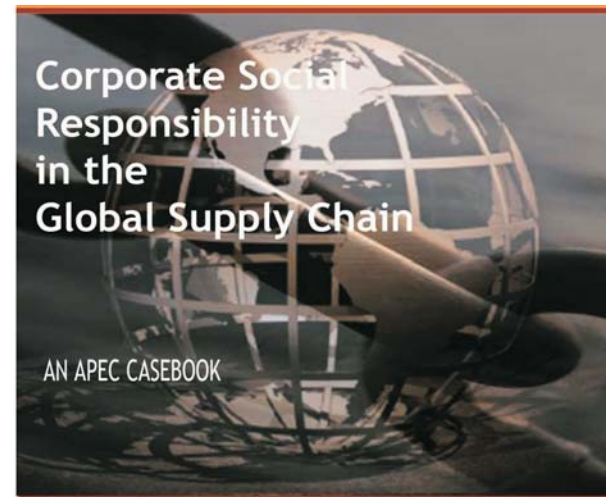


APRIL showcased in APEC publication

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APRIL is proud to be the only Indonesian company showcased as case study in the Asia Pacific Economic Cooperation (APEC) publication "Social Responsibility in the Global Supply Chain – An APEC Casebook".

This publication, which was released in December of 2007, was a compilation of good Corporate Social Responsibility (CSR) practices in the APEC region.

APRIL's case study is entitled "Greening the Supply Chain and Beyond: The Case of Asia Pacific Resources International Holdings Limited", and was penned by Ms Chrysanthi Hasibuan – Sedyono, Vice Chair, Board of Management of Indonesia Business Links (IBL).

A total of 14 case studies from 11 APEC member countries (Canada, Chile, China, Indonesia, Japan, Mexico, New Zealand, Peru, Singapore, Thailand, and Vietnam) were included in the report.

Excerpts from the report on APRIL is featured here, and the full report is available on request. Please write to info@aprilasia.com.



APRIL's mosaic plantation concept

Excerpt from APEC case book: Contrary to the perception in the global market that majority of the Indonesian companies are ignorant or choose to ignore corporate social responsibility (CSR), RAPP, as part of APRIL, is one of the few companies in Indonesia which has made CSR an integral part of its business strategy and has regarded stakeholder engagement as a serious concern.

As a major producer of fiber, pulp and paper, APRIL believes that it has a fundamental role in developing ways to meet the world's growing demand for its products and at the same time integrating sustainability in its operations, as a seller in the global supply chain and as a buyer of raw materials.

Unlike typical Indonesian companies, APRIL is a player in the global supply chain and one of the few corporations in Indonesia where CSR is an integral part of the business strategy and stakeholder engagements is taken seriously.

From the perspective of APRIL both as a buyer and seller, greening the supply chain is of utmost importance to ensure sustainability in the industry. Thus, APRIL has been very serious in greening the supply chain and has even established its own standards, as a means of building its competitive advantage.



APRIL is serious in greening their supply chain

Co-management approach to Land Dispute Resolution : Lubuk Jering - Mandau Case

Brief background

Mandau Fibre Estate is an APRIL-owned concession which is certified by the Indonesian Ecolabelling Institute (LEI) Forest Certification for Sustainable Forest Plantation Management.

Mandau has a gross area of about 23,280 hectares. The present land use is earmarked for

- Conservation Areas – 3,000 hectares
- Plantation Areas – 13,700 hectares
- Remaining Land Claims – 2,330 hectares
- Infrastructures/Inoperable area – 4,250 hectares



Discussions were hosted with villagers to reach amicable settlements

Lubuk Jering is one of several villages in the vicinity of Mandau Fibre Estate and is located in the Sei Mandau Sub-District, Siak District, Riau Province. It is 82 kilometers northeast of Pekanbaru. The area of the village is about 9,000 hectares. The population is 620 comprising approximately 150 households. The main livelihood is farming, rubber and oil palm plantation.

According to village residents, Lubuk Jering was formally established in 1970. However, it is claimed that even during World War II, it already existed as Kampung Lubuk Jering.

The village has a land claim of 6,100 hectares dating back to 1993.

First phase resolution

In the period 1997-2000, as a result of discussions and negotiations with the village, the settlement of 2,265 hectares claimed by the village was completed. The agreement with the village was compensation for agricultural plants and improvements. The agreement also included the establishment of an oil palm plantation consisting of 264 hectares (two hectares for every household

for 132 households). The 264 hectares of oil palm plantation was developed in 2002.

Second phase resolution

In 2005-2006, the land conflict resolution for 1,237 hectares was completed. The settlement agreed upon with the village was compensation/payment (*saguh hati*) for agricultural improvements in three stages:

- First stage payment – 16 September 2005
- Second and Third payments – 05 December 2005 and 20 January 2006
- Fourth payment – 11 May 2006

Chronology of current land claim

The current land claim resolution process involves the remaining 2,330 hectares.

The process had been complicated with the construction of a local government road going through the southwestern section of the concession where several migrants occupied and developed areas along the road starting mid-2005. These migrants claimed that they are working on the land for some Lubuk Jering villagers.

APRIL management were hands-on in the resolution process



However, there are indications that some villagers are selling land rights to new comers from North Sumatra, Jambi and Palembang. Some have 50:50 sharing arrangements with the villagers on the oil palm harvests.

The demand for land is also being driven by the program of the local government of Siak encouraging the development of more oil palm plantations in the district.

In early 2006, APRIL tried to prevent further encroachments along the government road and reported to the police that the migrants are burning during land preparation. The migrants and some villagers threatened to block/stop the plantation development activity which was ongoing at that time near the vicinity of the

government road but no violent incidents happened.

In July 2006, APRIL consulted with some local NGOs (WWF, Jikalahari, FKKM and FKD) and specifically requested solutions how to handle the conflict. Representatives of the village, calling themselves *Tim Seblas* (Team of Eleven) and Jikalahari, in September 2006 took up the case of the migrants and the villagers. The Team of Eleven and Jikalahari accused APRIL of:

- Cutting down *sialang* (honey bee trees), durian, cempedak, and old rubber trees;
- The delayed hand-over to the community of the 264-hectare oil palm plantation established in 2002;
- The 264-hectare oil palm plantation for the community was developed inside the concession of APRIL (in violation of forestry rules and regulations that no agricultural plantations must be established in the Permanent Production Forest Estate).

The village representatives additionally demanded from APRIL to allocate land for the

development of an oil palm plantation consisting of 600 hectares (calculated at four hectares for each of the 150 households currently in Lubuk Jering).

Copies of the complaint was also sent to the Lembaga Ecolabel Indonesia (LEI) Certification Review Council which was also evaluating an earlier protest filed by Jikalahari and other Riau NGOs on the LEI Forest Certification issued to APRIL in January 2006. These complaints were later dismissed by the Certification Review Council of LEI.

APRIL's response pointed out that the accusations were not correct and requested representatives of the village, Jikalahari and other Riau NGOs which have interests in the complaint, to meet and discuss the issues, with the objective of arriving at a solution that is mutually acceptable.

The first meeting with the village representatives, Jikalahari, Hakiki, FKD and APRIL was held in Pekanbaru on October 2006. In that meeting it was agreed that representatives from Lubuk Jering, Jikalahari, Hakiki, FKD and APRIL shall be appointed to constitute an ad hoc Conflict Resolution Team.

Since then no less than six meetings had been conducted and discussions /negotiations are currently on-going.

In the meantime, in November 2006, the LEI Certification Review Council released its evaluation findings on the complaint of Jikalahari, Walhi, Riau Mandiri and other NGOs that the complaint had no basis in fact and thus had no merit and would not change the decision of the LEI Expert Panel II in awarding the LEI Forest Certification for Sustainable Forest Plantation Management to APRIL. The LEI Certification Review Council, however, stated that APRIL must follow up on its commitments/fulfill its obligations as indicated in the MoU signed between the village on May 30, 1997 and its subsequent amendment dated 10 January 2004, particularly on the turn-over of the 264-hectare oil palm plantation to the village cooperative (Note: The turn-over hand been delayed due to some villagers' demand that it be turned over on an individual basis. APRIL disagrees with this demand and will turn over the 264-hectare oil palm plantation only to the authorised village cooperative).



APRIL worked with NGOs to form win-win solutions



Oil palm plantations were developed inside APRIL's concession.

As at September 2008 :

- Jikalahari and FKD have been designated as facilitators;
- Social Anthropology experts from the University of Indonesia were engaged to participate in the process;
- Participatory Mapping of conflict area has started since 22 February 2007;
- Community Development Health Programme was launched in the village on February 27, 2007;
- Clean Water Programme in the pipeline;
- The 264-hectare oil palm plantation, which had been established in 2002, was scheduled to be formally turned-over to the village cooperative in March 2007.

Renewing our global corporate citizenship - as Strategic Partner of the UNEP Champions of the Earth Awards 2008

In keeping with its increasing involvement in international affairs, APRIL renewed its alliance with the United Nations Environment Programme (UNEP) as a Strategic Partner of the Champions of the Earth Awards in 2008. This is the third consecutive year that APRIL has been host to this prestigious UNEP event.

The Champions of the Earth Awards is an annual event that was inaugurated in 2004 by UNEP. The award recognises individuals from all over the world for their notable contribution, on national or global scale, towards environmental protection and conservation.

APRIL was represented by President and Chief Operating Officer Mr A J Devanesan, who was one of the keynote speakers.

The awards were held in Singapore, on 22 April 2008. The year's awardees were:

- Ms Henrietta Elizabeth Thompson from Barbados
- Prime Minister Helen Clark of New Zealand
- HRH Prince Albert II of the Principality of Monaco

- Dr Balgis Osman-Elasha from Sudan
- former US Senator Timothy E. Wirth
- Dr Atiq Rahman from Bangladesh
- Mr Abdul-Qader Ba-Jammal from the Republic of Yemen.

As part of the extended programme, several awardees and participants flew to Riau to visit APRIL's operations on 21 April 2008. They toured our world-class facilities such as the nursery and plantations, conservation areas, mills, and community empowerment projects.

APRIL further strengthened our participation by hosting the Global Business Summit for the Environment (B4E), a prestigious business event held in conjunction with the UNEP event in Singapore.

The conference, themed "Business and Markets in a Climate of Change", was well attended by CEOs, senior executives from leading global companies, government representatives, international agencies, and NGOs. Highlights of the conference included discussion on the most critical environmental challenges facing the world today. Participants contributed perspectives on business-driven solutions for mitigating and adapting to climate change, including resource

efficiencies, renewable energies and redefining business models.

Keynote speakers were luminaries such as Mr Achim Steiner, UNEP Executive Director and Mr George Kell, UN Global Compact Executive Director.



Guests from UNEP visiting APRIL's nursery in Kerinci, Indonesia.

Renewing our global corporate citizenship -with presentation of Fact Sheets as update to Communications on Progress

In 2006, when APRIL pledged its commitment to the UN Global Compact, part of the obligations was to present an annual Communications on Progress.

As a signatory to this Global Compact, APRIL presented a full set of ten Fact Sheets, detailing various aspects of its sustainable forest

management systems. These easy-reference materials have since been posted on the UN Global Compact website.

The UN Global Compact is the world's largest corporate citizenship initiative. It was established in July 2000, and offers a framework for businesses to follow in response to the challenges of

globalisation. It embraces 10 principles covering human rights protection, fair labour practices, environmental conservation, and anti-corruption.

The 10 Fact Sheets provide information on :

1. Protecting High Conservation Value Forests (HCVF)
2. Combating Illegal Logging
3. Empowering the Local Communities
4. Resolving Concession Land Conflicts
5. Managing Kampar Peatlands for Sustainable Development
6. Using Biofuel and Conserving Energy
7. Making Our Mill Environment-Friendly
8. Managing our Plantation Forests in a Sustainable Manner
9. Addressing the Problem of Fire and Haze
10. Mitigating Climate Change Through Responsible Forestry



L - R : Mr HM Rusli Zainal,
Riau Governor,
Mr Jouko Virta, President of
Global Fibre Supply, APRIL;
Ms Henrietta Elizabeth
Thompson from Barbados, at
the UNEP Champions of the
Earth 2008 event in Singapore

APRIL's Forest Management systems get nod from experts

We have always been a strong proponent of sustainable forest management, and we are one of the leading companies to promote and implement managed planted forests as a vehicle for sustainable development.

APRIL has in place several forest management systems in place that have won approvals and support from renowned industry experts. We present details of these winning systems and concepts :

Mosaic Plantation Concept



APRIL's plantations assures sustainability of biodiversity

Our Mosaic Plantation Concept is an optimal landscape-level approach which integrates the protection of high conservation value areas (HCVA) with fibre plantations and social development. In APRIL's land management model, resources are allocated as follows:

- HCVA's are reserved for conservation;
- 50% to 55% are developed into tree plantations;

- The rest are set aside for community enclaves and basic infrastructure.

This model ensures the retention of 80% to 90% of the local biodiversity, and assures the sustainability of the tree plantations and the well-being of the communities surrounding APRIL's concessions. The credibility and value of this concept was verified by a team of scientists led by Dr. Mark Ashton, a professor of ecology and silviculture from Yale University, in their report issued in February 2007.

Responsible Lowland Management

About 60% of APRIL's future planted area will be on lowlands. To manage potential risks, APRIL initiated the Science-based Peat Land Management Support Project (SBMSP) by engaging experts from Delft Hydraulics of Netherlands, University of Leicester in the United Kingdom, University of Helsinki, and University of Wageningen in the Netherlands, to develop a sustainable lowland management model.

Pioneering water management practices recommended by these scientists are being implemented in all APRIL lowland plantations.

Wetlands International, as the independent auditor of the SBMSP, favorably recognises this contribution to responsible peat land management, particularly with respect to reduced carbon emissions.

Carbon Asset Management

In a related project, APRIL engaged Pöyry Forest Industry Consulting of Finland in October 2007 to assess the carbon footprint (the total amount of carbon dioxide and other greenhouse gases sequestered or emitted over the full life cycle of a particular process) of its fibre plantation and mill operations in Riau.

The study consisted of two components: the carbon sequestered by our *Acacia* plantations and remaining natural forests (net of carbon emitted during plantation operations) and carbon emitted during manufacturing (net of carbon offset from the use of biofuels).

Pöyry concluded that APRIL is well positioned against its competitors in terms of carbon balance. This preliminary carbon footprint assessment report has been reviewed by the National Council for Air and Stream Improvement (NCASI) in line with sector standards developed by the Confederation of European Paper Industries (CEPI).

Ensuring the future through education



Grand opening of Taruna High School Plus.

Sustainability at APRIL includes ensuring that the future is secured through the development of youths in Riau through education.

Since the inception of its educational support programme under the Community Empowerment initiative in 1999, APRIL has granted a total of more than 16,200 scholarships - 15,250 for grade school level, and another 965 for tertiary students. Additionally, more than 2,000 village teachers have received honorarium grants.

At APRIL, furthering education extends beyond financial support. The Company has built or refurbished 965 schools in various villages in or

around its areas of operations. These upgrading projects serve to enhance the learning experience for the many students who are the future of the country. In fact, as recent as August this year, the Acting Pelalawan Regent H Rustam Effendi officially launched APRIL's Taruna Andalan High School Plus inside the Riau Complex.

Another interesting and innovative initiative is the "Taman Bacaan Kita" or "Let's Read" Park. This programme promotes reading for children, and APRIL facilitates this by providing appropriate venues and books. This facility is run solely by volunteers, including APRIL's honorarium recipients. As at September 2008, APRIL has already

established 219 facilities, across 207 villages, with a membership of almost 8,800 children. Each facility has a collection of over 300 book titles.

This school will provide further opportunities for the children of families who support our operations, as we develop win-win programmes for the community.

This year, continuing our efforts in furthering education programmes, APRIL has awarded some 400 students from all levels across six Riau districts with scholarships, and 200 village teachers have also received honorariums.



Recipients of Riaupulp's scholarship and teacher honorarium grants for 2008.

Setting the benchmark for excellence

The Company's CSR programmes have long been recognised as being one of the industry's best. There is no better endorsement of the quality of these programmes than being recognised as an industry benchmark.

APRIL, through Riaupulp, as a member of the Indonesian Corporate Forum for Community Development in 2005, was proud to play host to member companies who have sought to learn from our programmes.

Companies like PT Telkom, PT Indonesia Nickel Company (Inco), and PT HM Sampoerna have cited APRIL's programmes as learning experiences to establish their own programmes.

Aside from private companies, government agencies such as the Department of Forestry have also gleaned from APRIL's CSR programmes, particularly the implementation of the Community Fibre Farm (HTR) system in Riau.

To date, our HTR programme covers more than 50,000 hectares with about 26,000 hectares already planted with *Acacia*.



Our Community Fibre Farm system has planted more than 26,000 hectares of *Acacia*.

Saving Tesso Nilo



Tesso Nilo is home to the Sumatran elephants.

APRIL has taken a leadership role in the Tesso Nilo conservation initiative.

The Tesso Nilo forest contains one of the world's highest biodiversity index, and is home to the protected but the critically threatened Sumatran elephant (*Elephas maximus sumatranus*) and the Sumatran tiger (*Panthera tigris sumatrensis*).

Its official area, as declared by the Minister of

Forestry on 19 July 2004 is only about 38,600 hectares, and WWF Indonesia and APRIL have jointly spearheaded the campaign to expand it to at least 100,000 hectares. This proposal to expand the National Park is now waiting for approval by the Indonesia Minister of Forestry.

In the meantime, particularly since 2004, Tesso Nilo forest has been subjected to rampant and rapid deforestation. One negative consequence of the forest destruction in Tesso Nilo has been the increasing incidence of wildlife-human conflict manifested by recurring attacks by wild elephants and tigers among villagers and their farms. These attacks are strongly attributed to the continued shrinking of the natural habitat of these animals.

Forest clearing & burning in Tesso Nilo

(Source: WWF, 2007)

| As of | Cumulative area cleared and burned (ha) | Number of households involved |
|---------------|---|-------------------------------|
| June 2004 | 2,623 | not available |
| December 2005 | 16,162 | 1,022 |
| December 2006 | 35,600 | 2,345 |

Key milestones in APRIL's involvement in the campaign to save Tesso Nilo

2002

- As part of our stakeholder engagement and commitment to the conservation of Tesso Nilo, we agreed to WWF Indonesia's proposal and instituted a moratorium on the sourcing of pulpwood from the Tesso Nilo area. This was pursued with the development of a Legal Pulpwood Tracking Protocol by APRIL, WWF Indonesia and SGS Malaysia. Under this protocol, APRIL would institute a Pulpwood Tracking System that will be independently audited by SGS Malaysia with WWF Indonesia as Observer. This Pulpwood Tracking System has been implemented since then.

Apart from this action, APRIL also decided to defer building of its planned Baserah Access Road - Ukui Fibre Estate corridor that would run across the Tesso Nilo area. Instead, APRIL subsequently constructed the alternative Ukui - Gondai access road outside Tesso Nilo. We also closed an existing road which was being used by illegal loggers.

2003

- A tripartite (Government-NGO-Private Company) Memorandum of Understanding (MoU) was signed by the local Indonesian government (Pelalawan District) administration and Natural Resources Conservation Agency (BKSDA) of the Riau Department of Forestry, WWF Indonesia and APRIL forming a Task Force to Combat Illegal Logging by establishing a number of checkpoints and undertaking patrols that would involve representatives from the three parties. APRIL has been single-handedly implementing these controls by fielding at least 20 forest guards to man the checkpoints round-the-clock and conduct forest patrols, and cutting off roads used by illegal loggers. However, we are hampered by not being legally authorised to enforce control measures against the illegal loggers. We can only record and monitor log haulers crossing the checkpoints.

2004

- APRIL supported the establishment of the first BKSDA-WWF Indonesia Foundation

Elephant Flying Squad in Desa Lubuk Kembang Bunga, Ukui Sub-District, Pelalawan District that borders with one side of the Tesso Nilo National Park. The company allocated four hectares inside its Ukui Fibre Estate concession for, and is extending assistance in the operation of, this project.

This Project is designed to help mitigate human-elephant conflict by the use of trained staff (*mahout* or *pawang*) and trained elephants (*kumkies*) to undertake patrols along the border of the National Park and help trained Project staff keep, or drive back, wild elephants inside the Park instead of going into community farms. The Flying Squad also serves to educate (socialize) residents of local communities on how to handle problems with wild elephants, support elephant conservation and preventing illegal logging in the National Park.

It has been estimated that at least six Flying Squads are needed to cover the original Tesso Nilo National Park covering 38,576 hectares. The specific locations have been identified – Onangan Camp, Simalinang

Camp, Sebakul Camp, Pabekalan Camp, Elang Emas Camp, and Medang Camp.

2005

- APRIL again executed an agreement with Riau BKSDA and WWF Indonesia officially establishing another Tesso Nilo Elephant Squad inside the company's Ukui Fibre Estate that is partly adjacent to the Tesso Nilo National Park. The Flying Squad is composed of the four trained elephants adopted by APRIL in 1996. The four elephants are named Ade (male) and Meri, Mira, and Ika (all female). Each elephant is handled by a trained mahout or pawang. This APRIL facility cost more than Rp 350 million to build and another Rp 25 million monthly to operate. The four elephants were transferred from their training site to the new camp on 30 June 2007.
 - o APRIL conducted a High Conservation Value (HCV) assessment of its licensed partner plantation concessions inside the prospective Tesso Nilo National Park expansion area. A separate independent HCV assessment was also carried out by ProForest UK and

WWF in two FMUs which are plantation partners of APRIL. In the meantime, no plantation development has been initiated in these concessions.

2006

- APRIL has also taken an active and direct role in the formation of the Tesso Nilo National Park Foundation on 25 April 2006 in Pekanbaru. The Foundation is headed by Riau Governor HM Rusli Zainal. During the launching of the Foundation by the Minister of Forestry, MS Kaban, and Riau Governor, HM Rusli Zainal on 30 May 2006 in Pekanbaru, APRIL contributed Rp 43 million to the Foundation seed money, among several forestry companies. A total of Rp 1.153 billion was raised during the fund-raising activity. Technical and management support (including counterpart personnel) for the Flying Squad is provided by BKSDA Riau and WWF Indonesia.
 - o Working closely with WWF Indonesia, APRIL supported the campaign to expand the area of the National Park. It has been promoting the Company's concept

of an *Acacia* ring around the National Park as an active forest management intervention to protect the Park. The *Acacia* belt is aimed at discouraging wild elephants from going outside the Park and wandering into village farms. This is because wild elephants have been observed to dislike acacia. The *Acacia* ring would also help control illegal logging, encroachment and other illegal and destructive activities in the National Park.

2007

- Representatives from concerned government bodies, NGO, community and private companies formed a special composite team, called *Tim Tesso Nilo*. This team was tasked to conduct field patrols, set up anti-illegal logging checkpoints, prevent and fight forest and land fires, survey report cases of forest squatting and clearing, and socialize the importance of preserving the National Park among the local villages and settlements.
 - o APRIL again underscored its strong support for the expansion of the Tesso

Nilo Park to more than 100,000 hectares, a proposal which the company has spearheaded with WWF Indonesia.

The CSR Update is produced by the APRIL Corporate Communications Department.

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