meeting agenda included:

1. Indufor Oy presentation – Technical Review of the APRIL Long-term Wood Fiber Supply
2. SAC Feedback and Recommendations

Location: Virtual

Background

As part of APRIL's best practice to ensure transparency and implementation of Sustainable Forest Management Policy (SFMP) 2.0, Indufor Oy was contracted to:

- review the key technical components of the company's plans to increase the supply,
- give an independent opinion on the reliability and technical sustainability of the developed wood supply projections and the operations behind them,
- And share the results with APRIL's Stakeholder Advisory Committee (SAC).

Similar reviews were carried out in 2013 and 2019. In addition to the company's forest information systems which was covered in Indufor's review in 2019, the most recent review covers the key technical components of APRIL's wood supply projections and the company's third-party wood fiber procurement practices.

Indufor performed the review through desk studies by analyzing data shared by APRIL and available open sources. Observations and interviews during Indufor's field visit to APRIL's operational area, and the results of independent remote sensing analysis to verify some of the technical aspects of wood supply plan complemented the desktop analysis.

In September-October 2023, two of Indufor's team members conducted a field visit for a period of five working days.

Each part of the review includes an assessment of gaps and recommendations to mitigate them. The report is made up of 3 key sections:

1) Forest Management Information Systems (FMIS);
2) Wood Fiber Supply Projections;
3) Wood Fiber Procurement Practices.

Indufor Oy presentation – Technical Review of the Long Term Wood Fiber Supply Plan of the APRIL Group

SUMMARY & KEY FINDINGS

1. Forest Management Information Systems (FMIS)

Three major elements form the core of APRIL's forest information and management systems

- Forest Management Information System (FMIS): Includes the compartment register, forest inventory data, tools to plan and execute plantation and wood supply activities and monitor their progress
- Forest inventory methods and activities: Create and examine the data on forest stand structure and growth over time, and
- Growth and yield modelling: Mathematical tools enabling the projection of key tree and forest level parameters over periods, for specific tree species and soil types.

All three are an integral part of APRIL's long-range wood supply forecast methodology and contribute to the development of the company's long-range wood supply projections.

Key Conclusions

FMIS, inventory and modelling systems are functioning well. Performance against 2019 improvement recommendations has proceeded. The accuracy of growth and yield predictions has been improved since the last report. Indufor recommends further improvements and for APRIL to focus largely on the quality and accuracy of data updates.

2. Wood Fiber Supply Projections

Indufor performed stress tests of APRIL's wood supply projections against the company's plantations growth potential, planned harvests and the RAPP mill expansion plans, as well as evaluated the key components the projections are built on, including:

- Development and management of operational areas in the managed plantations
- Performance of plantations (tree growth and yield, age profile)
- Applied forestry and wood supply operations (incl. nurseries and seasonality)
- Accessibility of managed forest resources (roads) and
- Their possible environmental constraints (fires, wind damages, and natural disasters).

Additionally, Indufor analyzed the role of certified, high-conservation value (HCV), and 3rd-party wood, as well as the impacts of potential fire damages on the planned wood fiber basket.

Key Conclusions –
The results show that the projections are technically sound without major discrepancies or information gaps that would question their reliability and/or future harvesting possibilities. The only fundamental recommendation is to ensure that the projections are built on plantable area land classes only.

3. Wood Fiber Procurement Practices

Indufor reviewed the Due Diligence systems and processes used by APRIL to evaluate procurement of wood from third-party suppliers

- This excluded the systems used by the company in the evaluation of wood fiber from the managed plantations.
- The evaluation was based on a desk study approach, complemented by interviews conducted during the field visit and virtually.
- This approach sought to understand the due diligence system processes and how they are implemented.

Additionally, Indufor reviewed the systems and processes alignment with the company's SFMP 2.0

- Following the evaluation, Indufor identified strengths and weaknesses as well as recommendations
- Overall, there is good alignment between the SFMP 2.0 and the procurement procedures

Key Conclusions
APRIL's system aligns well with international standards for due diligence, enhancing credibility and efficiency in meeting external requirements, like certifications. In addition, the procurement practices largely align with and support the company's SFMP 2.0.

SAC Feedback and Recommendations

The SAC provided their feedback in the virtual meeting and followed up with additional inputs and recommendations in subsequent emails. The points below summarize the overall feedback.

The SAC generally views the report as high quality and the independent review as good practice to provide constructive feedback and highlight areas of improvement for APRIL.

Forest Inventory – Continue to improve on or minimize any errors in diameter and height measurement to improve accuracy in forecasting yield. Transformation from field inventory to the utilization of LIDAR is welcome.

Growth and Yield Modelling - It might be worthwhile to review and clarify conversion factors (i.e. from green tonne to bone dry metric tons/BDMT) while articulating the assumptions of moisture and bark content. APRIL may consider shifting the main metric to tons of usable wood (bark-free) (i.e. BDMT).

Wood Supply Forecast Methodology - According to the report, the controlled third parties largely follow the projection method used by APRIL. It is important to make sure their projections are properly done and acceptably accurate.

Supply from Managed Plantations

- Accuracy in mapping is fundamental for yield projections. APRIL should address any inaccuracies in land classes and compartment boundaries (i.e. on plantable land classes only).
- There is still a need for a balance between optimizing wood productivity and minimizing GHG emissions from peatland plantations. There should also be consideration of ongoing pressures to

manage peatlands much less intensively and the issue of peat subsidence and their implications on the long-term wood supply-demand balance.

Supply from third parties

- APRIL has a real opportunity to diversify its local sources of sustainable supply but it will require some effort to devise a suite of measures that provide a strong commercial incentive for small-holder commercial tree-farming on already-cleared (and probably degraded) lands. This approach would be compatible with APRIL2030 and the SDGs.
- APRIL should investigate various options to source locally and consider broader implications:
    - Pulpwood would have to out-compete palm oil in the returns it offers to potential growers (may be challenging),
    - The transaction costs of resolving overlapping/complex land claims are likely to be prohibitive.
    - Any "spare" land that has been cleared prior to June 2015, will not comply with APRIL's no deforestation policy.

Total supply - Necessity of a contingency plan – if everything goes as planned then APRIL can acquire enough wood to keep the mill running at capacity. However, it would be very nice to have some contingencies, both for the challenges that could arise in RAPP plantations, and in the less-controllable open markets. APRIL can consider non-deterministic factors such as fire, pest and disease, peat subsidence and climate change in future forecasting exercises.