



2008 Sustainability Report

Building A Sustainable Future



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“In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit.”

IPCC's Fourth Assessment Report, 2007.

“I wish you (APRIL) all the best in implementing the Mosaic Plantation Concept. If implemented appropriately, it is one of only a few viable options for protecting the remaining lowland MDF (mixed dry forest) type of Indonesia... You will have to lead by example such that it does not become another proxy for land conversion; and you will have to insure that it is built upon a solid set of long term ecological principles for forest conservation.”

Dr. Mark Ashton, Professor of Silviculture and Forest Ecology, Yale School of Forestry and Environmental Studies.

# Overview - Sustainability at APRIL

As one of the world's leading fibre, pulp and paper producers, Asia Pacific Resources International Limited (APRIL) manages its operations using a sustainable business model that balances social and economic development with the conservation of biodiversity and ecological values.

In 2003, APRIL was among the first companies in Indonesia to publish a Global Reporting Initiative based Sustainability Report. This publication represents the Company's fourth such report.

APRIL, with its joint-venture and community forest partners, operates on close to 0.9 million hectares, including 0.85 million hectares of forest land in Indonesia and 45,000 hectares in China. The Company recognises the responsibility for managing these resources sustainably in a bid to meet the needs of both today's and future generations.

Forest degradation is a major concern in Indonesia. Out of the 120.35 million hectares of land that are classified as forests, only 86 million hectares remain under forest cover<sup>1</sup>. Ongoing forest degradation and land-use change contribute 80 percent of Indonesia's annual greenhouse gas emissions (GHG), placing Indonesia as the world's third largest contributor to global warming. In contrast to most nations, where fossil fuels and industry are the dominant GHG contributors,

it is therefore critical for Indonesia to manage forest resources responsibly.

In APRIL's experience, leaving the forests without active management and protection is irresponsible amidst the ongoing threats from illegal logging, forest fires and uncontrolled encroachment. APRIL shares the view of the United Nations' Intergovernmental Panel on Climate Change (IPCC) that Sustainable Forest Management is one of the most cost-efficient means for combining economic development

with climate change mitigation.

APRIL offers the Mosaic Plantation Concept (MPC) as a model solution. MPC addresses forest attrition by spatial planning, reforestation and environmental management - carefully ensuring that plantation development does not compromise High Conservation Values in the landscape. APRIL achieves this through Best-Practice forest management based on investment, technology, knowledge and professional expertise.

To further promote plantation forestry's role in economic and social development, APRIL joined The Forests Dialogue (TFD) in 2006, a multi-stakeholder forum seeking consensus on the role of forestry in society. Within TFD, APRIL focuses on advancing plantation forestry for poverty alleviation and climate change mitigation.

Contributing to social development and building partnerships with local communities is an essential part of APRIL's sustainability strategy. This is important in Indonesia, where poorly defined land tenure can lead to conflict between resource managers and others. In view of this, APRIL does not operate on disputed areas, resolving social conflicts where they arise through the application of Free Prior and Informed Consent principles.

As Indonesia's only member of the World Business Council for Sustainable Development, and as a signatory to the UN Global Compact, APRIL is committed to the highest standards of sustainability. In so doing, APRIL participates with other global industry leaders in implementing sustainability across the supply chain, including forestry, mill production and product delivery. From good governance, social investment and employee welfare, to environmental impact, eco-efficiency, carbon management and sustainable plantation development - this is APRIL's foundation for creating long-term value in a complex operating environment.

**APRIL's Sustainability Mission:**  
The Company's approach to sustainability is guided by the Triple Bottom Line principle of responsibility to People, Planet and Profit. Social investment, environmental concern and economic development are integral components of APRIL's business values.

<sup>1</sup>Indonesia Ministry of Forestry statement -Five year MoF strategic plan 2004-2009  
[http://www.dephut.go.id/INFORMASI/INTAG/Renstra\\_KL\\_0509/Renstra\\_0509.htm](http://www.dephut.go.id/INFORMASI/INTAG/Renstra_KL_0509/Renstra_0509.htm)

# APRIL at a Glance

## Economics

- APRIL is a leading developer of wood fibre plantations and manufacturer of pulp, paper and paperboard.
- PaperOne™ is our flagship cut-size paper brand, made from 100 percent certified Acacia plantation fibre, and is exported to 56 countries.
- APRIL is the largest producer of Kraft hard wood pulp in Asia, operating since 1995.

## Forestry

- Over a total forest area of 0.9 million hectares, APRIL provides investment, technology and expertise to manage the forests sustainably, without compromising the social and ecological values of the landscape and the needs of future generations.

Forest resources managed (Indonesia and China) as of 2007

Plantable Land <sup>2</sup> (Ha)	Current Plantations (Ha)	Plantation Fibre Growth (m <sup>3</sup> /annum)	Conservation Areas (Ha)	Community Enclaves (Ha)
509,000	340,000	10,000,000	240,000	150,000

Production (Indonesia and China) in 2007

Planting	Wood Supply (GMT <sup>3</sup> )	Pulp (ADT <sup>4</sup> )	Paper (Tonne)	Board (Tonne)
70,000 Ha 121m trees <sup>1</sup>	7,200,000	2,380,000	693,000	171,000

<sup>1</sup>In 2007, APRIL in Indonesia and China planted over 109 million and 12 million seedlings, respectively

## Social Investment

- Directly employing 40,000 people including forestry and transportation contract labour, and providing livelihoods for over 250,000 people in Indonesia and China.
- Community Tree Farm partnerships with close to 10,000 families on 26,500 hectares.
- External Talent Pool programme and Learning and Development Centre – securing and developing local talent for employment across the business units.
- Certified OHSAS 18001 standard living conditions for forestry workers, Health and Safety practices throughout APRIL's operations

## Mill Production

- Acacia Chain of Custody certification and independently audited MHW wood tracking system.
- Carbon emissions footprint, continuous improvement for energy efficiency.
- International standards for emissions and environmental impact of mill facilities.

## International Recognition

- Indonesia's only member of World Business Council for Sustainable Development (WBCSD) since 2007. As one of the 15 leading companies, APRIL is also a signatory to the "Principles and Responsibilities" of the Sustainable Forest Product Industry Working Group.
- Member of The Forests Dialogue (TFD) since 2006.
- Signatory to the UN Global Compact since 2006.
- Corporate Partner, UNEP Champions of the Earth Awards 2006, 2007 and 2008.
- Founding Member, UN FAO Fire Management Action Alliance since 2007.

<sup>2</sup>Plantable land – Net area available for planting (gross concession area less conservation areas and community enclaves).

<sup>3</sup>GMT – Gross Metric Tonnes, <sup>4</sup>ADT – Air Dry Tonnes, <sup>5</sup>MHW – Mixed hardwood from land conversion during plantation development.



## President's Statement

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At APRIL, sustainability, i.e. "meeting the needs of the present without compromising the ability of the future generations to meet their own needs" is the foundation of the business. The Company continuously works to improve its operating practices and processes to create long-term business value through responsible resource management, good governance and stability while balancing social and environmental needs.

APRIL is one of the first companies in Indonesia to publish a Sustainability Report. In this 2008 Sustainability Report APRIL presents developments in sustainable forest management, progress in social investment programmes, and an update on how our sustainability commitments have transformed from pilot projects to full integration with the core business. Notably, this is the first time that our China operations have been included.

Another milestone in this Report is our application of the GRI G3 framework, incorporating the UN Global Compact principles. We have moved from GRI G2 used in the 2006 Report, to this current format. This marks our continued commitment to the UN Global Compact and its guiding principles towards a sustainable future.

APRIL aims to be at the forefront of sustainable development in Asia, and it is hoped that this Report will provide an insight into recent progress. This has to be tempered with respect to particular challenges faced in the Indonesian context. Despite these, the Company remains committed to the sustainability mission, mindful not only of its own social and environmental responsibilities, but also for the wider opportunity that Sustainable Forest Management and responsible

business offers in countries such as Indonesia and China.

### Global Recognition

Since the last report in 2006, membership in the World Business Council for Sustainable Development (WBCSD) was a significant milestone. Being the only Indonesian representative out of the 200 global members is a matter of national pride. As a WBCSD member, APRIL (Indonesia) is committed to the Principles and Responsibilities of the Sustainable Forest Product Industry Working Group within the WBCSD.

APRIL remains a signatory and supporter of the United Nations' Global Compact and, for the second consecutive year, APRIL was a Corporate Partner of the United Nations' Environmental Programme, Champions of the Earth award in Singapore. Supporting the goals of WBCSD, APRIL was also a leading business voice in the United Nations' Conference of the Parties' Thirteenth session on climate change in December 2007 in Bali.

In March 2007, APRIL hosted The Forests Dialogue in Riau, an international think-tank forum on forestry issues, attended by 60 delegates representing academics, researchers and NGOs from all over the world.

APRIL has made advances in management of High Conservation Values Forests (HCVF) across all of its concessions in Indonesia. In recognition of this, the Company is now representing the forest industry on the Steering Committee of the Global HCV Resource Network based in Oxford, United Kingdom. This provides an opportunity for enhancing internal

expertise and improving the Company's HCVF-based management model.

Currently, APRIL is preparing for the next phase of an enhanced HCVF management protocol, developed in collaboration with Non Governmental Organisations (NGOs) and international certification partners.

### Sustainable Forest Management – Climate Change Mitigation

APRIL recognises the importance of sustainable forest management as means of creating economic development and simultaneously mitigating climate change. In 2007 we planted over 70,000 hectares and 121 million trees and managed plantations sequestering around 16 million tonnes of carbon dioxide per annum. The Company's "cradle-to-gate" carbon footprint has been assessed and reviewed by the United States' National Council for Air and Stream Improvement (NCASI), in line with sector standards developed by the Confederation of European Paper Industries. Two Clean Development Mechanism (CDM) projects to reduce greenhouse emissions were initiated.

In Indonesia, despite our joint efforts with WWF Indonesia, progress in the Tesso Nilo area, situated in the heart of Riau province in central Sumatra, has been limited as the push for conservation has met with challenges outside our control. There has been slash-and-burn activities, and land occupation by squatters in a serious scale in 2007. The authorities have not managed to get those squatters off the land. Thus, this further threatens available conservation areas. However, what has emerged is a growing awareness that responsibly managed plantation forests can provide a

solution for developing societies that face significant land-use pressures.

In the Kampar Peninsula in Riau, Indonesia, developing a sustainable landscape model has met with more success. APRIL's proposed plantation ring can reduce carbon emissions by protecting extensive and contiguous natural forests from encroachment and uncontrolled drainage. We are proposing the Kampar Ring as the pilot REDD project on Indonesian peatlands.

## Social Investment

APRIL is committed to supporting the local communities where it operates, continuing to build mutually beneficial partnerships. The Company supports over 250,000 livelihoods around its operations.

The Community Tree Farm programme in Indonesia (Hutan Tanaman Rakyat or HTR), is a powerful opportunity for forging long-term sustainable solutions to poverty alleviation. Our HTR plantations now involve close to 10,000 families, planting on 26,500 hectares. The Company aims to double this planted area over the next five years.

HTR partnerships can also be used to resolve land-use conflicts. APRIL has taken steps to address land disputes with communities where they arise, through establishing a Land Dispute Resolution Protocol, an independently verified protocol based on the principle of Free, Prior and Informed Consent.

In China, the focus of the Company's social investment programmes has been building essential infrastructure such as roads and primary schools. APRIL has also contributed to disaster relief initiatives over the last two

years, providing financial aid and participating in rescue-and-recovery operations.

## Human Resources

People are integral to the APRIL sustainability mission. We are focused on building and sustaining our core competencies and organisational excellence at our mill and forestry operations.

Unlike many of our competitors in the developed world, APRIL operates Learning Institutes – two in Indonesia and one in China – that provide 6 to 12 months vocational training for graduates prior to joining APRIL. Based on international benchmarks, we have developed a comprehensive competency based certification process called DLP (Driving License Process), with a target of achieving 100% qualification for personnel operating, maintaining and supporting our key business processes. At the end of 2007 about 50% of the target group has DLP been certified.

Sustainability is only viable if the local community is engaged as stakeholders in our operations. Developing local talent to be deployed in strategic positions in the operations ensures this. For this reason, we are working actively with local schools to establish external talent pools, selecting young men and women from the villages surrounding our operations.

Currently we offer full scholarships at the Pulp & Paper Polytechnic in Bandung, Indonesia. After completing the education, these graduates will start working in key positions in our mill and forestry operations. We are also recruiting local fresh university

graduate talent for our graduate/assistant trainee programme.

## Recognising Contributions

APRIL encourages open communications with all stakeholders and considers this necessary for our continual improvement. Sustainable management is a continuous journey of improvement and discovery. While we are proud of our achievements, we recognise that we still have a long way to go.

Forestry practices are rightly scrutinised by many environmental organisations. We are operating in some of the most sensitive ecological areas and fully acknowledge our responsibility to protect and enhance Indonesia's valuable forest assets. We continue to find ways of improving what we do, operating an efficient and profitable business without compromising the needs of the environment and society. I hope that this Report will facilitate further constructive dialogue, and feedback from all of the Company's stakeholders is much welcomed and encouraged.

As President and Chief Operating Officer, I take this opportunity to thank all those who have assisted in furthering this mission, and look forward to strengthening these partnerships.



**AJ Devanesan**  
President and  
Chief Operating Officer  
APRIL

## APRIL's Sustainability Journey

Date	Event
1993	Large-scale tree plantation development begins.
1994	Asia Pacific Resources International Holdings Limited (APRIL) is formed.
1995	Commercial pulp production begins.
1998	Commercial paper production begins.
1999	Introduction of the Integrated Farming System community development programme. Project: Biodiversity Conservation in Large Plantation Landscapes with the Centre for International Forestry Research (CIFOR) is initiated.
2000	Small and medium enterprises (SMEs) support programme starts. Project: Tree Plantations Best Harvesting Practice with CIFOR.
2001	Completion of Pulp Line 2, capacity to two million tonnes per annum.
2002	Fibre estates, pulp and paper mills receive ISO 14001 certification. Collaboration with World Wide Fund for Nature (WWF) to prevent illegal logging in Tesso Nilo area. Pulpwood Sourcing Policy and Tracking system set up. Independent audit by SGS with WWF as observer.
2003	Publication of first Sustainability Report 2002. Land Dispute Resolution procedures audit by ProForest.
2004	First annual <i>Acacia</i> Chain-of-Custody System audit by SGS. Pilot growing using <i>Eucalyptus</i> species begins in Riau, Indonesia.
2005	APRIL Learning Institute is established. High Conservation Value Forest (HCVF) Policy adopted. Training of internal teams in HCVF mapping and management. HCVF landscape assessment of Kampar region and Tesso Nilo (ProForest). Environmental, Social, Health and Safety policy incorporates HCVF commitment. Corporate Code of Best Practice implemented. Achieves Indonesian and Asia CSR Awards for Community Development. Receives Green PROPER Rating from Indonesian Government for mill environmental performance. Attains OHSAS 18001 certification for fibre plantation operations. Joins board for Collaborative Management of Tesso Nilo National Park.
2006	Achieves the first certification under Indonesian Ecolabelling Institute (LEI) for Sustainable Plantation Forest Management standards. Becomes Corporate Partner with United Nations Environment Programme (UNEP) Champions of the Earth. Signs the UN Global Compact. Obtains OHSAS 18001 certification for the mill operations.
2007	Becomes the only Indonesian member company in the World Business Council for Sustainable Development (WBCSD). Partners with UNEP Champions of the Earth Awards 2007. Hosts The Forests Dialogue international workshop in Riau. Audit for FSC Controlled Wood and Chain of Custody standard. Represents forestry industry on the Global HCV Resource Network. Wins Most Socially Responsible Enterprise Award in China. Leading Indonesian business at the United Nation's climate change summit in Bali. Garners Excellence Award for Poverty Alleviation: Integrated Farming System, Asian Forum on CSR, Ho Chi Minh City, Vietnam. Awarded for Best Social Environment Reporting and Best Website by the Indonesian Institute of Accountants. Bestowed Social Empowerment Award by Indonesia's Coordinating Ministry of Public Welfare.



# APRIL's Sustainability Reporting

APRIL published its first Sustainability Report for the 2002 period. This was a landmark at the time, with APRIL as one of the first Indonesian companies to make this public reporting commitment. Subsequent reports

were published in 2004 and 2006, each with a forward-looking commitment to action over the next two years, and in accordance with the Global Reporting Initiative framework.

Each of the three reporting periods to date has been defined by major milestones in APRIL's sustainability journey. These are summarised below:

Period	Milestones
<p data-bbox="295 824 448 882"><b>2002</b></p> 	<ul style="list-style-type: none"> <li data-bbox="616 815 1382 842">Taking stock of issues raised by our stakeholders, particularly our critics.</li> <li data-bbox="616 878 1445 936">Implementation and third-party audit of our sustainable plantation forest management system</li> <li data-bbox="616 972 1155 999">Setting up of the Legal Pulpwood Tracking system</li> <li data-bbox="616 1034 1445 1093">Installation of effluent and emission control equipment in our mill, and initiating a landfill for solid wastes</li> <li data-bbox="616 1128 1445 1187">Collaborating with WWF and Government on mitigating human-wildlife conflict in Tesso Nilo</li> <li data-bbox="616 1223 1171 1249">Building Community Development Training Centres</li> <li data-bbox="616 1285 1126 1312">Land dispute resolution with independent audit</li> </ul>
<p data-bbox="295 1433 448 1491"><b>2004</b></p> 	<ul style="list-style-type: none"> <li data-bbox="616 1424 1445 1482">Engagement with local and international NGOs – addressing their issues and concerns</li> <li data-bbox="616 1518 1318 1545">Embedding corporate governance at all levels of the organisation</li> <li data-bbox="616 1581 1305 1608">Initiating sustainable forest management (LEI) forest certification</li> <li data-bbox="616 1644 1299 1671">Supporting WWF campaign to declare Tesso Nilo National Park</li> <li data-bbox="616 1706 1445 1765">Working for certification of Occupational Health and Safety management system</li> <li data-bbox="616 1800 1190 1827">Expanding our Community Development Programme</li> <li data-bbox="616 1863 1273 1890">Continuing with land dispute resolution involving third parties</li> <li data-bbox="616 1926 1445 1984">Undertaking Landfill Remediation Programme and re-use and recycling of mill solid wastes</li> <li data-bbox="616 2020 1145 2047">Pursuing membership in the UN Global Compact</li> </ul>

2006



- Institutionalising a culture of corporate governance in the company
- Reporting on the sustainability performance of our China operations
- Undertaking a FSC Compliance Certification Support Programme
- Pursuing LEI certification of our Pelalawan concession
- Putting in place a science-based peatland management support programme
- Assessing the impact on climate change of our mill and plantation operations
- Supporting the WWF drive to expand the Tesso Nilo National Park
- Assessing our solid waste management system
- Leveraging and expanding our Community Development Programme with the establishment of the Care and Empowerment for Community (CECOM) Foundation
- Incorporating Free, Prior and Informed Consent (FPIC) concept into our land dispute resolution system
- Widening our participation in the UN Global Compact
- Strengthening our human resource base and organizational capabilities

## About this Report

The information provided in this current Sustainability Report covers the period from 2006 to the end of 2007, and includes for the first time, reports on China operations. This edition covers APRIL's Rizhao mill operations in Shandong, stationery plant in Suzhou, and plantations in Meizhou.

The chapters in the Report represent the focus of APRIL's sustainability mission: (1) Governance, (2) Economics, (3) Forestry, (4) Clean Production, (5) Social Investment and (6) Employee Welfare.

The Appendices to the Report include (1) Sustainability Milestones, (2) an

assessment of APRIL's Sustainability progress against Global Reporting Initiative and UN Global Compact standards, and (3) a Glossary, providing a quick and easy reference for technical terms used throughout.



## Governance - Managing Sustainability

APRIL's governance is assured through the Board of Directors, an employee commitment to ethical business practice (embedded within Corporate Cultural Pillars), sustainability management systems, stakeholder communications and transparency, and through direct engagement with several leading organisations promoting best business and sustainability practices. Stakeholder perception and opinion towards APRIL is regularly assessed by independent parties, and the results of these studies are used to focus efforts and redefine priorities where needed.

# APRIL Group Structure

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APRIL, whose operations span Indonesia and China, includes the following :

PT Riau Andalan Pulp and Paper (Riaupulp)  
PT Intiguna Primatama

These entities operate one of the largest pulp mills in the world on a 1,750 hectare site in Pangkalan Kerinci, Riau Province, Indonesia. Current capacity is 2.6 million tonnes of pulp.

PT Riau Andalan Kertas - RAK (Riaupaper)  
PT Anugerah Kertas Utama

This companies currently operates two paper machines, with combined annual production capacity of 750,000 tonnes.

APRIL SSYMB China

APRIL SSYMB's integrated pulp and paperboard mill is located in Rizhao, Shandong Province, China. The mill is the first in China's pulp and paper industry to attain international standards certification under ISO 9001, ISO 14001 and OHSAS 18001 for quality, environment, and health and safety management. The mill has an annual production capacity of 300,000 tonnes of pulp and 170,000 tonnes of paperboard.

APRIL Plantations

To secure raw materials for its mills, APRIL, together with its joint venture and community forest partners, manage plantations in Riau province in Indonesia, and Guangdong and Fujian provinces in China.

## Leadership – Board of Directors

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<b>Sukanto Tanoto</b>	<b>Chairman</b>
A J Devanesan	President and Chief Operating Officer
Ratnesh Bedi	Chief Financial Officer
John Jeffrey Ying	Board Member
John Gin Chung Seto	Board Member
Wei Lin Tey	Board Member
Ibrahim Hasan	Board Member
Ian Wayne Spence	Board Member
Willie Sia	Board Member

## Ethical Business Practice

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APRIL upholds a strict code of corporate governance and business ethics, standards by which all employees are contractually bound to abide. These guidelines include provisions for fair and non-discriminatory engagement with

stakeholders, avoidance of conflicts of interest, and intolerance of corrupt practices.

At APRIL, all contractors and suppliers are expected to comply with the same culture of business ethics as

own employees. Enforcement is ensured through a combination of routine and random audits, and through a comprehensive annual review of employee performance.



## Management Systems for Sustainability

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APRIL has implemented a comprehensive set of management systems to ensure compliance to regulations, voluntary sustainability commitments and to overall corporate strategic objectives. These include:

- Integrated Management System (IMS) covering ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), and OHSAS 18001.
- Code of Best Practice covering all aspects of forestry plantation operations including Environmental, Social, Health and

Safety (ESHS) and High Conservation Value Forest (HCVF) management.

- Land Dispute Resolution Protocol, based on principles of Free, Prior and Informed Consent for the fair resolution of land conflicts with communities.
- Pulpwood Tracking and Acacia Chain-of-Custody System verified by SGS.
- Indonesian Ecolabelling Institute (LEI) certified Sustainable Plantation Forest Management

with Environmental Management System to monitor compliance.

- Mill environment management system appraisal for PROPER Rating by the Indonesian Ministry of Environment.
- Sustainability Reporting to Global Reporting Initiative (GRI) guidelines and UN Global Compact standards.

# Responding to Stakeholders

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APRIL's efforts in engaging stakeholders are focused on mutual learning, promoting feedback, and improving awareness and understanding of the business model and challenges faced. The geographically diverse nature of the business underscores how important it is for the company to facilitate information accessibility, transparency and communications across all sectors and levels.

APRIL periodically identifies its key stakeholders both through internal processes and with third party support. In addition to routine meetings and engagements with these stakeholders, APRIL also carries out periodic studies by independent parties in order to understand specific issues of importance and influence. These stakeholder perception assessments are used to monitor progress and redefine annual stakeholder engagement strategy.

These valuable studies demonstrate clearly that different stakeholder groups have widely differing responses to ongoing efforts. Where weaknesses are identified, APRIL invests to redress the balance through enhanced communications and concrete initiatives of mutual concern. Trends over time in the "goodwill index" towards APRIL provide clear input to management in more effectively responding to stakeholder needs.

## Stakeholder Perception Study by Taylor Nelson Sofres (TNS) Indonesia

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In 2006 and 2007, APRIL commissioned TNS Indonesia to carry out Stakeholder Perception surveys relating directly to Company operations in Riau province. The broad objectives of the surveys were:

1. To benchmark and assess Company performance in terms of social and environmental responsibility and reputation ("Goodwill index") across a number of key stakeholder groups.
2. To determine the impact that the Company has on different stakeholder groups and identify specific issues that needs to be addressed as a matter of priority.
3. To assess stakeholders expectations in relation to a number of previously identified issues and determine where the Company need to focus to improve overall Goodwill towards itself.

The stakeholders assessed included five major groups, represented by (1) Local Community, (2) Media, (3) NGOs, (4), Opinion leaders and (5) Employees. Within each stakeholder group, multistage random sampling ensured independence of information, and as large a sample size as possible was obtained in all cases. For the Local Community group, 40 villages were sampled from six districts. Findings in 2007 were compared against those in 2006 for identification of general trends in "goodwill" towards APRIL.

Results from the 2007 assessment provided the following recommendations:

- The index has decreased significantly for opinion leaders over the period 2006 to 2007. However, media, NGOs and employees have improved significantly. NGOs are now at a point where they may be cynical but no longer critical.

- The results indicate that despite several high profile issues during the period, the negative impact of these has been offset by other Company activities which have helped to raise goodwill with some stakeholders.
- Comparing stakeholder groups, employees have the highest index. The other groups display lower Goodwill toward the Company. NGOs have the lowest index but this improved significantly compared to last year.
- All stakeholders recognise effluent discharge and illegal logging as serious issues, especially with NGOs and community leaders. However, the Company has been able to handle the issues well as indicated by an overall improvement in the area of environmental aspect.

The progression that APRIL has made, albeit in a small measure, is nevertheless, significant enough to be recognised by stakeholders.

- Overall APRIL has been able to improve its standing in terms of goodwill with several important stakeholder groups. NGOs moved from a very negative position to a positive index score. This is most likely to be due to results in the area of nature conservation.
- Goodwill with media has improved also but to a lesser extent. This is mainly due to improved performance in relation to environmental issues, especially

environmental protection and human elephant conflict. Media, however, are now increasingly concerned by social conflict management. Resolving land disputes with communities through open dialogue is a critical issue for the future.

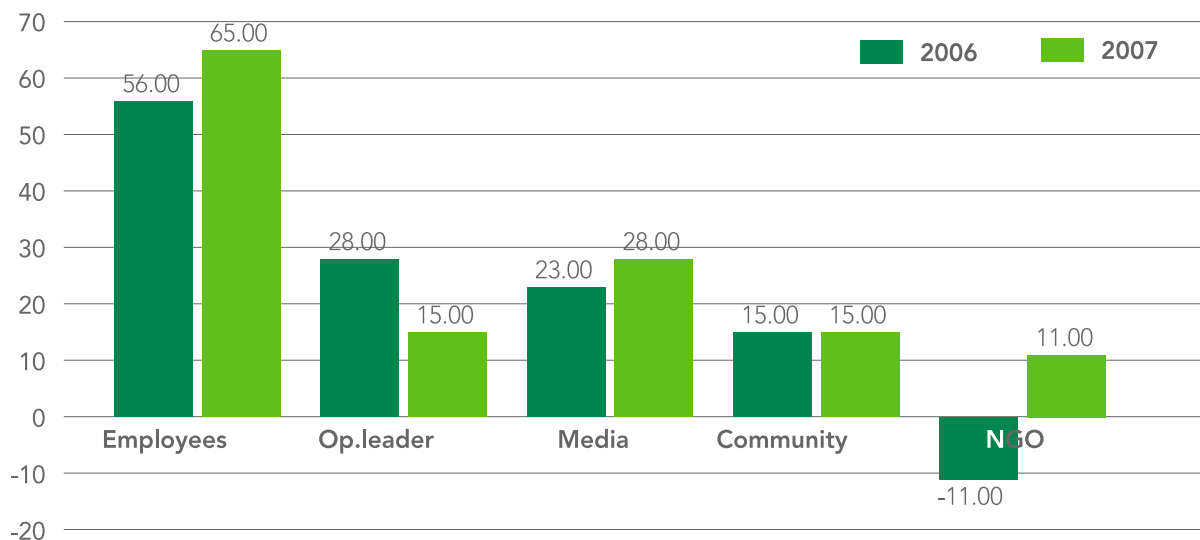
- A strengthened area is social development, in terms of helping to reduce poverty in local communities. This improvement is manifested in various activities, but generally it is now recognized by stakeholders that the Company does contribute in some aspects of poverty reduction, especially through creation of job opportunities.
- Paying compensation to resolve

land disputes is an area where APRIL has improved performance but the issue has also gained weight in terms of becoming a motivator for local communities. Hence, it is now a more critical issue compared to before. While compensation may be necessary, it is important to keep a low profile to avoid people becoming dependent on handouts even where there is no clear entitlement to one.

- There is a general view across stakeholder groups that communication from the Company can be improved. Whilst not seen as a critical issue it has direct impact on other activities and how well APRIL leverages the results of its tangible efforts on the ground.

### Goodwill Index by Stakeholder Group : Comparison 2006 to 2007

Looking across stakeholders, employees has the highest index with 65. The others group display lower Goodwill toward Riaupulp. NGOs have the lowest index with 11 but has improved significantly compared to last year.



## Routine Stakeholder Engagement Activities

<p>All stakeholders</p>	<p>Website and publications: All stakeholders are kept informed through either the APRIL website (<a href="http://www.aprilasia.com">www.aprilasia.com</a>) or publications and media statements.</p> <p>Sustainability Reports, CSR Updates and Fact Sheets – also posted in the website</p> <p>Visits to our Riau operations and briefings</p>
<p>Regulators and government authorities</p>	<p>Meetings and discussions - APRIL engages with members of the regulatory and government authorities in the countries and regions where APRIL operates, to maintain open communication and enhance goodwill already cultivated. This is also part of the Company's transparency to promote good corporate governance.</p>
<p>Customers</p>	<p>Global reach – The APRIL customer service network consists of strategically located centres to reach out to the worldwide customer base. Service includes prompt response to customer queries and requests for information</p> <p>Dedicated website – A separate dedicated website (<a href="http://www.paperone.com">www.paperone.com</a>) has been created to focus communications with customers.</p>
<p>Employees</p>	<p>Brainstorming – Open and frequent communications are encouraged at all levels of management. Senior management maintains an open-door policy to ensure that staff can seek counsel from their mentors.</p> <p>“Townhall” assemblies – Regular interactive dialogues between Management and employees</p> <p>Newsletters and bulletins – Regular updates on group activities within Riau province and around the globe.</p> <p>Talk shows – The Company hosts experts to share their expertise and professional advice to employees on various topics.</p>
<p>Contractors and Partners</p>	<p>Meetings and negotiations – “socialisation” and dialogues between management, contractors and partners to discuss contractual terms and conditions as well as operating details.</p>



Investors and bankers	<p>Road shows and one-to-one sessions – Key management regularly reaches out to current and prospective shareholders and creditors for them to gain valuable insights into and updates on APRIL operations, and for management to respond to or address their issues and concerns.</p> <p>Annual briefings – Management hosts at least an annual presentation and discussion with invited guests from the financial sector to provide company insights and updates.</p> <p>Corporate Visit Programme – tour of and briefings on our operations in Riau.</p>
NGOs	<p>Forums – APRIL in Indonesia hosts forums, like The Forests Dialogue in 2007, that involve many national and international experts and institutions championing social and environmental causes.</p> <p>Engagement with global forestry stakeholder groups in collaboration with international NGOs.</p> <p>Direct partnerships in projects of mutual concern to company and social and environmental stakeholders.</p> <p>Consultative sessions – Multi-lateral discussions</p> <p>Corporate Visit Programme – tour of and briefings on our operations in Riau.</p>
Media	<p>Press releases – newsworthy events are announced publicly through media releases and pitched interviews with key target (print and digital) media (local, national and international).</p> <p>Media engagements – For major events, face-to-face meetings are arranged on different platforms like press briefings, round-table sessions or informal gatherings to enable Management and media to share information and exchange ideas.</p> <p>Familiarisation (FAM) tours and briefings – exchange visits between APRIL Group and media organisations.</p>
Communities, civic organisations, & individual community figures	<p>Socialisation and extension activities – Reaching out to villages, community organisations and prominent leaders to provide new information and updates on the community development initiatives of the company.</p> <p>Cultural and religious safaris – frequent goodwill visits of management teams to local communities.</p>
Academia and research institutions	<p>Discussions and presentations – Sessions to discuss collaborative efforts with CIFOR (Centre for International Forestry Research), IPB, University of Indonesia, UNRI (Universitas Riau)</p> <p>Direct partnerships in research of common interest and mutual benefit.</p>

## Corporate Engagements



### World Business Council for Sustainable Development (WBCSD)



Membership to WBCSD is exclusive and can only be attained by peer invitation. Comprising nearly 200 corporate sustainability leaders, APRIL is Indonesia's only representative. WBCSD is a powerful catalyst in promoting responsible, sustainable business. Through its members, the organisation is active in influencing global policy developments, most recently with a particular focus on climate change.

**Sustainable Forest Products Industry (SFPI) Working Group:** One of WBCSD's most active working groups, SFPI members seek ways to sustainably manage forests to meet societies' wood and paper product needs, renewable energy, ecosystem services and sustainable livelihoods. The 15 forestry companies participating in SFPI account for around 70 percent of current global forestry production.



### The Forests Dialogue (TFD)



Coordinated out of Yale University, the TFD, representing NGOs, international organisations and fibre producers and users, is the world's foremost multi-stakeholder forum for sustainable forestry issues. TFD promotes a think-tank approach to developing common understanding and solutions on forestry. As an active participant, APRIL hosted TFD workshop in Indonesia in March 2007, attended by 60 international participants.



### United Nations Global Compact (UNGC)



The Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report transparently on implementation. APRIL is a signatory to the UNGC, and supports its principles.



### United Nations Environment Programme (UNEP) Champions of the Earth



This annual awards programme recognises outstanding environmental leaders at a policy level. Six awards are given out each year to a Laureate for each major geographical region. The Champions of the Earth programme publicises and encourages the worldwide replication of the achievements of the Champions. APRIL is corporate partner to UNEP Champions of the Earth since 2006.



## High Conservation Value Resource Network

APRIL sits as a forestry industry representative (on behalf of WBCSD) on the Steering Committee of the Global HCV Resource Network, based in Oxford UK. Other Steering Committee members include WWF, World Bank, ITTO, WBCSD, The Nature Conservancy, World Conservation Union, Forest Stewardship Council, Greenpeace, Forest Ethics and the Forest Peoples Programme.



## International Union for the Conservation of Nature

The International Union for the Conservation of Nature (IUCN) is a group of forestry stakeholders is focused on developing partnerships for forest and ecosystem restoration. Since the re-initiation of the Global Partnership for Forest Landscape Restoration, APRIL has been invited by IUCN to join and host a Network workshop at APRIL's site in Indonesia. Partners include the UK Forestry Commission, US Forest Service, WBCSD, and World Resources Institute, and other influential government and non-government organisations.



## FAO Fire Management Actions Alliance

Coordinated by the Food and Agriculture Organisation (FAO) of United Nations, APRIL has been a member since May 2007. The Alliance's goals are improved fire management worldwide, through promotion of Voluntary Fire Management Guidelines that provide a holistic framework for fire management, balancing social, cultural, environmental and economic dimensions. In 2008, APRIL plans to support the FAO Alliance in holding a workshop in Riau, Indonesia.



## Kampar Science Based Management Support Project

Initiated by APRIL, this collaboration promotes pioneering research on plantation sustainability and reduced greenhouse gas emissions from forest peatlands. With a strong hydrology and conservation impact component, collaborators include: Deltares/Delft Hydraulics), CarboPEAT, ProForest as well as the universities of Leicester, Wageningen and Helsinki.

# Report and the Global Reporting Initiative (GRI) and UN Global Compact Principles

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The Global Reporting Initiative (GRI) is an international multi-stakeholder network that provides the framework, guidelines and protocol for Sustainability Reporting. It facilitates transparency and accountability, with more than 1,000 organisations following the GRI approach. Since

2006 APRIL's Sustainability Report has reported progress against the framework and principles set out by both the GRI and the UN Global Compact. This report represents a continuation of the process, with a full table of achievements set out in the Appendices.





## Economics - Creating Sustainable Value

APRIL creates long-term and sustainable value for its shareholders and stakeholders, while meeting the world's growing demand for pulp, paper and paperboard.

APRIL's approach prioritises long-term performance stability in synchrony with, and adapting to, changing external conditions, stakeholder expectations and societies' sustainable development agenda.

APRIL's model is based on the integration of a sound economic business foundation with the highest standards of social and environmental responsibility. The Company takes responsibility for creation and transfer of economic value along the supply chain, delivering sustainable development for shareholders and stakeholders alike.

“Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”.

- Dow Jones Sustainability Index

## Business Overview

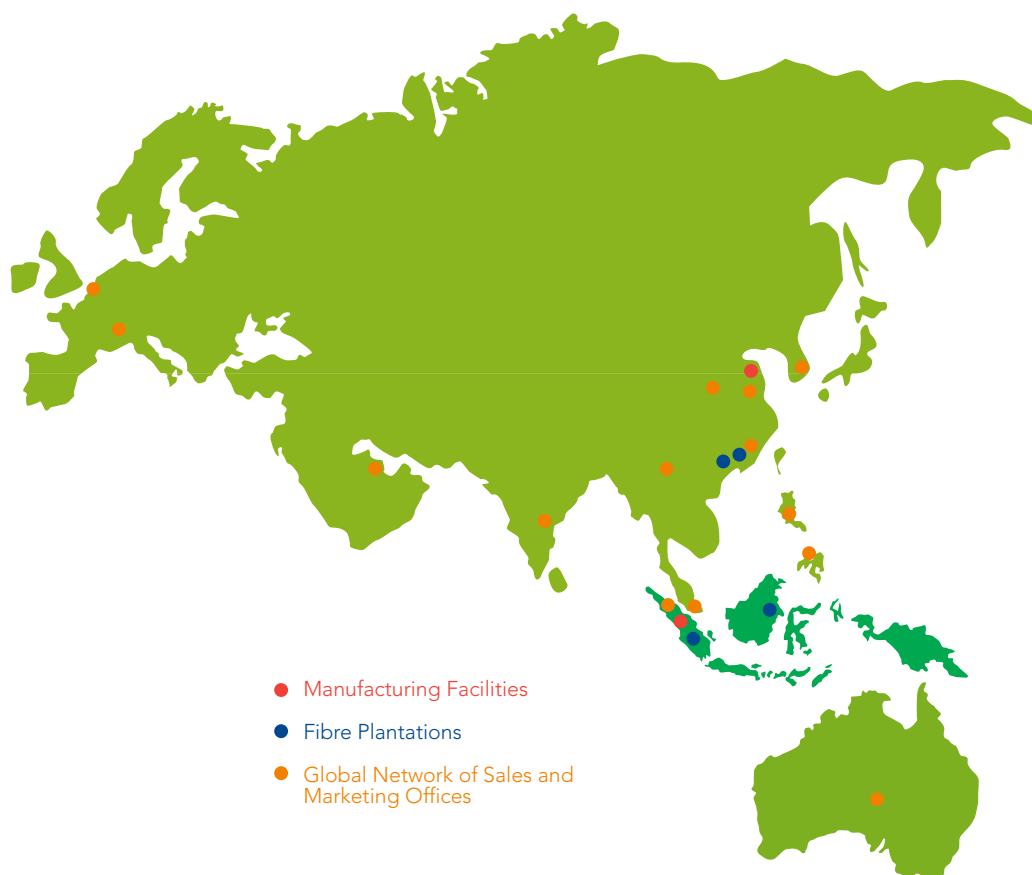
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APRIL, as a leading developer of fast-growing tree plantations, provides a supply of raw material for one of the world's largest integrated pulp and paper mills. Operations are based in Riau province, Indonesia and in China, with a sales and marketing network around the world.

With the total planted area of 340,000 hectares under APRIL's direct management in 2007, the plantations fibre growth was estimated at 10 million m<sup>3</sup>.

With respect to market distribution, Asia accounts for more than 80 percent of sales, with China representing 31 percent of total sales volume.

APRIL has made significant advances in all four of the core business units during the reporting period, setting a solid foundation for sustainable growth in the future.



## Forestry

As the resource foundation of the business, APRIL plantations are among the most productive in the region, providing a sustainable and economic supply of wood fibre in accordance with international certifiable standards of environmental and social performance.

As of 2007, APRIL's Indonesia and China concession areas (including operational partners and community tree plantations) cover 0.9 million hectares of which 509,000 hectares are plantable, of which some 45,000 hectares are in China. Out of the Indonesia concessions, 240,000 hectares are set aside as managed conservation areas, and 150,000 hectares are community enclaves and essential infrastructure.

In 2007 APRIL planted 109 million trees in Indonesia and 12 million in China, covering a total area of 70,000 hectares.

## Pulp

APRIL is the largest producer of Bleached Hardwood Kraft Pulp in Asia, and the second largest producer in the world. In 2007, despite operational challenges, APRIL's total pulp production grew by 2.5 percent over the previous year to reach a production volume of 2.38 million tonnes (a 6.6 percent global market share). This included expansion of China operations in Rizhao for a total of 300,000 tonnes production.

## Paper

In 2007, APRIL is ranked as the fourth largest Uncoated Woodfree (UWF) paper producer in Asia according to RISI, producing over 693,000 tonnes in 2007. A second paper line was added in Riau, Indonesia.

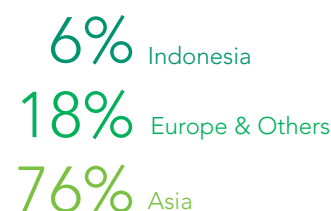
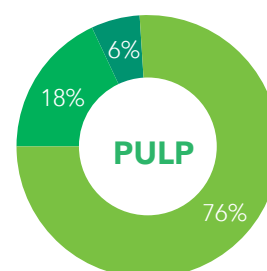
An independent assessment in 2007 rates our Indonesia mill's Paper Machine 1 as the third most efficient in the world, with Paper Machine 2 placed seventh.

APRIL's PaperOne™, the flagship brand of premium paper, will celebrate 10 years in the market in 2008. In a brand-equity research study, PaperOne™ was rated as one of the two leading brands of paper in the Asia region.

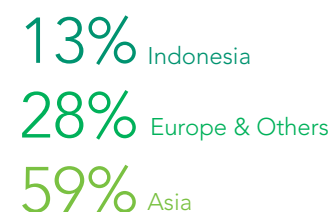
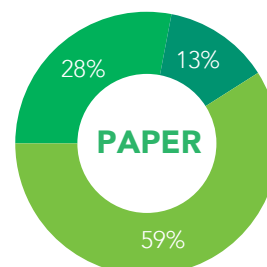
## Paperboard

The China paperboard operations maintained their strong performance of a total annual production of over 170,000 tonnes. This improved performance of paperboard was largely due to the increased use of APRIL's products in high-end consumer and pharmaceutical packaging in China. Domestic sales in China alone were over 130,000 tonnes.

### Pulp Sales Distribution 2006-2007



### Paper Sales Distribution 2006-2007



<sup>4</sup>A leading information provider for the global forest products industry; [www.risiinfo.com](http://www.risiinfo.com)

## Enhancing Sustainable Value

US \$  
**200-300**  
per hectare *Acacia* cost efficiency

APRIL maximises value by capturing the competitive advantage of a highly favourable geographic location and climate, fertility of the land-base, access to a capable and cost-efficient workforce and proximity to markets.

The advantages are leveraged through expansion of the land-base, research and development, selection and deployment of high-yielding *Acacia* cuttings and Eucalyptus clones, and by the use of advanced land management systems promoting sustainable resource productivity.

On the mill production side, a structured and comprehensive programme of Continuous Improvement projects provides the opportunity for leveraging individual and team innovation to deliver business value through incremental improvements right across the supply chain.

### Research and Development for High Fibre Yields

Plantations are grown under rotations of five to six years with the fast-growing species *Acacia mangium* and *Acacia crassiparpa*. The *Acacia* species are naturally efficient nitrogen fixers, which means the trees have a capability to fix free atmospheric nitrogen into an important plant nutrient – nitrate. This is done through a symbiotic association with *Rhizobium bacteria* and *Mycorrhiza* fungus. This symbiotic association enables *Acacia* to adapt to poor degraded sites and enrich the soil with nitrates.

The soil properties of the Indonesian plantations are now described and mapped in detail, providing a basis for additional value creation through aligning site-specific practices, and species selection, for optimised tree growth and fibre quality. An example of this is the use of shorter four to five year rotations, under specific conditions, for increased harvestable volume against a marginal cost increase.

APRIL's plantations in China and Indonesia are being planted with trees of the highest genetic quality, a result of intensive research on seedlings and cuttings in the nurseries and tissue culture plantlets in the laboratory.





## Enhancing Nursery and Planting Capacity

APRIL's planting programme for *Acacia* and *Eucalyptus* across Indonesia and China was 70,000 hectares in 2007. In order to achieve a balance between high-yielding genetic quality and this ambitious planting target, highly efficient nursery facilities are required.

In September 2007, a second central nursery (Baserah Estate, Indonesia) was opened. With an additional production capacity of 50 million seedlings and rooted vegetative cuttings every year, the total annual production capacity of the Indonesian central nurseries alone is now over 90 million.

In Fujian, China, APRIL completed a nursery (with capacity of 18 million seedlings per year) and supporting tissue culture laboratory able to produce 10 million superior quality plantlets annually.



## Continuous Improvement at APRIL

Continuous Improvement (CI) represents an APRIL strategy to sustain and maintain competitiveness through leveraging individual and business team innovation. The CI system motivates people to use the scientific method to eliminate inefficiencies and create added value in day-to-day activities through incremental improvements. In 2005 for the first time AIMS (APRIL Improvement Management System) was introduced as a tool to guide and monitor Continuous Improvement activities. With annual competitions between business units, AIMS ensures that employees become individually and collectively involved and motivated towards creating added value for the company.



## Plantation Information Management System (PIMS)

Given the extensive scale of the plantation operations, APRIL in both Indonesia and China has implemented advanced systems to ensure sustainable forest management and optimised plantation productivity.

APRIL Group's Plantation Information Management System (PIMS) is based on state-of-the-art Geographic Information Systems (GIS) software linked to databases on plantation stock, inventory, operational status, work-orders and costs.

PIMS provides managers and forest planners with a comprehensive tool set for land administration, compartment register, inventory register and data processing, contractor work orders, plantation maintenance and long term wood supply planning.



The system facilitates a heightened degree of control and accountability which, in turn, provides the real-time and future planning basis for ensuring sustainable fibre supply to the mills. The system also ensures operational compliance for minimal adverse impact from plantation activities, while maximising productivity from the land-base.



## High Conservation Value Forest Management

APRIL recognises management responsibility for, and the role of, concession areas in maintaining ecosystem services, ecological and social values in the landscape. The High Conservation Value Forest (HCVF) model, which involves delineation, active management and monitoring of these values, provides an effective framework for this and also takes APRIL forward in achieving full FSC compliance.

Since 2005 APRIL has, as one of only two plantation forestry companies in the world, publically committed to the HCVF approach to ensure that ecological and social values are not compromised as a result of plantation development. The management systems underpinning this commitment have been further strengthened in 2007, preparing for the next phase of an enhanced HCV forest management protocol to be developed in collaboration with NGO and international certification partners.

## Carbon Management

In 2007, APRIL conducted a “cradle-to-gate” carbon footprint assessment in Indonesia as a scoping exercise to identify operational opportunities for emissions and energy efficiency.

Applying an industry-standard 10-element carbon accounting framework, the assessment was reviewed by the National Council for Air and Stream Improvement (NCASI), a US-based, non-profit research institute.

In the next phase, APRIL will extend the preliminary assessment to a fully verified emissions profile and finalise a continuous improvement action plan for reduced emissions and increased energy efficiency across the operations.

Five mill-based, emission reduction initiatives have been identified as CDM (Clean Development Mechanism) projects (see Clean Production Chapter). To the same end, APRIL continues to support

independent and pioneering scientific research for reduced Greenhouse Gas (GHG) emissions in the plantations.

An ongoing collaboration with Delft Hydraulics, ProForest and leading peatland research institutes is developing operational guidelines for optimised water management for reduced GHG emissions from plantations (see Forestry Chapter).

An outcome to date is that the drainage impact, a significant driver of CO<sub>2</sub> emissions, has been significantly reduced – simultaneously

providing benefits for long-term productivity of plantations and for maintenance of conservation forests. A baseline study is now underway to compare APRIL’s optimised water-table management, with “business-as-usual” drainage prevalent elsewhere in Indonesia.

APRIL is investigating the opportunities for leveraging this quantifiable carbon emission reduction to generate carbon credits, and hence new revenue streams, both for the Company and as a financial co-benefit for surrounding communities.



## Carbon Footprint Reporting Standards



Industry standards for carbon footprint accounting (10 element framework) were developed by Confederation of European Paper Industries (CEPI), National Council for Air and Stream Improvement (NCASI), World Resources Institute and World Business Council for Sustainable Development (WBCSD). The framework facilitates the transparent reporting of direct and indirect greenhouse gas emissions, carbon sequestration and avoided emissions from plantations to final product.

## Case Study: Energy Efficiency from Bark Biofuel



APRIL is carrying out a detailed economic analysis on energy and cost efficiencies related to increased collection and transport of bark to the Indonesian mill, to be used as biofuel in the power-boiler process. The complex dynamics of "mechanical" versus "manual" de-barking, the logistics of "on or off-log" bark transport, and the fertilising impact of bark used as soil mulch - have all been studied. Based on this study the use of bark as fuel or mulch can be optimised.





## Forestry - Sustainable Resource Management

APRIL undertakes its plantation forestry activities on concessions specifically zoned by the Indonesian Ministry of Forestry for Industrial Forest Plantations. APRIL's concessions in Indonesia are covered by development licences, 85% of which have been awarded initially for 35 years plus one rotation - effectively 43 years. The remaining 15% are for 88 to 100 years.

APRIL "best practices" and operational procedures are defined by an Environment, Social, Health and Safety Policy. With respect to spatial planning of these concessions, the company follows regulations governing mandatory conservation set-asides and community forest areas (including "Macro- and Micro-Delineation") and then voluntarily implements a commitment to High Conservation Value Forest (HCVF) protection. This positive impact is further enhanced by APRIL's technical expertise and resources to deliver fire prevention, forest protection, and agricultural support to surrounding villages, community-based forestry and science-based solutions for optimal resource management.

# Mosaic Plantation



**“I wish you (APRIL) all the best in implementing the Mosaic Plantation Concept. If implemented appropriately, it is one of only a few viable options for protecting the remaining lowland MDF (mixed dry forest) type of Indonesia... You will have to lead by example such that it does not become another proxy for land conversion; and you will have to ensure that it is built upon a solid set of long term ecological principles for forest conservation.”** Dr. Mark Ashton, Professor of Silviculture and Forest Ecology, Yale School of Forestry and Environmental Studies.

APRIL offers Mosaic Plantation Concept (MPC) as a solution to forest degradation in Indonesia. The resulting mixed plantation, conservation and social landscape forms the cornerstone of APRIL's strategy to maximising economic, social and ecological benefits. APRIL supplements the macro- and micro-delineation rules with voluntary High Conservation Value (HCV) assessments to ensure that no HCVs are threatened by the plantations and that only non-HCV areas are converted. Furthermore, APRIL designs the plantations to protect the conservation areas within its concessions.

Implemented across 0.9 million hectares of APRIL and partner concessions in Indonesia and China, the model provides significant benefits when compared against other land management practices.

The goal of the Mosaic Plantation concept is to ensure that no biological, ecosystem service, social or cultural values are compromised as a result of plantation development. The concept has been examined by scientists led by Dr Mark Ashton, professor of ecology and silviculture at Yale University, in a report produced in February 2007.

Spatial planning at the Forest Management Unit level is also carried out within the wider landscape. An outcome of this is that APRIL and its partners contribute over 240,000 hectares of protected natural forest to Indonesia's conservation landscape, setting aside up to 60 percent of gross concession area dependent upon quality of forests and biological and social values contained within.

For Indonesia, the result of this is a significant contribution to state-managed conservation areas, creation of critical wildlife corridors and placement of protective and well-managed Acacia plantation belts, thus practically eliminating encroachment and illegal logging in protected areas.

The Centre for International Forestry Research (CIFOR) in a "Biodiversity Study in Large Plantation Landscapes" identified that maintaining 20 to 30 percent of the concession areas as conservation forests can retain 80 percent of the regional tree species, and at least 90 percent of the primate species present in the wider landscape.

# High Conservation Value Forests (HCVF)

Recently APRIL was selected by global forestry counterparts at the World Business Council for Sustainable Development as the industry representative on the Steering Committee of the HCVF Resource Network, the leading global forum for governance and best practice relating to HCVF implementation.

The High Conservation Value Forest approach to spatial planning in forest concessions is based around a third party, scientifically robust and stakeholder consensus-based process of identification of High Conservation Values existing within a landscape.

This process is formalised within a clear framework (High Conservation Values 1 to 6) that encompasses an assessment of biodiversity (at both the species and ecosystem level), environmental services, community and social/cultural criteria, and then delineates the specific forest areas required to support the ongoing maintenance of these Values - through investment, active protection and ongoing monitoring by the concession manager.

Underpinning this approach, APRIL made a public commitment in 2005 to conduct HCVF assessments on all new concession areas and one of two plantation forest companies in the world that has publicly committed to this principle.

APRIL does not operate on any concessions without prior HCVF assessment and delineation.

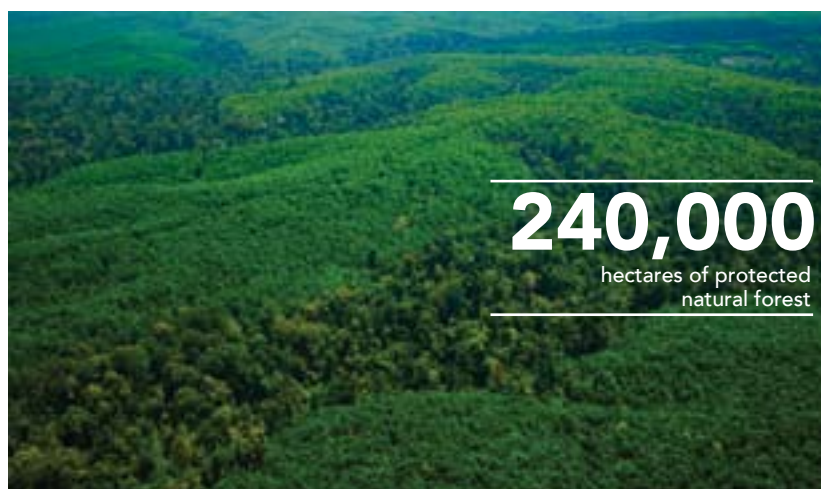
Since 2005, APRIL has carried out 14 HCVF assessments in Indonesia comprising 197,885 hectares, and identified and set aside 89,264 hectares containing high conservation values; amounting to 45 percent of the concession areas assessed. Currently an additional 16 FMUs (forest management units) are under HCVF assessment. WWF and other third parties are working with APRIL to protect and manage HCVs and to expand upon this collaboration during 2008 and onwards. APRIL's management of the HCVF commitments are audited internally and externally.

## Internal Capacity Supported by External Expertise

APRIL's landscape-level HCVF assessments are implemented by engaging external professional expertise. To date, two landscape level HCVF assessments have been conducted by ProForest in both Tesso Nilo Forest Complex and the Kampar Peninsula.

APRIL conducts Forest Management Unit level assessments for High Conservation Values with the assistance of external experts from academia (e.g. Institute of Agriculture in Bogor, IPB) and NGOs (e.g. WWF, The Nature Conservancy). The FMU-level assessments are reviewed by WWF Indonesia and disputes between stakeholders settled through mediation by an independent third party.

Independent assessments of biodiversity, ecosystem values maintained in APRIL's conservation areas in Indonesia are included in third party audits conducted by SGS International Certification Services. Audits implemented in connection with the Certification Support Programme, based on FSC Principles and Criteria, were initiated in 2004 and include assessments on HCVF (FSC Principle 9). Additionally, similar assessments are included in routine independent third party audits as a component of Indonesian Ecolabelling Institute (LEI) Forest Certification.



<sup>7</sup> Modified Forest: the forest cover has been retained but has been affected by uncontrolled timber exploitation or controlled timber harvesting (creaming, selective logging, selection-silvicultural and other systems), or by such intensity of harvesting of non-timber products (tapping of latex, collecting of cane, fruits etc. including elimination, reduction or introduction of tree and other useful species) that its structure, functions and dynamics are noticeably altered beyond the normal effects of natural processes. Source: Reproduced from ITTO publication "Guidelines for the Establishment and Sustainable Management of Planted Tropical Forests."

# Best Practice Forestry

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The planting of trees in the landscape and harvesting the timber after a relatively short period of time will have an impact on the environment. By careful planning, delineation of sensitive areas and using best practice harvesting and planting systems, APRIL achieves sustainable timber production whilst maintaining site productivity together with conservation and ecological values.

Reviewed from the Company's Environment, Health, Social and Safety (ESHS) policy, APRIL's Code of Best Forestry Practice (COBP) defines the efforts of the operational and strategic management measures to achieve economically viable fibre plantations which conform to the principles of sustainable, environmentally responsible, and socially acceptable production. The COBP provides a set of guidelines and principles that clearly sets out the minimum acceptable operational standards with respect to both physical and social environments.

However, the principles and guidelines contained within the COBP are, in themselves, not sufficient to ensure that these activities are carried out consistently and in the manner required by Management. Hence, a clear and concise set of Standard Operating Procedures (SOPs) for individual plantation activities has been developed in line with the principles and guidelines outlined in the COBP, ensuring acceptable operational standards with respect to both physical and social environments. These SOPs deliver timely and quality forestry practices that promote early tree growth, thus allowing rapid capture of the sites and attainment of the productivity targets.

## Minimising Site Impact

APRIL's fibre plantations in Indonesia are grown on four to six year rotations. These short rotations are possible due to the soil and climatic conditions being very conducive to rapid tree growth. Best practice forestry also contributes. However, short rotations mean that our plantation sites will be exposed to harvesting operations much more frequently than most plantations elsewhere in the world.

For sustainable management of the forest resource, it is essential that, with harvesting, soil compaction and erosion is minimized, and disturbance to water courses and riparian buffer zones is negligible or none. Whilst the environmental impact is to be minimised, the recovery of wood fibre must be maximised.

APRIL undertakes harvesting based on Benchmark Operations (BMO) Harvesting Systems which are designed to maintain high operational standards, improve the efficiency of operations and fibre utilisation, while minimising the environmental impact on the site.

A key tool to minimise the impact of harvesting on the site is Micro Planning. This consists of thorough on-the-ground inspections to fully evaluate the conditions and identify areas requiring maintenance, rehabilitation, environmental protection measures, or the need for new infrastructure to ensure that plantation management activities can be conducted efficiently while mitigating environmental impacts. This delineates the boundaries of the water courses, buffer zones, terrain, existing and planned roads. This is then used to prepare a full operational map which clearly shows the harvesting plan.

## Plantation Management

Soil mapping and site classification is now completed for the plantations in Indonesia. This allows for better delineation of where to plant Acacia and Eucalyptus and the implementation of site specific fertiliser regimes. Species are matched to sites in China based on the climatic conditions. Eucalyptus hybrids, *E grandis* and *E dunnii* are the primary species for the warm, cool and cold sites respectively.

Branches and bark are left in the field in order to maximise retention of nutrients, reduce erosion and, in the case of peatlands, reduce drying out of the top surface and minimising soil compaction.

The Forest Management Research Programmes focus on ensuring that the growth potential of the genetic material is realised and sustained. Site specific management practices are the key to this, which include mechanical site preparation, fertiliser regimes, effective weed control and delineation of soil types.

APRIL is a member of an international network of research institutes formed to better understand and monitor how forest practices impact long term sustainability over successive rotations. This network is coordinated by the Centre for International Forestry Research (CIFOR) and includes partners and field work in Indonesia, India, China, Australia, Brazil, South Africa, Congo and Vietnam. The network has been operating for over 10 years and, in the case of APRIL's Indonesia plantations, the research now extends to a third plantation rotation.

A key finding so far is that with a combination of slash retention and amelioration by fertilisers, site productivity can be sustained over multiple rotations.

# Responsible Peatland Management

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APRIL takes the firm position that responsible and science-based management is the solution for Indonesia's peatlands. The UN intergovernmental climate change summit in Bali (13th Conference of Parties) and other such international gatherings have focused world attention on the key role of peatlands in global climate change. APRIL has responded to the challenge to reduce Greenhouse Gas emissions from peatlands through plantation development based on optimised water management and careful adherence to conservation planning for the long-term protection of high conservation values.

## Eco-Hydrology Approach

In 2006, in Indonesia APRIL initiated the Science Based Management Support (SBMS) Project to enhance understanding of hydrology, ecology and the parameters for sustainable management of peatlands. In essence, forest and carbon resources in peatlands can only be managed sustainably if their hydrological integrity is maintained. APRIL Indonesia has committed to doing this in several ways.

APRIL firmly believes that peatlands must be planned and managed as whole ecological landscape units, leaving central peat domes intact and buffered to protect against drainage impacts. APRIL has pioneered this eco-hydrology concept which it promotes as a replacement for existing arbitrary regulations and license boundaries.

## Science Based Management Support Project (SBMS)

The SBMS Project team consists of scientists and consultants from six international institutions, working with the Indonesian staff to monitor, model and understand interrelated hydrology, peat soils, vegetation, greenhouse gas emissions and plantation productivity.

Responsible management of peat landscapes must prevent drainage of the areas set aside for peat swamp forest conservation, and minimise drainage of production areas so that the soil surface stays elevated and cultivatable for a long lifespan. The SBMS Project has provided sciences support for APRIL to develop methods of water management that do just that: reduce drainage impacts on natural forest set aside to conserve soil carbon and peat swamp biodiversity, and prolong plantation productivity.







## APRIL Infrastructure for Water Management

Science input from SBMS Project in 2007 confirmed that peatlands must be managed to prevent water loss, i.e. to support vegetation and prevent peat subsidence, carbon emissions and fire. The fundamental thesis is that forest and carbon resources in peatlands can only be managed sustainably if their hydrological integrity is maintained or rehabilitated.

This led to APRIL implementing wide-scale interventions in Indonesia to maintain and improve water table, through introducing *Acacia* plantations over critical areas in the landscape, protecting High Conservation Value Forests (HCVF), developing management and monitoring measures, delineating water management buffer zone to protect adjacent conservation areas, and investing in appropriate water control structures. Plantation drainage depth was reduced from 1.2 metres to between 0.8 and 0.6 metres, the minimum that still allows vigorous *Acacia* growth. Potentially CO<sub>2</sub> emissions have been halved, and water management is now on track to extend lifespan of productive *Acacia* plantations from 30 years to 60 years.

In 2008 goals have extended to reduce water fluctuations including floods, eliminate drainage impacts in adjoining conservation forest, and guide responsible development of the wider Kampar Peninsular. Only entire landscape units can be protected from drainage; entire hydrological units must be the basis to plan development and to manage both conservation and production areas.

Improved water management has continued to be the major implementation theme. Raised water levels all over the plantation landscape have been achieved by building hundreds of simple rugged water control structures. Each dam holds a small hydraulic head reliably for the duration of a tree crop rotation, and can handle a high discharge of water during the peak of the wet season. APRIL improved water management system is built upon robust, reliable and affordable engineering.

## Avoided Carbon Emissions from Forestry

On balance, APRIL calculates that responsible, optimised water management in concessions can avoid emissions of up to 40 tonnes of

CO<sub>2</sub> per hectare per year, when compared to the standard practices used elsewhere.

Emission savings are in conservation areas shielded from drainage, logging and clearing impacts. Buffering is by a responsibly managed *Acacia* ring that serves this function for a finite duration. This is the basis of the APRIL REDD (Reduced Emissions from Deforestation and Degradation) proposal for degraded peatlands.

APRIL hopes to develop more peat landscapes that have been extensively degraded. Uncontrolled networks of narrow canals dug to extract timber and never closed, drain the landscape. 95 percent or more of carbon stored in peat ecosystems is in the soil. A recent drainage survey of the undeveloped Kampar Peninsula found that those parts of the landscape that APRIL would convert to plantation were already drained deep enough to grow *Acacia*. Severe drainage impacts from encroachments and illegal logging extended into riparian and peat dome areas that should otherwise be conserved.

# Elephant Conflict Mitigation and Tesso Nilo National Park

APRIL is part of a special task force in Indonesia which includes NGOs and governmental bodies working in tandem to combat illegal logging, forest encroachments and forest fires.

These efforts include the operation of our own Elephant Flying Squad. Working with the WWF Indonesia, we maintain a team of four specially trained elephants. These Squads are essential in mitigating human-animal conflicts, and they regularly patrol the border of the Tesso Nilo National Park. The elephants are trained to herd wild elephants away from villages and farms, where they have been known to cause damage to crops and homes.

APRIL is also actively engaged in multi-stakeholder efforts to conserve



the Tesso Nilo National Park that borders the company's licensed plantation concession. Tesso Nilo is of special importance as this tropical lowland rainforest is one of the few remaining natural habitats of threatened species like the Sumatran elephant and the Sumatran tiger. APRIL continues to support current proposals to expand the size of the

national park to approximately 100,000 hectares.

In 2006, APRIL invited the President of WWF Indonesia on an aerial survey of Tesso Nilo. He witnessed first-hand the ongoing encroachment and destruction of the area designated as the extension of the national park.

## Statement on APRIL peatland operations and the Kampar Science Based Management Support Project

**Al Hooijer**

(Delft Hydraulics, Holland),

**Dr. Susan Page**

(Leicester University, UK),

**Dr. Ruth Nussbaum**

(ProForest, UK)

Peat consists of approximately 90 percent water and 10 percent vegetation remains. Peatlands therefore are not really 'land' but are wetlands, and need to be managed as such to prevent loss of the water that supports the peat surface, i.e. to support vegetation and prevent peat subsidence and carbon loss. Until

now most peatland water management in SE Asia has not recognised this fact. Widespread overdrainage is resulting in degradation and loss of natural peat swamp forest, in CO<sub>2</sub> emissions and in reduced agricultural productivity.

The independent team members support APRIL in demonstrating its commitment to responsible peatland management by instigating the Kampar SBMS Project. The fundamental thesis of the project is that forest and carbon resources in peatlands can only be managed sustainably if their hydrological integrity is maintained or rehabilitated. This can be achieved only if entire peatland ecological landscape units (i.e. intact peat domes and river basins within peatlands) are managed to minimise degradation caused by on- and off-site drainage. This is essential for the conservation of peat swamp forest, but equally important to prolong the lifespan of peatland resources for economic purposes.

The current situation in Sumatra and Kalimantan is that most peatlands are already partly or fully converted and/or degraded as a result of logging, deforestation, drainage and/or fire. Degraded areas have a low conservation value in their current state and limited or no present agricultural production, but often still store large amounts of carbon and may have development and/or rehabilitation potential. There is an urgent need to manage such land to at least limit fire risk and carbon emissions. Where remaining peat swamp forest and converted peatland coexist in a single peatland landscape unit, a new approach needs to be applied to balance opposing water management requirements by the delineation of buffer zones of adequate size and investment in appropriate water control structures where that is necessary. The Kampar SBMS Project team proposes the following tentative 'wise use rules' for peatland conservation and development, to be developed further as more is learnt about the functioning of peatland systems:

1. Remaining High Conservation Value Forest on peatland should be conserved as a priority, together with as much as possible of the surrounding 'ecologically and hydrologically significant landscape'.
2. Prevention of further degradation and rehabilitation back to sustainable peat swamp forest should be the priority for degraded peatlands where this is still feasible.
3. Responsible development (for agriculture and plantations) should be considered as an option for degraded peatlands where rehabilitation is not feasible in the short to medium term (rehabilitation may still follow in the long-term), in order to maximize economic development as well as minimise loss of the peat carbon store.
4. There is an urgent need to define better the terms 'degraded peatland' and 'feasible rehabilitation' to clarify these issues for policy makers, business, NGOs and other stakeholders.
5. The aim of peatland management, either for conservation or crop production, should be to maintain water levels as high as possible under the range of management requirements.

## Case Study: Kampar Ring Proposal

Responsible landscape planning to protect the Kampar Peninsular from continuing degradation has been a lengthy and thorough process for APRIL.

ProForest started with High Conservation Value assessment at landscape level in 2005. At the point a plantation ring around the core conservation area was proposed as a potential solution for long-term viability. Adequate size of central exclusion core was then refined based on natural habitat zoning by Leicester University and hydrological modeling by Delft Hydraulics. An accurate digital elevation model of the Peninsular was produced by Sar Vision, essential for spatial planning. Helsinki University has monitored GHG emissions in adjacent plantations for 18 months

and monitored the improvements related to optimised water management compared to the "business-as-usual" baseline.. Two drainage surveys of the Kampar Peninsular have been carried out by APRIL in the past year to provide data from which future drainage projections can be modeled. An independent advisor has been engaged to develop a Carbon funding proposal for the Kampar, based on avoided carbon emissions in both the conservation core and plantation ring, and partners are now being approached.

The concept is that APRIL's responsibly developed and managed plantation ring will over an appropriate lifetime serve to protect the very large carbon assets of central core domes from the log extraction, drainage, fire and "business-as-usual" degradation.

# Risk Management

## Management of Genetic Diversity

APRIL promotes biodiversity in its plantations as a risk management tool. The retention of riparian buffers zones and HCV forests within and adjacent to the plantations provides for natural biodiversity and source of predators to many pests of the plantation trees.

However, APRIL considers that genetic diversity within the actual plantation crop is equally important for risk management. If the genetic base becomes too narrow, for example by planting only one or two clones, the risk of significant pest and disease infestations is very high. APRIL's approach is the planting of a mixture of species (*Acacia*, *Eucalyptus* and *Melaleuca*), and importantly the continual infusion of new genetic material into breeding programmes. Hence the aim is to have the widest range of genetic material planted without comprising productivity.

## Pest and Disease Management

Plantations all around the world are at risk to pest and disease infestations, and APRIL's plantations are no exception. Invariably the risk of infestation, especially disease, is highest in the hot, humid and wet climate of the tropics. Hence, although it is not possible to eliminate the threat of infestations, actions can be taken to minimise or limit the impact on plantation productivity and sustainability.

The key actions of APRIL to minimise the threat of pests and diseases to its plantations are regular monitoring and reporting of plant health, having pest and disease resistance as a key selection criterion in Tree Improvement, the production of high quality planting stock and application of Integrated Pest Management, including biological control. APRIL's Plant Health research programme is using innovative approaches to the biological control of two key threats to *Acacia* plantations; the insect pest *Helopeltis* and *Ganoderma* root rot.



## Fire Management

Fire management is a major operating priority for APRIL. Fire poses serious threats to plantation and conservation assets. Forest fires in Indonesia emit massive amounts of climate changing greenhouse gases, not to mention the impacts on local environment and air quality in the Southeast Asia region in general.

Since 1994, APRIL has implemented a comprehensive "No Burn" policy in preparing land for tree plantations throughout its entire operations. As a

founding member of the United Nations' Food and Agricultural Organisation's (FAO) Fire Management Actions Alliance, APRIL will continue to implement and promote externally the Voluntary Fire Management Guidelines of this alliance.

APRIL's own fire management programme is wide-ranging and well resourced, including early warning, prevention, preparedness, initial attack, monitoring and evaluation. APRIL integrates fire control as an important component of sustainable

plantation system and risk management systems, and through promoting "No Burn" farming techniques to local villagers through our community engagements and outreach programmes.

APRIL manages the fire threat to plantation and conservation assets by reducing the hazards and risks of fire, and by ensuring effective level of fire suppression capability. To ensure a rapid and effective initial fire response for when a fire does occur, APRIL's fire suppression objectives include:

Detection:	All fires will be identified at the smallest possible size (ie, 0.1 hectare).
Initial Response:	Fire suppression will begin within two hours of receiving the fire detection report.
Containment:	Fire perimeter growth will be contained within 48 hours of initial response.
Size:	Maximum fire size will be less than 10 hectares.



APRIL's Indonesian annual performance target is that 90 percent of all fires will have an impact on plantations of less than 10 hectares.

In implementing the above, APRIL has invested over US\$1,000,000 during the past five years for specialised, light-weight, forest fire fighting pumps, hose and other water handling accessories. For fire patrols, early

detection and rapid response, a dedicated helicopter ready to be scrambled in minutes, equipped with a suspended, fast-release water carrier is on stand-by during the two dry seasons each year.

APRIL also cooperates with District and Provincial Governments with firefighting efforts outside of APRIL's plantation areas to minimise fire-

caused environmental damages and smoke and haze in the region.

This integrated approach has delivered encouraging results, both during moderate El Niño (2006) and La Niña (2007) climatic patterns. During the past two years, APRIL's fire suppression performance rating has been above 90 percent.

## APRIL Plantation Management Minimises Forest and Land Fires

The Indonesian government, together with other member states of the Association of South East Asian Nations (ASEAN), utilises hotspot data to monitor fire occurrence in fire-prone areas. Data is obtained either through the Ministry of Forestry's collaboration with the Japan International Cooperation Agency (JICA) or ASEAN Specialized Meteorological Centre (ASMC) in Singapore.

APRIL obtains hotspot data from the ASMC website each day as part of a fire monitoring and detection system, which also includes "real-time" smoke and fire detection using ground and helicopter fire patrols by forest fire protection teams.

Through the use of mechanical land-clearing methods and rapid-response fire fighting teams, forest and land fire occurrence in APRIL plantations are significantly reduced when compared to community lands and other forest areas outside of concession boundaries.

In 2006, a severe fire, smoke and haze incident occurred from August to October as a result of a moderate El Nino event that extended the dry season. Over 8,700 hotspots occurred in Riau Province (8,598,700 hectares). 6 percent of the total hotspots in Riau were recorded as occurring within APRIL's concessions, however further analysis showed that more than half of these were on community land within the concessions, and the rest on the perimeter boundaries between plantations and this community land. All were quickly extinguished by APRIL firefighting teams.

Description	2006	2007
Number of Fires	194	148
Total Area Burned (Ha)	541	137
- Planted (Ha)	301	39
- Unplanted (Ha)	240	98
Average Size Fire (Ha)	2.8	0.9
Number of Fires over 10+ (Ha)	11	2
Performance Rating	94%	99%



# Forest Certification

APRIL maintains an Integrated Management System (IMS) to provide the Company with the ability to anticipate and meet environmental performance expectations, and to ensure ongoing compliance with national and international requirements.

The IMS also provides the Company with the framework to enable it to organise and utilise its resources effectively, in order to sustain and improve its environmental performance, its process efficiency and productivity.

The environmental component of the Company's IMS is designed to address the Company's regulatory and voluntary environmental commitments and the immediate and long-term impact of its products, services, and processes on the environment.

APRIL conforms to a range of international standards which are managed by a team operating under an integrated management system. The IMS was developed by APRIL to achieve certification to these standards by independent assessment.

APRIL manufacturing operations are certified to ISO 9001, ISO 14001, and OHSAS 18001. APRIL's plantation forestry operations in Riau, Indonesia are certified to ISO 14001:2004, OHSAS 18001:2007, and to Lembaga Ekolabel Indonesia's (LEI, the Indonesian Ecolabelling Institute) plantation forest management scheme under concession license SK 137/1997, covering 159,500 hectares.

The Company wishes to be transparent with respect to its environmental responsibilities and performance and therefore, aims to provide its stakeholders, and other

interested parties, with evidence that an effective environmental management system has been established and is being maintained;

Independent audits by recognised third party assessors are used to provide evidence of compliance with the above undertakings, and the third party audit reports, or relevant parts thereof, are made available to stakeholders and other interested parties.

APRIL recognises that full compliance and certification to the Forest Stewardship Council's (FSC) Forest Management Standard is not practicable at this time, given current predisposition against new plantation

forestry. Nonetheless, APRIL is aligning its operations in Indonesia with FSC forest management principles (excluding principle 10.9) and demonstrating, through external support and independent verification, progress towards that goal.

APRIL is enrolling in a recognised 'modular approach programme' for FSC forest management certification as part of our commitment to comply with FSC principles. As a first step in this process, in 2008, APRIL will be initiating a base-line HC VF assessment audit and monitoring programme in Indonesia, in collaboration with SmartWood/Rainforest Alliance and other NGO partners.



# Timber tracking to combat illegal logging – Verification of Legal Origin

The principal challenge facing the Indonesian forestry industry is the continuing problem of illegal logging, a major cause of damage to the Indonesia’s valuable forest resources. To combat this, APRIL uses a range of methods to ensure that illegal wood does not enter its supply chain. Since 2002, timber tracking audits have been carried out by SGS providing independent 3rd party verification of APRIL’s legal right to harvest and the origin of its wood supply. These systems ensure, through independent verification, that no illegal wood or wood from high conservation value forests enters APRIL’s supply chain.

Recently, APRIL has established procedures and systems for chain of custody and evaluating the risk of the Company’s pulpwood supply to ensure that responsible sourcing of pulpwood is achieved consistent with APRIL’s policies and the requirements of the Forest Stewardship Council’s (FSC) Standard for Company Evaluation of FSC Controlled Wood.

These systems and methodologies are designed to ensure wood that is illegally harvested, harvested in violation of traditional and civil rights, harvested in forests where high conservation values could be threatened by management activities or from forests in which genetically modified trees are planted is excluded from APRIL’s supply chain.

These initiatives comprise a transparent and accountable process through every step of APRIL’s supply chain from the forest management unit to the consumer. These initiatives eliminate illegal timber from entering our supply chain, and provide evidence that the forests from which we source our wood are sustainably managed.

## Verification of Legal Compliance

APRIL has designed and implemented a network based Production Information Management System for

tracing pulpwood from the Company’s smallest forest management (compartment of approximately 30 hectares) through to the mill-site. The system also maintains a database of all licences and permits required to harvest and transport wood. This system is designed to ensure that all our suppliers are legally compliant and meet all our wood sourcing requirements. The Production Information Management System maintains the records necessary for internal and external auditors to verify compliance to legal requirements.

APRIL’s chain of custody and forest management practices are routinely audited by reputable independent 3rd parties and aim to provide confidence to our customers that APRIL’s products come from well managed plantation forests legally operated under the laws of Indonesia.







## Clean Production - Minimising Impact for Sustainable Operations

APRIL is the second largest producer of Bleached Hardwood Kraft Pulp in the world and the fourth largest Uncoated Wood-Free (UWF) paper producer in Asia. With operations of this scale it is essential to ensure that the environmental and social impacts of the process are monitored and maintained to the highest international standards.

# Environmental Product Declaration

In 2007, APRIL extended its commitment to managing, monitoring and transparently reporting on the environmental impact of its products and services in Indonesia. As a result of this initiative, APRIL produced an 'Environmental Product Declaration' (EPD) based on the ISO 14025 standard.

The overall goal of an Environmental Product Declaration is to provide relevant, verified and comparable information to meet various customer

and market needs. The declaration is based on a "Life Cycle Assessment" and includes information about the environmental impacts associated with products, including raw material acquisition, energy use and efficiency, content of materials and chemical substances, emissions to air, soil and water, and waste generation. APRIL aims to include more information in its EPD as the process is developed; including product carbon footprint data, welcoming input and comments from stakeholders.



## Measuring Performance in Reducing Emissions

APRIL's pulp and paper operations in Indonesia were awarded the 'Green Rating' from the Programme for Pollution Control Evaluation and Rating (PROPER) in 2006 - 2007 by the Indonesian Ministry of Environment. PROPER is a public reporting initiative implemented by the Indonesian government to promote compliance with environmental standards and strengthen transparency. Under the PROPER scheme, industrial firms are evaluated by the Ministry of

Environment for their environmental performance on indicators such as air and wastewater emissions, community development programmes, 3R (Recover, Recycle, Re-use) programme and solid wastes management and reduction.

The Company's performance rating is based on a seven-tier scheme: gold, green, blue, blue minus, red, red minus, and black (whereby gold is the highest rated and black the lowest).

The Green Rating indicates that the mill's waste water emissions meet with the specifications set by Indonesian Government regulations.



Green 2006-2007



## Waste Water

The waste water from APRIL's production processes in Indonesia is discharged into the Kampar River after extensive treatment. Key environmental indicators of the effluent discharge are monitored and measured by APRIL and independent third parties to ensure compliance with government permissible limits.



APRIL performance against permissible limits for waste water discharge standards for Indonesian pulp and paper industries

Emissions to Water	Indonesian PROPER	APRIL's Indonesian's Performance		
	Permissible Limits (PL) <sup>1</sup>	2007	2006	2005
Chemical Oxygen Demand (COD) (kg/ADMt)	29.75	10.14	9.43	8.69
Biochemical Oxygen Demand (BOD <sub>5</sub> ) (kg/ADMt)	8.0	1.50	1.40	1.29
Absorbable Organic Halogens (AOX) (kg/ADMt)	8.0	0.03	0.03	0.02
Phosphorous (kg/ADMt)	None	0.01	0.007	0.014
Nitrogen (kg/ADMt)	None	0.053	0.10	0.10
Treated Liquid Effluent (m <sup>3</sup> /ADMt)	85.0	39.23	40.03	33.04

<sup>1</sup> Permissible Limits (PL): Indonesian regulation KEP-51/MENLH/10/1995 Appendix V B

Note: ADMT : Air Dry Metric Tonne (measurement 90 percent fibre and 10 percent moisture)

OD : Oven Dry (0 percent moisture in product)

APRIL performance against permissible limits for air emission standards for Indonesian pulp and paper industries

Air Emissions	Indonesian PROPER	APRIL's Performance					
	Permissible Limit (PL)	2007		2006		2005	
<b>Digesters (mg/Nm<sup>3</sup>)</b>							
• TRS	10	7.71		7.95		8.99	
<b>Bleach Plant (mg/Nm<sup>3</sup>)</b>							
• ClO <sub>2</sub>	125	BP1	BP2	BP1	BP2	BP1	BP2
		87.02	76.29	88.68	100.15	37.27	38.85
<b>Power Boilers (mg/Nm<sup>3</sup>)</b>							
• Particulate	230	PB1	PB2	PB1	PB2	PB1	PB2
• SOX	800	29.35	59.04	33.23	32.09	17.34	24.66
• NOX	1000	35.59	67.67	123.75	54.35	6.92	2.46
<b>Lime Kilns (mg/Nm<sup>3</sup>)</b>							
• Particulate	350	LK1	LK2	LK1	LK2	LK1	LK2
		96.70	128.94	148.95	113.25	148.81	167.02
• TRS	28	6.35	6.57	11.0	12.51	17.97	18.72
<b>Recovery Boilers (mg/Nm<sup>3</sup>)</b>							
• Particulate	230	RB1	RB2	RB3	RB1	RB2	RB3
		54.13	56.31	39.23	78.4	60.29	64.32
• TRS	10	5.65	7.15	7.22	7.13	7.80	7.93
		7.0	8.92	6.74			
<b>Dissolving Tanks (mg/Nm<sup>3</sup>)</b>							
• Particulate	230	DT1	DT2	DT3	DT1	DT2	DT3
		0.0*	0.0*	68.15	91.78	96.67	91.28
• TRS	28	0.0*	0.0*	13.35	7.43	12.14	9.80
		16.3	14.7	17.5			

Nm<sup>3</sup> (N = Normal, in this context, means a temperature of zero degrees Celsius and a pressure of 1.013 bar, the conditions at which one mole of an ideal gas has a volume of 22.413837 litres – m<sup>3</sup> means cubic metres.)

As of July 2007, all emission from vents on dissolving tanks 1, 2, and 3 have been directed to the recovery boilers for incineration – no venting to atmosphere occurs. This project was started in mid 2006.

## Air Emissions

APRIL's recovery boilers, power boilers, and lime kiln stacks are equipped with electro-static precipitators (ESP) to control and minimise the particulate produced during operations from going into

the atmosphere. Also installed is continuous emissions monitoring (CEM) equipment. Malodorous gases are also collected and stripped of their methanol constituent (see CDM section below - 'Stripped Methanol')

and then incinerated in the recovery boiler. APRIL also contracts a third party, PT Sucofindo, to independently measure its process emissions as well as the ambient air quality surrounding the mill complex.

## Reducing Landfill Volumes

In Indonesia the disposal of the Company's effluent treatment plant sludge, created in the pulp and paper production processes, has been an ongoing challenge for the Company that needed a solution. In early 2007 a viable solution was found to incinerate the bio-sludge (see CDM section below - 'Effluent Treatment Bio-sludge') that otherwise had been going to landfill. All bio-sludge is now

incinerated, and no bio-sludge is sent to land fill, eliminating methane gas emissions from decomposition in the landfill. APRIL is working to further reduce, reuse, or recycle the remaining waste streams from its operations with the aim of eliminating all waste being sent to land fill.

APRIL's original landfill site in Indonesia is undergoing a remediation process

since 2004 to seal the site and capture leachate for processing in the effluent treatment plant. The remediation project was split into three phases, the first phase of approximately 10 hectares was completed in 2005, and the second phase of approximately 10 hectares was completed in 2006. The final phase of approximately 14 hectares is scheduled to be completed in 2009.

Emissions to Land fill at the Riaupulp complex in Indonesia.

Emissions to Land	2007	2006	2005
Solid Waste Land Filled (m <sup>3</sup> /ADMt)	0.06	0.08	0.10
Solid Waste Land Filled (OD kg/ADMt)	46.04	60.0	75.0

## Water and Electricity Efficiency in Paper Production

At APRIL's Riaupaper production facility, the management goal is to achieve fresh water usage of below 6.5m<sup>3</sup> per tonne of paper produced. Towards the end of 2007, significant improvements indicate that in 2008 we will be close to achieving this goal. Under APRIL's Continuous Improvement programme, fresh water usage per tonne has been progressively reduced while simultaneously bringing a new paper

machine on line. Some of the key steps used to reduce water usage include investing in new chemical mixing technology, collecting and reusing all pump sealing water, and using recovered process water for cleaning activities.

Reducing the energy used in paper production makes good sense not only for cost reduction but also for minimising the carbon footprint of

the paper mill. The goal for electricity usage is 0.7 MW hour per tonne of paper produced. Incremental improvements have been achieved over the period 2006 to 2007. Key steps in this reduction have been the rationalisation of softwood fibre refining, improvements in the vacuum system, maximising the efficiency of pumping energy for the high volume cooling systems, and optimising utilisation of all process pumps.

## Reducing Carbon Emissions

APRIL's pulp and paper process consumes resources and generates byproducts that must be managed. Among the fuel materials consumed to generate the steam and power required for the manufacture of pulp and paper are fossil fuels such as oil, coal, and natural gas. The main byproduct of the burning of fossil fuels is the emission of CO<sub>2</sub> which has been identified as a main contributor to global warming. APRIL aims to reduce its CO<sub>2</sub> emissions and 'carbon footprint' for its integrated pulp and

paper operations in Riau Province, Indonesia, by maximising reliance on biofuels as a primary energy source.

In addition, APRIL has identified Clean Development Mechanism (CDM) pilot projects with the aim to reduce Greenhouse Gas emissions by other means. Utilising the provisions set out in Article 17 of the Kyoto Protocol of 1997, APRIL is at the stage of formalising these projects. Two examples of such projects are described below.

Under the Kyoto Protocol, a CDM project must provide emission reductions that are additional to what would otherwise have occurred. CDM projects can earn saleable 'certified emission reduction' credits, each equivalent to one tonne of CO<sub>2</sub>. Credits can be sold to developed countries or retained to offset CO<sub>2</sub> emissions in other parts of the business.

### CDM Case Study - 'Stripped Methanol'



The installation of a methanol recovery plant at the Indonesian production mill is APRIL's first Clean Development Mechanism (CDM) project. The project entails the collection of non - condensable gases (NCG) from the black liquor evaporators, traditionally flared, and condensing and concentrating the methanol constituent from other inert gases. The concentrated methanol

(at 80 percent) is used to replace heavy oil used to fire the lime kilns and recovery boilers. The use of recovered methanol replaces approximately 22.5 tonnes per day of heavy oil reducing the mill's CO<sub>2</sub> emissions from fossil fuels. A second plant is planned that will increase methanol production to approximately 70 tonnes per day.

### CDM Case Study - 'Effluent Treatment Bio-sludge'



Traditional methods for the disposal of secondary bio-sludge involves mixing it with the primary sludge (sludge that is separated in the primary effluent treatment) and either burning in the power boiler or sending to landfill. The advent of fibre recovery systems in pulp and paper mill has led to a reduction in the volume of primary sludge available to mix with secondary sludge. This makes the remaining sludge extremely difficult to de-water and thus unsuitable for combustion due to its high moisture content.

By separating the two sludge streams (primary and secondary) – the primary sludge is dewatered by traditional methods and combusted in the power boiler while the secondary bio-sludge is centrifuged, mixed with intermediate black liquor at approximately 45 percent solids content, hydrolysed, further evaporated in the final evaporation effects to a black liquor concentration of approximately 80 percent solids and fired in the mill's recovery boilers. The daily design capacity is 90 oven-dry tonnes per day of bio-sludge that would otherwise be going to landfill.

## APRIL's China Mill Performance

APRIL's China mill produces bleached Kraft pulp and paper board. On 4th August, 2007, the Rizhao Municipal Government and the Rizhao Environmental Protection Bureau invited seven pulp and paper experts, national and international, to assess APRIL China environmental status.

After evaluation, the expert team concluded that the processes, technology, and equipment employed at the China pulp and paper mills is up to world advanced level and the mill's emissions processes and technology are up to world class standards.

China's mill environmental performance against National and Shandong Peninsula standards (water and air emissions).

Emissions to Water	China's National Standard	Shandong Peninsula Watershed Standard	APRIL's Performance		
	Permissible Limits	Permissible Limits	2007	2006	2005
Chemical Oxygen Demand (COD) (mg/L)	200.0	150.0	134	210	N/A
Biochemical Oxygen Demand (BOD <sub>5</sub> ) (mg/L)	50.0	50.0	23	30	N/A
Colour	50.0	50.0	132.5	240	N/A
Total Suspended Solids (mg/L)	70.0	100.0	62	68	N/A

Emissions to Air	China's National Standard	APRIL's Performance		
	Permissible Limits (PL)	2007	2006	2005
Sulphur Dioxide (SO <sub>2</sub> ) (mg/m <sup>3</sup> )	900	600	850	N/A
Nitrogen Oxides (NOx) (mg/m <sup>3</sup> )	Not regulated	N/A	N/A	N/A
Particulate (mg/m <sup>3</sup> )	200	80	160	N/A

Water consumption at China's pulp and paper facility

Water Consumption	2007	2006	2005
Pulp production (m <sup>3</sup> /ADMt)	35.4	44.8	N/A
Paper board production (m <sup>3</sup> /ADMt)	10.4	11.0	N/A

## APRIL's Indonesia Mill Certification

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APRIL conforms to a range of international and national standards which are managed and monitored under an Integrated Management System (IMS). The IMS is designed to provide the Company with the ability to anticipate and meet changing environmental performance expectations, and to ensure

ongoing compliance with national and international requirements.

APRIL's manufacturing operations are certified to ISO 9001:2000, ISO 14001:2004 and, for Operational Health and Safety, to OHSAS standard 18001:2007.

## China Awards and Achievements for Mill Performance

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The China mill has achieved certification to ISO 9001, ISO 14001, and OHSAS 18001 which have been maintained since 2003. The operations have also received the following awards and recognitions:

- 2008 - Outstanding Contributor of Minimum Pollutant Discharging of Shandong Province (Environmental Protection Bureau of Shandong Province)
- 2007 - Best Energy Saving Enterprise of Shandong Province (Shandong Provincial Government)
- 2004 - Early Batch of Recycling Economy Test Mill of Shandong Province (Shandong Provincial Government)
- 2004 - Excellent Clean Mill Operation (Environmental Management Cooperation Programme between China and Europe-EMCP)





## Social Investment - Sustainable Partnerships with Communities

APRIL's business is built on a stable and sustainable foundation of local community support. Success at APRIL is measured by how the Company has accomplished bilateral and mutually beneficial links with surrounding communities.

With the world's continuous population growth, there is increasing demand on land and resource utilisation to meet community needs and society's aspirations for a better future. Hence, an important component of APRIL's social investment strategy is the resolution of conflicts as they arise. The Company makes concerted efforts to transform these local land disputes into "win-win" Company and community partnerships.

The Company invests in the communities wherever it operates, driven by the goal of ensuring a better quality of life for the people. APRIL's social investment programmes are designed to address several key concerns, creating economic stability, forging long-term relationships, and maintaining acceptance by the local communities.



## Worldwide Giving through The Tanoto Foundation

APRIL's social programmes were previously executed under an independent, non-profit organisation known as CECOM - Care and Empowerment for Community. Under CECOM, APRIL's corporate social responsibility programmes in Indonesia were crafted to forge partnerships with the local community. Currently, to institutionalise our global giving efforts, all of APRIL's community and social programmes are now executed under the auspices of the Tanoto Foundation ([www.tanoto-foundation.or.id](http://www.tanoto-foundation.or.id)). This Foundation is a philanthropic arm of APRIL's Chairman, Mr Sukanto Tanoto. The establishment of this Foundation

stems from Mr Tanoto's understanding and acknowledgement of how the right social investments can have sustainable, long-term positive impacts on community livelihood and social development.

This privately funded foundation focuses on economically-challenged communities in countries in which the RGM International group operates. The four main themes of support are in education, poverty alleviation, health-care and disaster relief. The Foundation's initial activities were in Indonesia, but this has since been expanded to cover Singapore, China and the Americas. Programmes are



customised to the unique needs of the local community, ensuring that contributions lead to long-term social progress rather than short-term fixes.

## Community Tree Plantations - Indonesia

In APRIL's Indonesia operations, Community Fibre Plantations (HTR) offer a solution for expanding planted land and wood supply, while concurrently partnering directly with communities in the business of tree growing.

Currently, APRIL implements two types of HTR distinguished by differences in the underlying land-status, HTR on community-owned land, and HTR on concession land. On community-owned land, HTR is prioritised for idle areas, land in critical condition, or other non-productive land as allocated by communities for plantation development. For HTR within forest concession areas, this approach is prioritised where overlap in land-rights between communities and company are encountered.

As an instrument for land-conflict resolution, this win-win solution

between Company and community is a powerful model to enhance the biophysical condition and socio-economic value of the land while sharing benefits directly in mutual cooperation.

Community Tree Plantations also provide ideal opportunities for local communities to be directly involved in plantation development, and to build supporting commercial enterprises in partnership with the Company.

In this regard, the Company provides the technology and financial support, while the community provides land and labour. These economic activities generate benefit for the community in the form of direct labour income (land preparation, planting and maintenance activities) and benefit from sharing the production fee at the end of the planting cycle.

Currently partnering with close to

10,000 families covering 26,500 hectares, APRIL's aim is to double Community Tree Plantation area over the next five years.

partnering with close to  
**10,000**  
families



## Poverty Alleviation

our operations support more than  
**250,000**  
 people in Indonesia and China

APRIL has made concerted efforts to transform the lives of the community surrounding the operations, seeking to provide a sustainable future through viable livelihood alternatives.

More than a quarter of a million people have benefitted from APRIL's social investment and poverty alleviation programmes since operations began.

### Integrated Farming System

This programme was established to train villagers in horticulture, livestock, freshwater fish culture, composting and organic waste recycling. The Company provides training and start-up investment – cattle, fish, fertiliser, and seeds – and ongoing technical assistance to convert idle or infertile land to productive use. In turn, these trained farmers recruit, train and pass on their experience to other villagers. Currently APRIL operates three training centres to deliver this technical knowledge to local farmers.

From 213 farmers in seven villages in 1999, these numbers grew to 4,305 farmers in 104 villages in 2007. Land managed under the Integrated Farming System has expanded from only 170 hectares in 1999, to 2,275 hectares in 2007.

#### Integrated Farming System Programme around APRIL's Riau Facility

	2006	2007	1999 to Date
No of participants	1,304	486	4,305
No of participating villages	99	104	104
No of cattle distributed	182	35	3,731
Cultivated land (hectares)	1,150	589	2,275



## Enabling Small and Medium Enterprises

we have supported more than  
**230**  
 SMEs

Providing assistance to nurture economic development for Small and Medium Enterprises (SMEs) is another APRIL initiative in Indonesia that has resulted in wealth and job creation. This programme supports entrepreneurs "in-line" and "off-line" to our operations. From 12 SMEs in 2001, APRIL has now supported more than 230 enterprises under this scheme.

For "in-line" entrepreneurs, APRIL supports businesses related to Company operations, such as making pallets which are used for transporting pulp and paper products. In 2007, 100 partner companies and individual entrepreneurs from 25 villages, with direct employment of 2,392 workers, generated Rp 74.176 billion in revenue.

"Off-line" SMEs receive vocational training in a variety of livelihood skills such as tailoring, honey production, hairdressing, carpentry, automotive repair and other skills. There are now hundreds of successful SMEs running profitable businesses in Riau.

# Transforming Land Disputes into Community Partnerships

It is inherent in the forestry industry to face land rights conflicts from time to time, even though the forestry concession is legally granted by the government. Especially in Indonesia, conflict over land tenure usually arises between indigenous communities and the state, as state-created property and land-use rights overlap with customary (adat) rights. Despite state land-use development plans, indigenous communities claim adat rights over their ancestral lands. Similar conflicts can also arise

between protected forest areas and land designated for development.

APRIL strictly operates only on concessions designated and licensed by the Indonesian government for plantation development, and where no prior and legitimate overlapping community land-rights exist. Where disputes arise, APRIL's goal is to develop company-community partnerships which are robust and mutually beneficial.

To this end, the Company has established a Land Dispute Resolution Protocol based on the principles of Free, Prior and Informed Consent (FPIC). This protocol relies on third-party mediated negotiations with villages and participatory community mapping, and is being developed in partnership with leading social NGOs. Throughout 2007, the village of Lubuk Jering in Riau, Indonesia, has been the development site for establishing this FPIC based protocol.

## Lubuk Jering Village and Free, Prior and Informed Consent

Lubuk Jering village is one of several communities in the vicinity of Mandau Fibre Estate in Riau province, Indonesia. The Mandau Fibre estate is an APRIL-owned concession, with a gross area of over 23,000 hectares. Of this, approximately 60 percent is allocated for plantations with 13 percent reserved as natural forest conservation areas.

Since 1993 various land-dispute issues have been raised by the community, with progressive settlement over 3,500 hectares between 1997 and 2006. In 2006 a new case of dispute was raised over a land area of 2,000 hectares.

Through involvement of third-party mediators (led by the NGO Scale-Up and social anthropologists from the University of Indonesia), a Free Prior and Informed Consent resolution process was initiated. Over 18 months, an intensive dialogue between company and community was implemented - involving participatory mapping of land-holdings and claims, and progressive negotiation towards final settlement.

At the end of 2007, the consensus developing included the establishment of an oil palm plantation consisting of 264 hectares (two hectares for every household, total of 132 households) under communal ownership by the village, and profit sharing from *Acacia* plantations on the remaining land. Other contributions from the company have been agreed, including the phased implementation of infrastructural improvements - roads, school, village administrative office and mosque. Finally, the company and community have established a training programme for equipping villagers with the expertise for improved management over their land-holdings - including both administrative skills and agricultural best practices. The agreement will be finalised in 2008.

The basis for resolution was one of "changing conflict to partnership", resulting in enhanced trust and collaboration between Company and community, and strengthened leadership through improved village governance. The relationship itself is a point of considerable pride within the community itself. This case study has been widely recognised as a leading example of social conflict resolution in Indonesia.



## Building Communities through Education

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APRIL considers support of local education needs to be one of the most meaningful social investments with the broadest, long-term positive impact.

In Indonesia, APRIL provides a direct linkage between local senior high schools and our plantation operations, through class room syllabus collaboration, training and internship programmes in our forestry operations. The local talent pool programme provides communities with clear and facilitated pathways to recruitment, training and advancement within the company. More information on our training programmes can be found in the Chapter on “Employees (Nurturing Human Resources for a sustainable future”).

Recent milestones in APRIL’s support of local education include:

- As of December 2007, the Company has granted scholarships to 15,256 primary school students and 965 students at the tertiary level. We also extended honorarium support to 2,050 non-tenured government teachers in rural areas
- APRIL established the “Let’s Read Parks” or Taman Bacaan Kita in 2005. These permanent village libraries are run by volunteers. At the end of 2007, there were 219 TBK’s distributed over 207 villages in Riau, with a membership of 8,781 villagers. Each of these TBK has a collection of over 300 book titles.

In China, concurrent efforts in supporting education have also been initiated. APRIL established the Fujian Agricultural and Forestry University Scholarship and Grants-in-Aid fund,

providing RMB 50,000 in financial aid to university students who major in forestry-related fields.

In 2007, 44 students were awarded scholarships or grant-in-aid. These students are given priority for job applications within China.



## Infrastructure for Communities

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Mobility of villagers has grown through a network of about a hundred kilometres of village roads in the Riau province, in addition to thousands of kilometres of company roads open to public use. Since 1999, APRIL has built and renovated a total of 186 schools in Riau, and donated classroom furnishing, equipment, and materials.

In China, APRIL has constructed and repaired community roads in a total of 18 villages (four in 2006, eight in 2007). The company has also built 23 primary schools with funding provided

by the “Chen Jinrong Cultural and Educational Specific Fund”. This Fund was named after the late patriarch of the Tanoto family, the Chairman’s father, and is organised by the China Federation of Returning Overseas Chinese.

In 2006, APRIL collaborated with local governments of Ningde City in a “greening” drive with the theme “Green hometown, Prosperous hometown, Safe hometown”.

In 2007, in the city of Ningde, APRIL spearheaded the campaign to

promote five villages in their tree-planting efforts and another 50 villages as “model green hometown villages”. The Company also planted nearly 400,000 rare trees along 70 kilometres of village roads.



## Profile: APRIL's Langgam Pontoon Ferry in Indonesia – Carrying Communities

Travel along APRIL's access road near Langgam Village in Pelalawan District in Riau stops at Kampar River. There is as yet no bridge spanning the 140 m wide, 8 m deep Kampar that runs over 400 km from its source in the Barisan Range, about 150 km west of Pekanbaru, down to the Strait of Malacca, with water current as fast as 1,750 m<sup>3</sup> per second.

Fortunately for commuters, APRIL built a pontoon ferry in 1995, and another one in 2005. The river-crossing facility conveys company vehicles and private haulers carrying pulpwood to the Company's pulp and paper mill in Pangkalan Kerinci. With the exception of trucks carrying undocumented wood the ferry is accessible to the local community 24 hours every day.

### Community traffic

On a typical day, the Langgam Pontoon ferry transports around 800 motorcycle trips across the Kampar River. It is estimated that every day as many as 500 government, private, passenger and commercial hauling vehicles, in addition to APRIL's own, board the ferry in both directions.

### More than convenience

The Langgam Pontoon Ferry links by road Pangkalan Kerinci at the eastern highway, Jalan Lintas Timur and Simpang Koran at the central Jalan Lintas Tengah. Both of these roads stretch the whole length of Sumatra and lead all the way to Jakarta in Java. The 82-km Langgam Access Road, also built and maintained by APRIL, is a key transportation route both for the company and for the surrounding communities.

People from the villages of Langgam, Penarikan, Segati, Gondai and other settlements use the road and ferry in transporting farm products and domestic goods. Employees in government and private sectors go to and from work across Kampar. Children board the ferry in going to and from school. Traders market their merchandise in Pangkalan Kerinci or even Pekanbaru through the same way. Contractors ply the route to haul pulpwood, deliver supplies and perform services for APRIL and other customers. More than just convenience, this Ferry can make a critical difference during medical emergencies for ambulances carrying patients to hospitals in Kerinci or Pekanbaru.



## Disaster Relief Efforts

In each country of operations, APRIL is committed to bring aid and relief to victims of natural disasters. APRIL has been quick to respond to victims' needs in disaster-stricken areas, providing not only financial aid but also participating directly in rescue and reconstruction efforts.

In Indonesia, one such initiative was the "Aceh Recovery Fund", established to support reconstruction efforts in the Aceh Province following the Indian Ocean tsunami in 2004. Recognising that community needs continued in the aftermath of the tsunami and into 2006, the Fund was realigned to rebuild schools and provide ongoing educational support to orphaned children.

Also in early 2006, APRIL, through the Tanoto Foundation, worked with the local community to provide relief for flood victims in the Teluk Kuantan Regency in the Riau province. As part of those relief efforts, APRIL distributed 750 care packages or "sembako", containing nine basic commodities, to victims in both the Kuantan and Pelalawan regencies.

Later that same year, APRIL and the Tanoto Foundation provided assistance and relief to victims affected by an earthquake in Jogjakarta and Jateng.

In 2007, victims of the West Sumatra earthquake also received relief benefits from APRIL and the Tanoto Foundation.



In China, APRIL has also made significant contributions to disaster relief including financial aid to typhoon-damaged counties in eastern China in 2006, when Typhoon Saomai made landfall in that area. In 2007, APRIL in China participated in reconstruction projects in the aftermath of Typhoon Sepat in Donghaiyu Village.

## Socio-Economic Impact of APRIL's operations

created jobs in 2005

# 36,000

APRIL's operations are closely linked to local communities in the surrounding area, forming a network of mutual benefit that has contributed significantly to economic development of rural communities. Particularly in Indonesia, where there is a large

income disparity between rural and urban areas, poverty alleviation is a key concern.

A key indicator of economic contribution is the creation of direct and indirect jobs in Riau Province.

According to independent research carried out in 2006, APRIL's operations created livelihood opportunities for 249,241 persons in 2005. In the local Pelalawan District, direct and indirect job opportunities increased from 18,571 people in 1999 to 36,125 in 2005.

### Contribution to Job Opportunities in Riau Province and Pelalawan District

Year	Contribution (Persons)		Percentage (%)
	Riau	Pelalawan	
1999	137,780	18,571	13.48
2005	249,241	36,125	14.49

## Socio-Economic Impact of APRIL's Riau Operations

In 2006, as an update of an earlier base-line study carried out in 2004, the Institute for Economic and Social Research at the Faculty of Economics, University of Indonesia, evaluated the economic impact of APRIL's operations in Riau Province and the local Pelalawan District.

The multiplier effect (direct and indirect employment) of APRIL's Riau operations supports the livelihood of 249,000 people in the province,

and 36,000 people in Pelalawan District.

APRIL's contribution to household income accounts for 7 percent of total at the provincial level and around 49% of the total at district level.

APRIL contributes 7.4 percent of Riau province's total economic output and 54.2 percent of economic output at the local Pelalawan District level.





## Employees - Developing Human Resources for Sustainability

APRIL recognises that it cannot sustain its business without consistent and long-term investments in human resources. With this in mind, APRIL has developed several key programmes to improve employee knowledge and skills, and to increase the proportion of employees recruited from the surrounding region. Developing the talent pool, and then ensuring the safety, health and welfare of this most important resource, is a key foundation to the company's sustainability.

The Company believes that instilling a learning culture is vital to ensure that employees continue to grow with the company. APRIL encourages employees to adopt a life-long learning attitude, and this is supported by providing multiple opportunities at various stages of career incorporated within individual employees' personal development plans.



## Learning at APRIL

To address the human element of our sustainability, continuous improvement and growth strategy, the Company founded the APRIL Learning Institute (ALI) in 2004 at our production site in Kerinci. This initiative is what distinguishes APRIL from other players in the developed countries.

After the successful start up of ALI, two additional learning institutes were founded – the APRIL Asian Agri Learning Institute (AAALI) for the forestry and plantation operations,

and APRIL SSYMB Learning Institute (ASLI) to support our China establishment.

These three learning institutions are operated as full-scope inhouse learning institutions, with a holistic approach based on competency-based methodologies.

These Institutes focus on securing a sustainable talent flow into the Company. They offer three basic training programmes :



### Graduate Trainee Programme

In each country of operation, fresh university graduates are carefully screened based on relevant educational qualifications. These identified talents are then recruited by APRIL and they undergo a one-year programme for industrial operations and a nine-month programme for forestry and plantation operations ("Asisten" or Supervisor Programme).

This programme focuses on technical subjects that are not sufficiently covered in the normal education system, and includes an induction to corporate culture, discipline and mindset development. Special emphasis is placed on best practice and continuous improvement. Since inception till 2007, 660 Forestry Graduate trainees have successfully completed the programme.

### Mandor (Foreman) Programme

To ensure that the Company has a pool of capable first-line leadership in the forestry operations, APRIL has a programme tailored to groom talented graduates from senior high schools and local community schools to groom as mandors, or foremen. This Foreman programme is a nine-month curriculum of competency-based training. Upon successful completion, graduates then assume the position of foremen in the forestry operations. 667 have successfully completed the "mandor" programme.



### Assistant Cadet Programme

This programme, implemented in 2007, provides a fast-track career path for forestry "mandor" or foremen. These have been identified as having high potential for management development. Selected candidates are provided academic training, supplemented by operational and technical skills training. Since its implementation in 2007, 27 foremen have been promoted after completion of this programme.



### APRIL Citizens, Leaders and Experts

At APRIL, shared values and goals that are in line with the Company's vision are vital for an employee's development within the organisation. The **APRIL Citizen** has a strong commitment to the core values and support the corporate credo. Special programs to inculcate these core values are cascaded to all employees:

- a. APRIL's orientation and induction programme
- b. APRIL Culture inculcation
- c. Continuous Improvement mindset and skills development

In any organisation that wants to ensure a sustainable future, it is important to retain and nurture internal talent to their full potential. To this end, APRIL has developed a competency based Talent Management Programme (TMP) to develop the **APRIL Leader**.

Candidates of different levels in the hierarchy are assessed and guided with individual development plans, to ensure that their development gaps are addressed. This leadership programme serves to ensure that there is a ready talent pool within APRIL.



### APRIL Experts - Driving License Process

The foundation of operational sustainability at any company is the business continuity of its operations and processes, underpinned by best practice. To this end, the Company has developed the **APRIL Expert**.

The first and most fundamental programme that was developed by the learning institutes was the Driving License Process. The DLP is a comprehensive competency-based development and certification process for employees deployed within our core operations.

The thrust of the DLP is to establish a talent pool equipped with world-class competencies and skillsets. Going beyond the minimum required skillsets, the DLP programme aims to achieve world-class excellence in performance.

A comprehensive pre-assessment is conducted as a needs analysis. Areas of development, both practical and conceptual are identified, and the trainee then undergoes the required programme. On completion of the training, the candidate must pass a competency assessment before being awarded a "Certificate of Professional Competence".

This certification is valid for three years, with renewal as a necessary requirement for the employee to continue his career path with APRIL.

The same system has been implemented in forestry operations with six DLPs required to attain the Forestry Certificate. To date 92% trained foremen have achieved the first level of certification (DL1) and 33% have achieved the next level (DL2).

Employees are encouraged to attain parallel certification across operational departments, so as to equip them to multiple skillsets to facilitate multi-tasking.

## External Talent Pool

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It is vital that APRIL integrates our operations with the local community. In building up talent, there is the community those that are often disadvantaged by lack of suitable institutions of higher learning. This situation is further hampered by high education costs in relation to rural poverty, especially in Indonesia.

APRIL provides the community with equal opportunities for young talents to further develop their career path. The Company, through its External Talent Pool (ETP) programme in Indonesia, allows young talents to obtain full scholarships to the Pulp and Paper Polytechnic in Bandung, Indonesia.

The ETP, initiated in 2007, works closely

with local high schools and technical schools in developing an integrated programme, combining class room learning and hands-on work experience with the Company. Potential candidates are identified by a rigorous system, and provided with a personal development plan and an internship on-site with APRIL. Upon graduation, the successful students are offered initial positions as foremen or assistant cadets. The first cohort will graduate in 2009.

The ETP is structured to provide APRIL's operations with a steady stream of talents of about 10-15 graduates per year.

For the local engineer level personnel, APRIL offers more tailored solutions to

meet their needs for higher development. Six Indonesian engineers are currently on full scholarship at the Asian Institute of Technology in Thailand, completing a Masters programme in pulp and paper technology. An additional staff is pursuing a Masters in human resource management at the Baruch University long-distance learning programme based in Singapore.

It is through this talent pool development that APRIL forges a win-win relationship with the community, elevating the skills and education of young local talents, while securing a sustainable, trained workforce to support its operations.



## Continuous Improvement Mindset

APRIL considers the concept of continuous improvement to be fundamental to maintaining competitiveness. A continuous improvement mindset is instilled in employees by an organised program of improvement monitoring and recognition of individual and team effort. In 2004, APRIL established the 'APRIL Improvement Management

System' (AIMS) to encourage this innovation and continuous improvement throughout the organisation.

The AIMS programme encourages all levels of the organisation to push for continuous improvement in their areas of responsibility, from simple cost-efficiencies to complex, task-force led projects. Since 2006, more than one thousand Continuous Improvement

projects have been implemented, saving on average US\$ 5 million to US\$ 20 million per year.

In 2006, departments in our Indonesian operations completed the implementation of 47 CI projects that generated operational improvements with cost efficiency valued at US\$29.4 million (against a target of US\$11.6 million). In addition to economic value, the completed CI projects resulted in significant improvement in production and service quality, reduction in environmental impact of operations, and higher employee morale.

During 2007, the corresponding figures were 67 completed projects and US\$ 42.63 million of economic value creation (against a target of US\$ 22 million).

Integrated to the CI Project programme was APRIL Suggestion System (SS) the key objective of which is to encourage employee participation and involvement in AIMS through identification and implementation of Improvement Ideas in respective work areas.

### Completed CI Projects in Indonesia

Business Unit	2006	2007
Pulp	15	17
Paper	5	5
Power	4	8
Fibre	12	14
Common Services	11	23
<b>Total</b>	<b>47</b>	<b>67</b>

### Improvement Ideas under APRIL Suggestion System

Business Unit	2006		2007	
	No. of Ideas	No. of People	No. of Ideas	No. of People
Pulp	156	155	292	349
Paper	22	33	61	105
Power	16	48	56	89
Fiber	14	74	48	152
Common Services	13	45	78	212
<b>Total</b>	<b>221</b>	<b>355</b>	<b>535</b>	<b>907</b>

# Occupational Health and Safety

Through the APRIL Environmental, Social, Health and Safety Policy, there is the commitment that Occupational Health & Safety in the mill and forestry operations has the available resources and support to fully integrate safety into every aspect of the operation. APRIL has implemented occupational health and safety management systems in its forestry and mill operations conforming to OHSAS 18001. The forestry and mill operations have been certified to OHSAS 18001 since 2005 and 2006 respectively.

APRIL's plantation forestry operations employs approximately 20,000 workers

for harvesting and planting activities comprising permanent company employees, daily workers, and sub-contractors supervised on a regular basis through a hierarchy of supervisors, superintendents, and managers that visit the various labor camps and work locations.

The forestry operation is a dynamic and widespread work environment, where manual harvesting and plantation sub-contractors live and work in distant, isolated locations, and experience regular worker turn-over. The majority of the forestry sub-contractor labor has migrated from other Indonesian provinces to Riau to

work in our operation from 5 – 12 months per year. Wherever practicable, the Company sources its daily workers and sub-contractors from the surrounding communities in line with its community development commitments. There are significant challenges with respect to training considering the labor workforce comprises mainly transient and semi-literate equipment operators and field workers. Therefore, providing safety training and preventing accidents in the plantation forestry operations present a unique set of occupational health and safety challenges for the Company.

## Employee Safety

"Total Case Incident Ratio" (TCIR) is the standard industrial norm for measuring and comparing safety performance. Total Case Incident Ratio statistic provides a useful and comparative measure of safety performance by reporting the average number of work-related injuries incurred by each 100 workers during a one-year period. The following key actions are taken to improve occupational health and safety:

- Forestry Contractor badge system that ensures contractors receive training and safety briefings for their specific job tasks before they begin work.
- Customisation of Personal Protective Equipment to fit the body size and work habits of our contract manual harvesting crews.
- Weekly safety meetings with employees to raise awareness of the hazards / risks of forestry

operations and to break-down the social and cultural barriers that exist to communicating these hazards and risks to contractors.

The mill operations have a more controlled work environment that has numerous engineering and technical controls and is rigorously monitored by APRIL supervisors and safety personnel on a hourly and daily basis.

### Employee and Contractor Accident Record and Safety Performance

	Average Number of Workers / Month	Fatalities	Lost Time Injury	Medical Aid	Total Case Incident Ratio
<b>Forestry Operations (based on working hours)</b>					
2006	20,548	17	328	191	3.18
2007	15,788	5	281	520	4.70
<b>Mill Operations (based on number of employees)</b>					
2006	4,581	1	5	20	0.57
2007	5,523	1	20	36	0.91

# Employee Welfare

At APRIL, employee welfare fares high on our priorities, and the Company has made concerted efforts to ensure that employees needs are well provided for. For the forestry sector, APRIL has a comprehensive policy that provides the guiding principle across all the fibre estates. Some examples of APRIL's measures to ensure employees well-being are :

- Each plantation Estate has a permanent medical clinic operated by a medical service provider to supply occupational and family health services to employees, their family's and contractors.
- Gastroenteritis Motility Disorders are the highest incidence of illnesses in our workforce, representing 77% of the total reported cases in 2007. Focused efforts to protect our people against poor health conditions that are endemic to the area continue to be taken.
- Monitoring and treatment of occupational health diseases by the Estate medical clinic service provider indicate that Upper Respiratory Tract Infections, Malaria, Non-Gastroenteritis Motility Disorders are the highest incidence of illnesses in our workforce, representing 77% of the total reported cases in 2007. Focused efforts to protect our people against poor health conditions that are endemic to the area continue to be taken.
- To ensure our employees and contractors are provided with proper nutrition, APRIL established vegetable gardens in estates. The Company provided financial and supervisory support to ensure these gardens thrived, supplementing food supplies.
- Design and location of sub-contractor housing is based on the type of work performed and cultural needs. In our harvesting

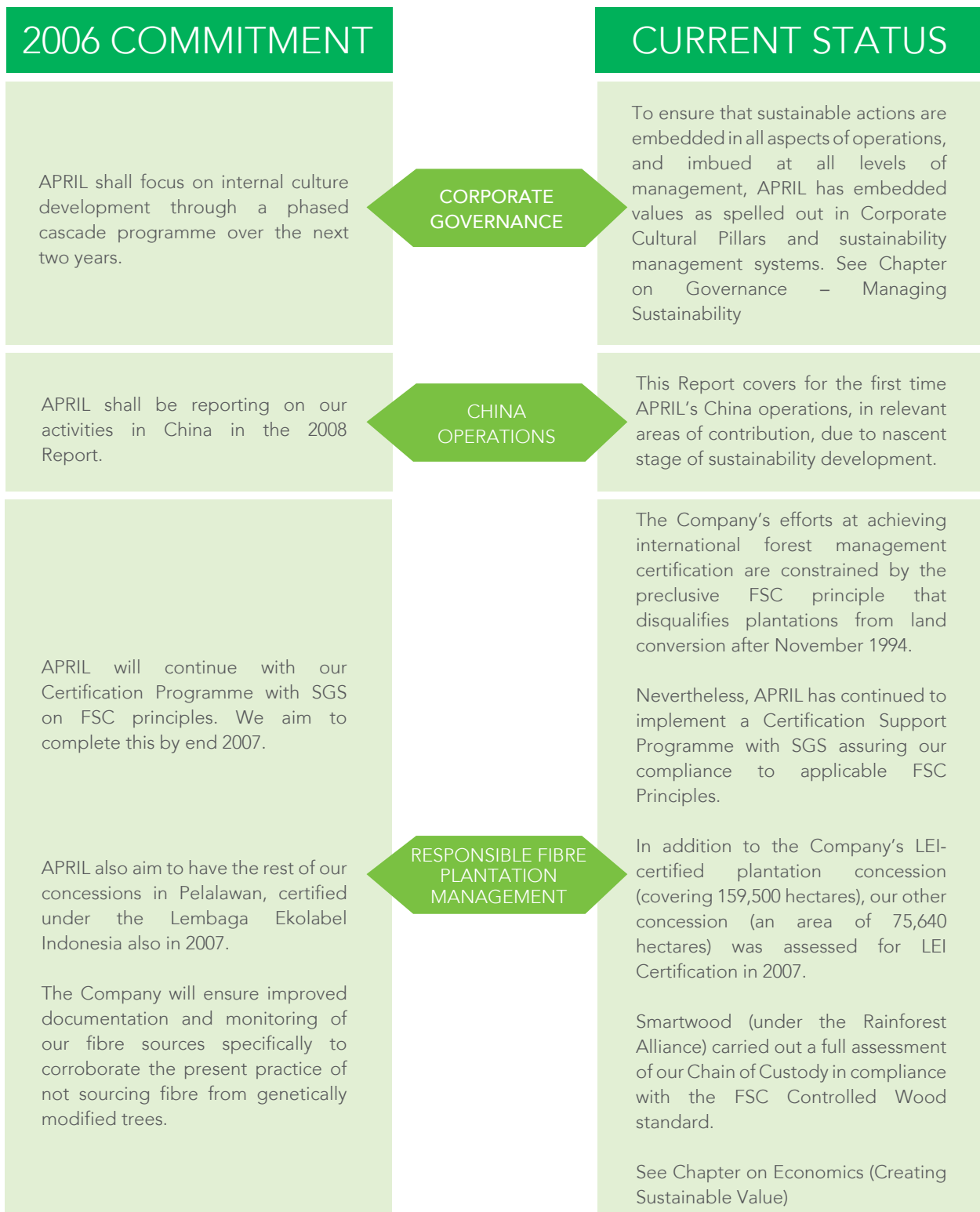
area's, the Samba's men work for five months and use standardised mobile field camps that provide protection from the weather, mosquitoes, improved sanitation facilities and water supply. For planting and maintenance crews, the Nias laborers and their families live in permanent barracks to accommodate children and care-givers.



# APPENDICES

# SUSTAINABILITY MILESTONES

This is a status update of APRIL's sustainability initiatives and programmes, with reference to commitments made in the 2006 Report.





## 2006 COMMITMENT

APRIL will continue to report on the progress of issues related to peatland development, and the proposed development strategy in the Kampar Peninsula.

### FIBRE OPERATIONS IN PEATLANDS

## CURRENT STATUS

APRIL has recently completed a "cradle-to-gate" carbon footprint assessment of its Pelalawan operations in the Kampar Peninsula. This assessment applies the CEPI 10-element carbon accounting framework, and has been independently assessed by the National Council for Air and Stream Improvement (NCASI).

In the next phase, APRIL will extend the preliminary assessment to a fully verified emissions profile and finalise a continuous improvement action plan for reduced emissions and increased energy efficiency across the operations.

See Chapter on Economics (Creating Sustainable Value)

The Company will improve our monitoring and reporting system on the impact of our fibre and mill operations on the climate, including initiatives to mitigate this

### CLIMATE CHANGE

APRIL continues to support independent and pioneering scientific research for reduced Greenhouse Gas (GHG) emissions in the plantations. An ongoing collaboration with Delft Hydraulics, ProForest and leading peatland research institutes is developing operational guidelines for optimised water management for reduced GHG emissions from plantations.

A baseline study is now underway to compare APRIL's optimised water-table management, with "business-as-usual" drainage prevalent elsewhere in Indonesia.

See Chapter on Forestry (Sustainable Resource Management)

## 2006 COMMITMENT

APRIL will continue to support WWF in the urgent need to protect and manage the presently declared Tesso Nilo National Park, and its bid to expand the park to 100,000 ha.

### TESSO NILO

## CURRENT STATUS

Since 2005, WWF Indonesia and APRIL have proposed to the Indonesian Ministry of Forestry for the expansion of Tesso Nilo National Park, to at least 100,000 hectares (from the present legislated area of only 38, 576 hectares).

APRIL also joined other stakeholders in forming the Special Tesso Nilo Task Force to combat illegal logging, forest encroachments and fires. However, in carrying out their task, the Team has had to face resistance and even violent reaction from migrant land settlers and speculators as well as illegal loggers.

APRIL established an Elephant Flying Squad (Elang Emas Camp) inside Ukui Fibre Estate.

See Chapter on Forestry (Sustainable Resource Management)

APRIL will continue to report on the progress and/or completion of our new landfill, the remediation of our existing landfill, and other initiatives related to the re-use and recycling of the mill's solid wastes.

### SOLID WASTE MANAGEMENT

We have completed the establishment and re-mediation of our Landfill Category III in full compliance with Indonesian government regulations, and in accordance with our landfill license from the Minister of Environment (SK 114 issued on 8 June 2005).

See Chapter on Clean Production (Minimising Impact for Sustainable Operations)

The Company hopes to be able to further grow our programmes through partnerships with other institutions. We remain committed to the improvement of the overall quality of life of the communities within our sphere of influence.

### COMMUNITY DEVELOPMENT

Since the establishment of the independent non-profit Care and Empowerment for the Community (CECOM) foundation in 2005, APRIL's community partnership program has significantly expanded its reach.

See Chapter on Social Investment (Sustainable Partnership with Communities)

## 2006 COMMITMENT

APRIL is committed to improving our land dispute resolution system and will continue with our search for an independent third party that we can engage for advice and assistance to ensure a fair and peaceful resolution of these issues.

### LAND DISPUTES

APRIL will seek membership and active participation in a Global Compact network.

### GLOBAL COMPACT

APRIL will continue to train and develop our people, primarily from the local pool, to ensure a sufficient and competent human resource base.

### ORGANISATIONAL DEVELOPMENT

## CURRENT STATUS

APRIL's conflict resolution process, as in the case of Lubuk Jering village inside the company's Mandau Fibre Estate, fulfills to a large extent some principles of the Free, Prior and Informed Consent (FPIC) concept. The process involves local government institutions and independent third parties (NGO and academia)

See Chapter on Social Investment (Sustainable Partnership with Communities

Since becoming a signatory to the UN Global Compact in 2006, APRIL has actively participated in the activities of the Compact.

APRIL has supported the UNEP Champions of the Earth as corporate partner in 2006, 2007, and 2008.

APRIL became the only member from Indonesia of the World Business Council on Sustainable Development (WBCSD) in 2007.

APRIL Learning Institute (ALI), established initially in Indonesia in 2005, serves as our internal facility to strengthen our human resource pool.

A specialised programme under ALI recruits select Graduate Trainees for managerial and technical positions.

We also implement an external continuing-education programme including attendance in workshops, training courses and advanced academic degrees.

See Chapter on Employees (Human Resources for a Sustainable Future)

## 2006 COMMITMENT

Through the Company's Balanced Scorecard and APRIL Improvement Management System (AIMS), APRIL remains committed to ongoing improvement in our processes.

### SUSTAINABILITY REPORTING

## CURRENT STATUS

APRIL has applied the GRI G3 framework, incorporating the UN Global Compact principles. We have moved from GRI G2 used in the 2006 Report, to this current format. This marks our continued commitment to the UN Global Compact and its guiding principles towards a sustainable future.

See Appendix on GRI, UN Global Compact Principles and this Report.

GLOBAL REPORTING INITIATIVE,  
UN GLOBAL COMPACT PRINCIPLES  
and  
this Report

# APRIL Status within GRI and UN GLOBAL COMPACT Frameworks

The format of this Sustainability Report is based on guidelines outlined by The Global Reporting Initiative (GRI) and the United Nations' Global Compact principles. The Terms of Reference specific to this Report are as indicated in the table below.

GRI PERFORMANCE INDICATORS	APRIL STATUS																																																						
<b>Aspect: Economic Performance (Relevant to Global Compact Principle 6)</b>																																																							
<p>EC1: Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and government.</p>	<ul style="list-style-type: none"> <li>APRIL is not a publicly listed company hence does not disclose a financial statement to the general public.</li> </ul> <p>Please see : APRIL at a Glance, Economics, Social Investment</p>																																																						
<p>EC2: Financial implications and other risks and opportunities for the organization's activities due to climate change.</p>	<ul style="list-style-type: none"> <li>APRIL recognises the responsibility for managing its GHG emissions footprint, actively engaged in forest carbon emissions reduction initiatives, CDM projects, hydrological research for reduced land emissions and has initiated a comprehensive carbon footprint assessment to CEPI standards</li> </ul> <p>Please see : Economy - Carbon Management</p>																																																						
<p>EC3: Coverage of the organisation's defined benefit plan obligations.</p>	<ul style="list-style-type: none"> <li>APRIL implements an employee benefit policy that complies with Indonesian and Chinese law. The Company also extends placement assistance for laid-off workers, etc. The Company pay and benefit scheme compares well within the sector.</li> <li>The Company conducts an independent third party annual Employee Satisfaction Survey. Results show that overall employee satisfaction index has consistently increased from 62.64 percent in 2004 to 68.28 percent in 2007:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #00a651; color: white;"> <th rowspan="2">Dimension</th> <th colspan="4">Satisfaction Index (%)</th> </tr> <tr style="background-color: #00a651; color: white;"> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>Reward and Recognition</td> <td>54.41</td> <td>56.97</td> <td>62.48</td> <td>67.78</td> </tr> <tr> <td>Working Appreciation</td> <td>64.99</td> <td>66.14</td> <td>67.49</td> <td>70.58</td> </tr> <tr> <td>Working Climate</td> <td>70.93</td> <td>71.23</td> <td>72.97</td> <td>73.40</td> </tr> <tr> <td>Career Development and Promotion</td> <td>55.89</td> <td>55.47</td> <td>59.07</td> <td>63.53</td> </tr> <tr> <td>Leadership / Management</td> <td>66.95</td> <td>67.15</td> <td>68.96</td> <td>71.09</td> </tr> <tr> <td>HR Procedures</td> <td>61.78</td> <td>60.96</td> <td>63.16</td> <td>65.59</td> </tr> <tr> <td>Training and Development</td> <td>65.11</td> <td>64.09</td> <td>68.79</td> <td>70.93</td> </tr> <tr> <td>Internal Community</td> <td>61.03</td> <td>61.09</td> <td>61.06</td> <td>63.25</td> </tr> <tr> <td>Overall Satisfaction Index</td> <td>62.64</td> <td>62.89</td> <td>65.93</td> <td>68.28</td> </tr> </tbody> </table> <p>Please see : Governance - Ethical Business Practice</p>	Dimension	Satisfaction Index (%)				2004	2005	2006	2007	Reward and Recognition	54.41	56.97	62.48	67.78	Working Appreciation	64.99	66.14	67.49	70.58	Working Climate	70.93	71.23	72.97	73.40	Career Development and Promotion	55.89	55.47	59.07	63.53	Leadership / Management	66.95	67.15	68.96	71.09	HR Procedures	61.78	60.96	63.16	65.59	Training and Development	65.11	64.09	68.79	70.93	Internal Community	61.03	61.09	61.06	63.25	Overall Satisfaction Index	62.64	62.89	65.93	68.28
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Economic Performance

EC4: Significant financial assistance received from the government

- APRIL does not receive any financial assistance from the government

### Aspect: Market Presence (Relevant to Global Compact Principle 6)

EC5: Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.

- APRIL complies with the provisions of the local and national labour laws and regulations.
- APRIL has an employee salary and benefits policy that exceeds the requirements of Indonesian and Chinese law regarding minimum wage; overtime work premiums, bonuses, performance incentives, and service recognition. The Company benefit scheme compares well within the sector.

Please see : Governance - Ethical Business Practice

EC6: Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.

- The Company applies a rigid policy and Standard Operating Procedures [Ref. KER-MTL-001-RP] prescribing criteria for Selecting Suppliers, and has comprehensive programmes to develop capacity in local suppliers and service providers.

Please see : Governance - Ethical Business Practice

EC7: Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

- APRIL applies a rigid policy and Standard Operating Procedures prescribing recruitment and employment criteria regardless of racial, cultural, or religious background. There has been a significant increase in the number of employees coming from local communities, including managerial and executive positions. The External Talent Pool program ensures a continuous stream of local recruits.

Please see : Governance - Ethical Business Practice

### Aspect: Indirect Economic Impacts ( Relevant to Global Compact Principle 6)

EC8: Development and impact of infrastructure investment and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.

- The Company invests in infrastructure, services and facilities for housing, medical, security, educational, recreational, sports, cultural and other social needs of its employees and families inside the Company complex in Indonesia and China.
- APRIL has a comprehensive program of social and infrastructural support for surrounding communities.

Please see : Social Investment - Infrastructure for Communities

EC9: Understanding and describing significant indirect economic impacts, including the extent of impacts

- APRIL regularly carries out an independent third party study to assess the economic impact of its operations (2006 and 2007 assessments completed).

Please see : Social Investment

## Aspect: Materials ( Relevant to Global Compact Principle 7, 8, and 9)

EN1 : Materials used by weight or volume

### Raw material for pulping – pulpwood

Pulpwood	2006 (tonnes)	2007 (tonnes)
Acacia	987,428 (48 percent)	1,726,709 (83 percent)
Mixed Hardwood (MHW)	1,087,609 (52 percent)	357,446 (17 percent)
<b>Total</b>	<b>2,075,037</b>	<b>2,084,155</b>

Raw materials for paper manufacture Acacia/MHW pulp fibre (69 percent), pulp from long/softwood fibre (5 percent), fillers and additives (22 percent). The balance (4 percent) is water.

Approximately 90 percent of the total electricity produced by APRIL's Indonesia operations comes from biofuel (75 percent recycled black liquor and 15 percent bark/wood residues). The balance is fuelled by coal and oil.

### Water Consumption

Water Used	2006	2007
Water from Kampar River (m <sup>3</sup> /Adt pulp)	61	60.4
Process Water (m <sup>3</sup> /Adt pulp)	45.6	42.8
Domestic Consumption (m <sup>3</sup> /day)	17,667	17,526
Effluent Load (m <sup>3</sup> /Adt pulp)	41.8	39.2

### Power and Steam Generation

	Capacity MWh	2006	2007
Power (MWh)	435	2,552,097	2,864,419
Steam (tonnes)	3,234	19,103,178	20,969,368

Please see : Clean Production



EN2 : Percentage of materials used that are recycled input materials

- Up to 97 percent of the cooking chemicals during pulping is recovered, burned (as black liquor) and used as fuel in the recovery boiler, recycled and re-used in a continuous cycle.
- APRIL Indonesia manages and utilises pulp and paper mill by-products, residuals and wastes - either internally or sold onwards to licensed external buyers.

Please see : Clean Production

**Aspect: Energy (Relevant to Global Compact Principles 7, 8, and 9)**

EN 3: Direct energy consumption by primary energy source

- In APRIL's Indonesia operations, about 90 percent of the total energy requirement (2.87 MWh in 2007) produced comes from biofuel (75 percent recycled black liquor and 15 percent bark/wood residues). The balance comes from oil and coal.

EN 4: Indirect energy consumption by primary source

- APRIL's power plant in Indonesia, with a total of 535 MW capacity supplies the energy requirement of the mill and Riau Complex. The Company also supplies up to 6MW to the local town of Pangkalan Kerinci.

EN5 : Energy saved due to conservation and efficiency improvements

- China mill's requirement (270 MWh in 2007) is provided by its own coal-fueled power plant (up to 97percent ), with the balance sourced from the State Power Grid.

EN6: Initiatives to provide energy-efficient or renewable energy based products and services, and reduction in energy requirements as a result of these initiatives

- APRIL produces and supplies its own mill utilities – including electricity, steam, process water, pressurized air. Steam is generated by three power boilers and three recovery boilers with a capacity of 3,234 tonnes/hour. Steam generated in 2007 was approximately 21 million tonnes.

EN7: Initiatives to reduce indirect energy consumption and reduction achieved

- APRIL's energy and water conservation initiatives have yielded significant efficiencies in cost and productivity. These include CI projects and Improvements ideas.

Please see : Clean Production

**Aspect: Water ( Relevant to Global Compact Principles 7, 8, and 9)**

EN8: Total water withdrawal by source

- APRIL sources water for the mill from the Kampar River, with total water consumption of over 300,000 m<sup>3</sup> per day.
- Water usage in processing (60.4 m<sup>3</sup> per tonne of pulp) has decreased consistently (5 percent decrease since 2004). APRIL has reduced Complex domestic water consumption by 15 percent as a result of water conservation efforts.

Please see : Clean Production

EN9: Watersources significantly affected by withdrawal of water

- The Kampar River, from where APRIL sources its water supply and to where it discharges treated waste-water, has not been affected by withdrawal of water for industrial and domestic purposes. Impact on the Kampar River is routinely and annually monitored by independent third parties.

Please see : Clean Production

N10: Percentage and total volume of water recycled and re-used

- Less than 5 m<sup>3</sup> used per tonne of paper, most of the is recycled and reused by the mill

Please see : Clean Production

### Aspect: Biodiversity ( Relevant to Global Compact Principles 7, 8, and 9)

EN11: Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

- Underpinning the Mosaic Plantation Concept, APRIL protects and manages on average 25 percent (but up to 70 percent where necessary) of licensed concession areas in Indonesia as protected areas aimed at protecting or enhancing the High Conservation Values (HCV) found within the forest management unit (FMU) and surrounding landscape.
- This FMU spatial planning fully meets and exceeds government regulation requirements and HCVF protocols according to FSC standards and the guidelines of the global HCV Resource Network.
- Some of APRIL's own concessions (e.g. Logas Estate, Tesso Estate, Pelalawan Estate) and partner concessions (e.g. Merbau, Peranap) are situated adjacent to officially protected areas. Buffer zones of at least 500 metre wide are maintained in these situations, and conservation areas/HCVF are delineated with respect to these wider landscape conservation features, including delineation to provide biological corridors to facilitate inter-connectivity between forest units thereby allowing wildlife migration and contributing to species viability and conservation value at the landscape-level.

Please see : Forestry

EN12: Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

- APRIL upholds a strict policy of FMU and landscape planning based on High Conservation Value identification, monitoring and management. Conservation areas are delineated and managed specifically in order to prevent the degradation or loss of High Conservation Values.

Please see : Forestry

<p>EN 13: Habitats protected or restored.</p>	<ul style="list-style-type: none"> <li>The HCVF approach ensures APRIL management maintains a specific focus on protection of priority habitats and ecosystems, with a number of specific examples in Riau province. Significant investment has been devoted to the establishment of native tree nurseries for conservation area restoration, including collaboration with local communities with respect to forest regeneration. Research is currently focused on peatland forest and hydrological function restoration.</li> </ul> <p>Please see : Forestry</p>
<p>EN14: Strategies, current action, and future plans for managing impacts on biodiversity</p>	<ul style="list-style-type: none"> <li>APRIL implements environmental management in plantations through the action and monitoring of annual, five year and long-term plans. The management goal is avoidance of loss of any HCV identified within the management area. New conservation areas are preceded by a comprehensive HCV assessment, reviewed by third parties and then annually monitored by independent assessors.</li> </ul> <p>Please see : Forestry</p>
<p>EN15: Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</p>	<ul style="list-style-type: none"> <li>Under the HCV commitment, APRIL maintains a database of all IUCN Red List and National conservation priority species that are observed either within or adjacent to concession areas.</li> <li>Involvement of third party experts supports impact assessments prior to plantation development. Specific programs are put in place for priority species where required, encouraging third party scientific and conservation collaboration where appropriate.</li> </ul> <p>Please see : Forestry</p>
<p><b>Aspect: Emissions, Effluents and Waste ( Relevant to Global Compact Principles 7, 8, and 9)</b></p>	
<p>EN16: Total direct and indirect greenhouse gas emissions by weight.</p>	<ul style="list-style-type: none"> <li>APRIL has developed a preliminary carbon/GHG footprint assessment of its operations from plantations to product. Using CEPI's sector standard for reporting, the 10 element model includes components for direct, indirect and avoided emissions.</li> <li>GHG emissions data are reported in the Environmental Product Declarations for Paper and Pulp, and quoted as tonnes CO<sub>2</sub>/ADT of product. Further details can be provided on request.</li> </ul> <p>Please see : Economic : Carbon Management, Clean Production</p>

<p>EN17: Other relevant indirect greenhouse gas emissions and reductions achieved.</p>	<ul style="list-style-type: none"> <li>• Preliminary carbon footprint assessment results have indicated that APRIL's mill and forestry operations are within sector norms.</li> <li>• APRIL research is pioneering with respect to reduced carbon emissions relating to hydrology management in peatlands. APRIL instigated the Science Based Management Support Project (SBMSP) to improve emissions footprint while reducing conservation impact and enhancing plantation sustainability.</li> <li>• A comprehensive action plan for reduced fossil fuel use, energy efficiency and GHG emissions within the mill is being developed.</li> <li>• APRIL implements a strict No-Burn Policy in plantations.</li> </ul> <p>Please see : Clean Production</p>
<p>EN18: Initiatives to reduce greenhouse gas emissions and reductions achieved</p>	<ul style="list-style-type: none"> <li>• See above. APRIL's Environmental Management System (EMS) specifies continuous monitoring of ambient air and water emissions from the mill facilities. Monitoring is carried out by internal audit teams and by independent third-parties.</li> <li>• During 2008/09 the preliminary carbon footprint assessment will be extended to full verification and integrated with a comprehensive time-line and action plan for reduced emissions</li> <li>• The SBMS Project for reduced land-use emissions will continue research in 2008/09, providing direct measurement of emissions avoidance achieved as a result of improved hydrology management.</li> </ul> <p>Please see : Clean Production</p>
<p>EN 19: Emissions of ozone-depleting substances by weight.</p>	<ul style="list-style-type: none"> <li>• APRIL implements strict policies on the use of ozone-depleting substances in the mill process.</li> <li>• APRIL does not use any fully halogenated CFCs (chlorofluorocarbons), Halons (12-02, 1211, 1301, etc), or other ozone-depleting substances (ODS) listed in Class I or hydrochlorofluorocarbons (HCFC) listed in Class II of the Montreal Protocol and Title VI of the Clean Air Act (CAA).</li> </ul> <p>Clean Production (p.44)</p>

EN22: Total weight of waste by type and disposal method.

- All effluent and waste treatment processes comply with Indonesian regulations and international standards (US Cluster Rule, World Bank Pollution Prevention Guidelines, European Commission's Best Available Technologies for the Pulp and Paper Industry protocols).
- Treated waste water is discharged back into the Kampar River in Indonesia and to the Yellow Sea in China.
- APRIL mill in Indonesia produces about 1,500 tonnes of solid waste (sludge and lime mud) every day. Previously brought to a licensed landfill, managed under a remediation programme (to ensure no leaching of harmful substances into the soil or water-courses). Currently these solid wastes are mostly incinerated in the power boiler
- Consumption of bleaching materials (O<sub>2</sub>, ClO<sub>2</sub>, H<sub>2</sub>O<sub>2</sub>, NaOH) in the Indonesian mill operations is as follows:

Chemical	2006 (kg/Adt Pulp)	2007 (kg/Adt Pulp)
O <sub>2</sub>	30.2	30
ClO <sub>2</sub>	42.3	43.2
H <sub>2</sub> O <sub>2</sub>	2.2	3
NaOH	19.2	17.9

Please see : Clean Production

EN23: Total number and volume of significant spills.

- There has been no incidence of spills of harmful or hazardous chemical or other liquid substance in the APRIL mill in either Indonesia or China

Please see : Clean Production

EN 24: Weight of transported, imported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.

- Not applicable
- APRIL does not ship imported or treated wastes internationally.

EN25: Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharge of water and runoff.

- APRIL's discharge of treated waste water has no significant impact on the Kampar River. Both the Indonesia and China discharges conform to international standards for emissions and are regularly monitored by third parties for adverse environmental and social impact on the surrounding ecosystems.

Please see : Clean Production

### Aspect: Products and Services ( Relevant to Global Compact Principles 7, 8, and 9)

EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

- The processes involved in the manufacture of pulp and paper can have significant impact on the environment. The Company's Environmental Management System (EMS), in both mill and forestry operations ensure that any potential risk is pro-actively managed.

Please see : Clean Production

EN27: Percentage of products sold and their packaging materials that are reclaimed by category.

- APRIL's pulp and paper products are recycled by end-users to an extent dependent upon geographical sales region and local policies. APRIL's products are bio-degradable.

Please see : Clean Production

### Aspect: Compliance ( Relevant to Global Compact Principles 7, 8, and 9)

EN 28: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

- APRIL has not been subjected to any fine or sanction, material or otherwise, for non-compliance with environmental laws and regulations. The Company's environmental performance, in both mill and forestry operations, are within national and international standards as endorsed by Green PROPER Rating for emissions compliance.

Please see : Clean Production

### Aspect: Transport ( Relevant to Global Compact Principle 7, 8, and 9)

EN29: Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.

- APRIL transports pulpwood by land (via company roads) and water (company canals), and ships products and materials used in pulp and paper manufacture both nationally and internationally. APRIL in Indonesia operates two ISPS accredited ports.

Please see : Economic: Carbon Management

### Aspect: Overall ( Relevant to Global Compact Principles 7, 8, and 9)

EN30: Total environmental protection expenditures and investments by type.

- APRIL has two specific environmental departments – one for mill and another for forestry operations, staffed by national and international experts. In addition to that security teams ensure protection of forest assets and conservation areas.

Please see : Economic: Enhancing Sustainable Value

**Aspect: Employment ( Relevant to Global Compact Principles 3, 4,5, and 6)**

<p>LA1: Total workforce by employment type, employment contract, and region.</p>	<ul style="list-style-type: none"> <li>• Of 4,426 regular employees in Indonesia in 2007:               <ul style="list-style-type: none"> <li>- 91 percent male and 9 percent female</li> <li>- 1.5 percent are over 50 years old</li> <li>- 74 percent are Muslims (other main religions represented are Christians, Buddhists, Hindus)</li> </ul> </li> <li>• From 28 Indonesian indigenous groups and 13 countries.</li> <li>• Of 1,698 regular employees in China in 2007:               <ul style="list-style-type: none"> <li>- 71 percent are male while 29 percent are female</li> <li>- 1.5 percent are over 50 years old</li> </ul> </li> </ul> <p>Please see : Employees</p>
<p>LA2: Total number and rate of employee turnover by age group, gender, and region</p>	<ul style="list-style-type: none"> <li>• APRIL actively encourages against discrimination in employee selection, however due to the nature of the operations the majority of employees are male (except for office-based support functions).</li> <li>• An exact figure is not yet available on this issue</li> </ul> <p>Please see : Employees</p>
<p>LA3: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations</p>	<ul style="list-style-type: none"> <li>• APRIL's policy is that part-time employees have access to the same healthcare, education and complex facilities as full-time employees. The full benefit schemes are however reserved for full-time employees, representing by far the majority of the workforce in all operations.</li> </ul> <p>Please see : Employees</p>

**Aspect: Labor/Management Relations ( Relevant to Global Compact Principles 3,4,5, and 6)**

<p>LA4: Percentage of employees covered by collective bargaining agreements</p>	<ul style="list-style-type: none"> <li>• Out of 4,426 employees in Indonesia, 3,707 or 84 percent are members of labour/trade unions</li> <li>• APRIL respects the individual and collective rights of our employees to join labour and trade unions, and maintains collective bargaining agreements with trade and labour unions</li> <li>• The Company's Code of Best Practice ensures the welfare and well-being of employees and contractor/partner workers</li> <li>• APRIL's Community Empowerment Programmes provide equitable socio-economic benefits to the local communities</li> </ul> <p>Please see : Employees</p>
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LA5: Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.

- Not applicable.

**Aspect: Occupational Health and Safety ( Relevant to Global Compact Principles 3,4,5, and 6)**

LA6: Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

- APRIL has two dedicated Occupational Health and Safety (OHS) departments – one for mill and another for forestry operations – both of which are manned by national and international experts. These departments and associated clinics represent the needs of all employees.

Please see : Employees

LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.

- All such accident, health and absenteeism data are collated annually for all operations and compared against target benchmarks and international safety guidelines.

Please see : Employees

LA8: Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.

- A comprehensive health support system is in place and available for all employees, represented through on-site clinics and access to full healthcare facilities in the local area.

Please see : Employees

LA9: Health and safety topics covered in formal agreements with trade unions

- Not applicable.



## Aspect: Training and Education ( Relevant to Global Compact Principles 3,4,5,and 6)

LA10: Average hours of training per year per employee by employee category.

- APRIL implements a regular program of internal and external training for all employees (staff and rank-and-file) through its own Learning Centres.
- The total number of internal and external trainings that APRIL has undertaken is summarised below:

Item	2006	2007
Number of Internal Trainings per year	452	432
Number of Trainees per year	6,746	6,110
Number of External Training per year	90	71
Number of Trainees per year	178	168
Average hours of training per year per employee	14	11

- The training courses cover a wide range of management and technical competencies that the trainees bring with them even after leaving the Company.
- All APRIL employees go through annual performance reviews based on qualitative indicators and Balanced Score Cards (BSC) and Key Performance Indicators (KPI) for executive positions. These regular appraisals also determine career progression.
- Each department in APRIL prepares and implements, with the APRIL Learning Centre (ALI), a staff succession and development programme for all positions.

Please see : Employees

## Aspect: Diversity and Equal Opportunity ( Relevant to Global Compact Principles 3,4,5,and 6)

LA13: Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

- See LA1 and LA2.

LA14: Ratio of basic salary of men to women by employee category

- APRIL's salary structure does not discriminate against gender. Job grade and salary scale are defined by the Job Charter (Job Description and Job Specifications) for each position.
- Specific date on this issue is not yet available

## Aspect: Investment and Procurement Practices (Relevant to Global Compact Principles 1 and 2)

HR1: Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

- Not applicable

HR2: Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

- Not applicable

HR3: Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

- APRIL undertakes, on its own, a regular programme of internal and external training for all employees (staff and rank-and-file) through its own Learning Centre. The training courses cover a wide range of management and technical competencies, Company cultural pillars, policies and SOPs on various areas including non-discrimination.
- Training for community teams has been carried out across plantation estates.

Please see : Employees, Social Investment

## Aspect: Non-discrimination (Relevant to Global Compact Principle 3)

HR4: Total number of incidents of discrimination and actions taken.

- No significant incidents of discrimination were recorded. Please also see LA 10.

## Aspect: Freedom of Association and Collective Bargaining (Relevant to Global Compact Principle 4)

HR5: Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

- Free, Prior and Informed Consent principles now form the basis for resolving land disputes and social conflict with communities. Please see LA4.

Please see : Employees, Social Investment

**Aspect: Child Labor (Relevant to Global Compact Principle 5)**

HR6: Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.

- APRIL’s corporate policy and Code of Best Practice specifies the minimum age for plantation workers which is in accordance with Chinese and Indonesian labour laws.

Please see : Employees

**Aspect: Forced and Compulsory Labour (Relevant to Global Compact Principle 6)**

HR7: Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the eliminations of forces and compulsory labour.

- APRIL does not practice or tolerate any form of forced and compulsory labour in any areas of its operations
- APRIL compensates overtime work, e.g. during off-hours, rest days, or public holidays as stipulated by the labour law and as embodies in the Code of Best Practice.

Please see : Employees

**Aspect: Security Practices (Relevant to Global Compact Principles 3, 4, 5 and 6)**

HR8: Percentage of security personnel trained in the organisation’s policies or procedures concerning aspects of human rights that are relevant to operations.

- Not applicable
- Security in APRIL Indonesia is outsourced to professionals. The screening and selection of security providers includes an assessment of standards and technical capability, including protocols for engagement which respect human rights.

**Aspect: Indigenous Rights (Relevant to Global Compact Principles 1 and 2)**

HR9: Total number of incidents of violations involving rights of indigenous people and actions taken

- No significant incident recorded relating to violations of rights of indigenous people. Free, Prior and Informed Consent principles now form the basis for resolving land disputes and social conflict with communities.

Please see : Employees - Transforming Land Disputes into Community Partnerships

Society Performance

**Aspect: Community ( Relevant to Global Compact Principle 10)**

SO1: Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.

- For plantation operations the HCVF approach includes an identification of areas (HCV 5 and 6) upon which communities rely for access to forest resources, and areas of cultural significance. Free, Prior and Informed Consent, Participatory mapping, are tools used by APRIL to minimise impact and resolve disputes where they occur.

Please see : Forestry, Social Investment: Transforming Land Disputes into Community Partnerships

**Aspect: Corruption ( Relevant to Global Compact Principle 10)**

SO2: Percentage and total number of business units analyzed for risks related to corruption

- All business groups, units and departments are subject to internal audits. A zero tolerance approach is taken to employees found to be in violation of these core principles.

Please see : Governance

SO3: Percentage of employees trained in organisation’s anti-corruption policies and procedures.

- All employees are trained in the APRIL Cultural Pillars on joining the company.

Please see : Governance: Ethical Business Practice, Employees

SO4: Actions taken in response to incidents of corruption.

- In response to incidents of corruption, strict and immediate disciplinary action is taken including termination, reporting to the local Police, and filing of charges.

**Aspect: Public Policy ( Relevant to Global Compact Principle 10)**

SO5: Public policy positions and participation in public policy development and lobbying

- Upon invitation, APRIL has sent delegation or representatives to legislative hearings in the local, provincial, and national parliaments. APRIL is an active member of major national and international industry associations.

Please see : Governance

SO6: Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

- Not applicable
- APRIL does not engage in political activity, and does not contribute to political entities or related institutions.

**Aspect: Anti-Competitive Behaviour ( Relevant to Global Compact Principle 10)**

SO7: Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.

- Not applicable
- There has been no legal action against APRIL for anti-competitive, anti-trust, or monopoly practice.

**Aspect: Compliance**

SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

- None.

**Aspect: Customer Health and Safety**

PR1: Life cycle stages in which health and safety impacts or products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

- Not applicable.

PR2: Total number of incidents on non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes'

- Not applicable.

**Aspect: Product and Service Labeling ( Relevant to Global Compact Principle 10)**

PR3: Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

- None.

PR4: Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.

- APRIL runs a Customer Service Centre with its Corporate Communications Department and Sales and Marketing Department in which customer complaints, queries, requests for info and data are coordinated.

Please see : Governance: Routine Stakeholder Engagement Activities

PR5: Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

- APRIL's Corporate Communications department coordinates with all Sales and Marketing Department worldwide to ensure that marketing communications (including adverts, promotions and sponsorships) and customer service are undertaken in a professional and ethical manner.
- Annual stakeholder and customer perception surveys are carried out by third parties.

Please see : Governance: Routine Stakeholder Engagement Activities

### Aspect: Marketing Communications

PR6: Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotions and sponsorship

- Not applicable

PR7: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes

- None

### Aspect: Customer Privacy

PR8: Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

- None

### Aspect: Compliance

PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

- None



## ASSURANCE STATEMENT

### INDEPENDENT VERIFICATION/ASSURANCE STATEMENT

SGS International Certification Services Singapore Pte Ltd's report on sustainability activities in APRIL and APRIL Sustainability Report 2008 for issue dated 29 December 2008.

#### NATURE AND SCOPE THE ASSURANCE/VERIFICATION

SGS International Certification Services Singapore Pte Ltd was commissioned by APRIL to conduct an independent assurance of the APRIL Sustainability Report 2008, issue dated 29 December 2008. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the Sustainability Report 2008 of APRIL and its presentation are the responsibility of the management of APRIL. SGS International Certification Services Singapore Pte Ltd has not been involved in the preparation of any of the material included in the APRIL Sustainability Report 2008.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006) and the AA1000 Assurance Standard (2003). These protocols follow differing levels of Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured using our Level 2 protocol for content veracity and the evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines. The assurance comprised a combination of pre-assurance research, interviews with relevant employees; documentation and record review and validation with external bodies and/or stakeholders where relevant.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS International Certification Services Singapore Pte Ltd affirm our independence from APRIL, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with Lead EMS Assessor, Lead OHSMS Assessor, Lead QMS Assessor, and has some experiences auditing at forestry, pulp and paper operation.

SGS International Certification Services (Business Reg. No. 47647500K) is the business name of SGS International Certification Services Singapore Pte Ltd (Reg No. 199902369G)





#### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within APRIL Sustainability Report 2008 is accurate, reliable and provides a fair and balanced representation of APRIL sustainability activities in period 2006 - 2007.

We believe that APRIL Sustainability Report 2008 is a fair and balanced representation of APRIL's sustainability activities and performance. The overall report is well presented and the content covers all major material issues, and has scored the maximum in terms of alignment with the GRI Principle of Materiality, Sustainability Context and Stakeholder Inclusiveness. The first three principles are important issues that affect the level of inclusion the APRIL Sustainability Report 2008, particularly for ensuring that reasonable expectations and interests of stakeholders are addressed in the report.

An improvement for the next sustainability report on timeliness principles may wish to be considered, to ensure that the information within the sustainability report is available in time for stakeholders to make informed decisions. Moreover, improvement on inclusion of more standard disclosure and core indicators was needed to improve the alignment with GRI and at the same time increase the score. In doing so, the knowledge of GRI 2006 from the data contributor should be increased. Another improvement may wish to be done regarding data transfer management system to minimize inaccuracy data and implementing the internal verification for the sustainability report.

Signed:

For and on behalf of SGS International Certification Services Singapore Pte Ltd

Crescenciano Maramot  
Managing Director  
12<sup>th</sup> February 2009

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SGS International Certification Services Singapore Pte Ltd (Reg No. 199902369G)

# GLOSSARY

This glossary serves as an easy reference for the terms throughout this Report.

Acacia Crassicarpa and Acacia Mangium	Two species of <i>Acacia</i> , characterised by fast-growing and good pulping qualities. APRIL plants <i>Acacia Crassicarpa</i> on low-lying lands and <i>Acacia Mangium</i> on mineral soils
Acacia Chain of Custody System	As part of APRIL's commitment to responsible forestry management, we ensure that the flow of <i>Acacia</i> fibre from the plantation to the mill can be reliably monitored, traced and documented. Through APRIL's <i>Acacia</i> Chain of Custody (CoC) System, <i>Acacia</i> wood can be indentified and segregated from mixed hardwood at any point from the plantation to the mill production chain
ADT (Air Dry tonne)	Marketable pulp (air dried) which contains 10 percent water
AIMS	APRIL Improvement Management System is a tool to guide and monitor continuous improvement activities.
Baseline	Reference for measurable quantities from which an alternative outcome can be measured
Biodiversity	Total diversity or variation of life within a given ecosystem
Biofuel	In contrast to fossil fuels, biofuel is based on raw material derived from living organisms and therefore is classified as a renewable source
BOD	Biological oxygen demand. A measure of the amount of oxygen that bacteria will consume while decomposing biologically available organic matter. BOD is a measure of the degree of organic pollution in water. Also see "COD"
Carbon footprint	The carbon footprint of a product may be seen as a balance sheet of greenhouse gas emissions and removals (transfers to and from the atmosphere)
CDM	Clean Development Mechanism is an arrangement under the Kyoto Protocol allowing industrialised countries with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. The CDM allows net global greenhouse gas emissions to be reduced at a much lower global cost by financing emissions reduction projects in developing countries where costs are lower than in industrialized countries. However, in recent years, criticism against the mechanism has increased.
CEPI	The Confederation of European Paper Industries (CEPI) developed a Carbon Footprint Framework for paper and board products based on ten key elements, the ten toes of the Carbon Footprint. Under this Framework, companies and sectors will be able to address their individual needs and help the industry to contribute to the policy debate by providing a transparent and coherent information base for decision-making, across regions and and countries

CIFOR	Centre for International Forestry Research, located in Bogor, Indonesia
Climate change	Climate change is any long-term significant change in the "average weather" that a given region experiences. Average weather may include average temperature, precipitation and wind patterns. It involves changes in the variability or average state of the atmosphere over durations ranging from decades to millions of years. These changes can be caused by dynamic processes on Earth, external forces including variations in sunlight intensity, and more recently by human activities. Climate change, in the context of environmental policy, often refers to changes in modern climate
COD	Chemical oxygen demand. COD does not differentiate between biologically available and inert organic matter, and is therefore a measure of the total quantity of oxygen required to oxidize all organic matter into carbon dioxide and water. As with BOD, it is a measure of water quality. Also refer to "BOD"
Eucalyptus	A large family of trees, common in Australia. Certain species, like the <i>Eucalyptus Pellita</i> , are native to Indonesia
ESHS	Environmental, Social, Health and Safety Policy
FAO	Food and Agriculture Organisation of the United Nations, headquartered in Rome, Italy.
Forests Dialogue	The Forests Dialogue (TFD) is a group of individuals from diverse interests and regions that are committed to the conservation and sustainable use of forests. Through a shared understanding of forest issues from their own dialogues, members of The Forests Dialogue work together in a spirit of teamwork, trust, and commitment. They believe that their actions and relationships can help catalyze a broader consensus on forest issues and encourage constructive, collaborative action by individual leaders that will improve the condition and value of forests.
FMU	Forest Management Unit. An FMU is a well defined and demarcated land area, predominantly covered by forests, managed on a long term basis and having a set of clear objectives specified in forest management plan.
FPIC	Free, Prior and Informed Consent recognises indigenous peoples' inherent and prior rights to their lands and resources and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent". This is as defined as Commission on Human Rights, Sub-Commission on the Promotion and Protection of Human Rights, Working Group on Indigenous Populations.

FSC	Forest Stewardship Council is an independent, non-governmental, not for profit organisation established to promote the responsible management of the world's forests
GIS	Geographic Information System. This is a system comprising computer hardware and software, coupled with geographic data and is used to capture, manage, analyse and display all forms of geographically referenced information
GRI	The Global Reporting Initiative (GRI) is a large multi-stakeholder network of thousands of experts, in dozens of countries worldwide, who participate in GRI's working groups and governance bodies. This organisation developed the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
H <sub>2</sub> S	Hydrogen sulfide – a pollutant
Hectare	Metric unit of area that is equivalent to 10,000 square metres or 2,417 acres
HCVF	High Conservation Value Forests. HCVFs are defined as forests of outstanding and critical importance due to their environmental, socio-economic, biodiversity or landscape values
IGCC	The University of California (UC) Institute on Global Conflict and Cooperation is a multi-campus research unit serving all ten UC campuses and the UC-managed Lawrence Berkeley, Lawrence Livermore, and Los Alamos National Laboratories. IGCC is based at the Graduate School of International Relations and Pacific Studies (IR/PS) at UCSD, whose faculty provides IGCC's leadership. IGCC's mission to educate the next generation of international problem-solvers and peacemakers is carried out through teaching activities research and public service opportunities. Scholars and researchers from inside and outside the UC system, government officials, and students from the United States and abroad have participated in IGCC projects
Illegal logging / wood	Refers to trees that are cut from natural forests, private concessions and village land without legitimate government authorization or permits. The term also includes wood obtained through bribery and wood acquired in violation of the conditions of the permit (eg : felling more than the authorised volume, or cutting outside the permit area). Illegal logging is a global multi-billion dollar industry affecting many countries, APRIL is actively combating illegal logging
ISO	The International Organisation for Standardisation is a worldwide federation of national standards bodies, representing more than 140 countries. ISO is a non-governmental organisation established in 1947, to promote the development of standardisation and related activities globally. Interestingly, ISO is not an acronym but is actually derived from the Greek word "isos" meaning "equal". Hence, the term ISO ensures that the name remains the same, regardless of the country or language

ISO 9000:2000 Quality Management systems	Comprises a series of documents (standards, guidelines and technical reports) that set out more specific standards for each areas such as auditing procedures, quality performance evaluation, quality improvement, quality in project management, training, techniques and statistical process control. However, these do not result in "certifications". ISO 9001:2000 is the standard used to assess an organisation's ability to meet customer and applicable regulatory requirements, thereby addressing customer satisfaction
ISO 14001 Environmental Management Systems	This is the only standard within the ISO 14000 series against which an organisation's environmental management system (EMS) can certified. ISO 14001 requires that an organisation's EMS provides a framework to identify and address the significant environmental aspects and related impacts of its activities, products and services. ISO 14001 requires compliance with all relevant legislation and a commitment to continual improvement of the organisation's EMS. However, the ISO standards does not set specific environmental performance criteria nor does it establish absolute requirements for environmental performance; these are defined by the organisation seeking certification to this standard
IUCN	IUCN, the International Union for Conservation of Nature, is the world's oldest and largest global environmental network - a democratic membership union with more than 1,000 government and NGO member organizations, and almost 11,000 volunteer scientists in more than 160 countries. The organisation helps the world find pragmatic solutions to our most pressing environment and development challenges. It supports scientific research, manages field projects all over the world and brings governments, non-government organizations, United Nations agencies, companies and local communities together to develop and implement policy, laws and best practice.
Jikalahari	Also known as the "Forest Rescue Network Riau" was founded to promote forest management in Riau. The organisation is based in Indonesia
Kampar Peninsular	The Kampar Peninsula is situated in the province of Riau, east coast of central Sumatra in Indonesia. It is delimited by sea in the north and east, by Kampar River in the south and advancing plantations in the west. The Peninsula is covered with peat swamp forests – a special type of rainforest growing on an accumulating, water-logged peat soil up to 15 meters thick
Kraft pulp	Pulp produced by the most widely used chemical pulping process – the Kraft process (also known as sulphate pulping process). The name of the process comes from the German word "kraft" meaning power or strength. This process is versatile, allowing most types of wood to be used as raw material. Unbleached kraft pulp is brown in colour, and its uses include brown sack paper and bags. For use as printing or writing papers, it needs to be bleached

Land disputes	Land in Indonesia is predominantly state-owned. The right to use the land is given to certain companies and individuals under licensed concessions for which fees or royalties are payable. A major exemption to this is traditional village land, usually small plots on which villagers grow subsistence and cash crops. Disputes may arise through overlapping claims to the same land, or through lack of provable land titles and questionable recognition of traditional rights
LEI	<i>Lembaga Eko-label Indonesia</i> is Bahasa for Indonesian Eco-labelling Institute
MHW	Mixed Hardwood Pulp - a specific type of pulp which, in the case of APRIL, is produced from a mixture of various hardwood species harvested from concession areas, which are being developed into <i>Acacia</i> plantations
MBTU	Million British thermal units. This can also be expressed as one dekatherm (10 therms). MBTU is used as a standard unit of measurement for natural gas and provides a convenient basis for comparing the energy content of various grades of natural gas and other fuels. One cubic foot of natural gas produces approximately 1,000 BTUs, so 1,000 cubic feet of gas is comparable to 1 MBTU. This unit is occasionally expressed as MMBTU, which is intended to represent a thousand thousand BTUs
Mosaic Plantation Concept	This plantation concept describes APRIL's commitment to balancing economic, social and environmental goals. Mosaic plantations ensure that no biological, ecosystem, service, social or cultural values are compromised as a result of plantation development
NCASI	The National Council for Air and Stream Improvement is an independent, non-profit research institute that focuses on environmental topics of interest to the forest products industry. Established in 1943, NCASI is recognised as the leading source of reliable data on environmental issues affecting this industry, and has more than 75 member companies throughout the US and Canada.
OHSAS 18001	An Occupational Health and Safety Assessment Series for health and safety management systems. It is intended to help organisations manage occupational health and safety risks
Oil palm	A special variety of palm widely planted in South East Asia that produces a vegetable oil. This oil is used for cooking, food processing and lubrication
pH	The pH scale commonly measures the acidity or alkalinity of water. pH is the negative logarithm of the molar concentration of hydrogen ions. It ranges from 0 to 14. A pH of 7 is neutral (pure water). A pH less than 7 is acidic, and a pH greater than 7 is basic
PIMS	Plantation Information Management System is a state of the art software deployed by APRIL, using Geographic Information Systems software linked to databases on plantation stock, inventory, operational status, work-orders and costs

PROPER	<i>Program Penilaian Kinerja Perusahaan</i> is the Bahasa term for Environmental Management Assessment Programme
Peatland	Also known a “Wetlands”. Generally, wetlands are lands where saturation with water is the dominant factor determining the nature of soil development and the types of plant and animal communities living in the soil and on its surface (Cowardin, December 1979). Wetlands vary widely because of regional and local differences in soils, topography, climate, hydrology, water chemistry, vegetation, and other factors, including human disturbance. Indeed, wetlands are found from the tundra to the tropics and on every continent except Antarctica
REDD	Reduced Emission from Deforestation and Forest Degradation
Riau province (Riau propinsi)	The province on the island of Sumatra, Indonesia where APRIL’s pulp and paper mills are located. For administrative purposes, Indonesia is divided into a number of provinces, each administered by its own government. See also “Sumatra”
Riparian	Relating to the immediate surrounding area of a natural water course. This includes vegetation as well as the soil
Scale-Up	This is an independent organisation established by local, non-government organizations to promote accountable and sustainable social development programmes and conflict resolution. This organisation is founded by social observers, academicians, and non-governmental activists.
SFPI	The Sustainable Forest Products Industry Working Group within the WBCSD, is defining industry standards and advocating for public policies that make best use of forestry sectors as agents for sustainable development
SK	<i>Surat Keputusan</i> or Decision Letter/Definitive License
SME	Small or Medium enterprises. APRIL helps establish local SMEs, both through our industrial operations and via community development
Sumatra or Sumatera	The second largest island in Indonesia, after Borneo. Riau Province, where APRIL’s pulp and paper mills are located, is in Sumatra
Sumatran elephant	The Sumatran elephant ( <i>Elephas maximus sumatranus</i> ) is the smallest, and perhaps oldest, of the Asian subspecies, and is unique to the island of Sumatra. It has been protected in Indonesia since 1931. A population survey conducted in the 1980s estimated that only 2,800 to 4,500 wild elephants remain, and this species is now considered endangered
Tesso Nilo	This is a lowland forest area in the Riau Province. The area is a natural habitat for Sumatran elephants and other wildlife. It has also been found to have up to 218 species of plants in plots of only 200 square meters, giving it a greater biodiversity than any other area in the world

TSS	Total Suspended Solids. A measure of the solids in suspension in wastewater, effluent or water bodies
TRS	Total Reduced Sulphur
UNEP	United Nations Environment Programme is the voice for the environment in the United Nations system
UN Global Compact	Otherwise abbreviated as the UNGC, this is a set of 10 principles covering human rights, fair labour, the environment and anti-corruption. The Compact, established in July 2000, seeks to promote responsible corporate citizenship by providing a framework for businesses to follow, in response to the challenges of globalisation. The UNGC has been signed by more than 3,000 participants including 2,500 companies around the world, making it one of the largest voluntary corporate citizenship initiative
US Cluster Rule	A comprehensive set of regulations issued by the US Environmental Protection Agency to reduce environmental pollution, water discharges, air emissions, and solid wastes relating to all industries, including pulp and paper mills
WALHI	Wahana Lingkungan Hidup or The Indonesian Forum for Environment (WALHI - Friends of the Earth Indonesia) is the largest forum of non-government and community-based organisations in Indonesia. It is represented in 25 provinces and has over 438 member organisations (as of June 2004). It stands for social transformation, people's sovereignty, and sustainability of life and livelihoods. WALHI works to defend Indonesia's natural forests and local communities from injustice carried out in the name of economic development
World Bank Pollution Prevention Guidelines	These guidelines provide technical advice and guidance on how to reduce pollution emissions from the production process. The guidelines include numerical targets for reducing pollution as well as maximum emissions levels
WBCSD	The World Business Council for Sustainable Development (WBCSD) is a CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development. Members are drawn from more than 35 countries and 20 major industrial sectors. The Council also benefits from a global network of about 55 national and regional business councils and regional partners
WWF	The Worldwide Fund for Nature (also known as the World Wildlife Fund) is a the world's leading independent environmental organisation. It is a global network, working in more than 90 countries. The organisation is a challenging, constructive, science-based organisation that addresses issues from the survival of species and habitats to climate change, sustainable business and environmental education. It is a a charity dependent upon its five million supporters worldwide - some 90 percent of income derives from voluntary sources such as people and the business community.



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