

# APP-China Sustainability Report 2015

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## Message from Chairman

Since 1992, APP was the first joint paper-making enterprise on the Yangtze River Delta in China. With over 24 years of history, APP has become one of the most important paper companies. APP-China is booming, thanks to the trust of customers, the public's support, and the tireless efforts of all staffs. APP-China proposed and advocated the "integrated pulp and paper" mode of production, and promoted the transformation and upgrade of the entire Chinese paper industry. At the same time, we provide employment, tax revenue, and make efforts in the field of public welfare, in order to promote social development and to solve social problems, through our devotion and modest efforts. The "2015 APP-China Sustainable Development Report" shows that in the past year, we understood the needs of all stakeholders, through our responses, actions and results. This information shows the foundations facilitating our continuous steps to our new goals of sustainable development. APP-China's practices and achievements to date fully fit the Chinese government's published "China's Implementation of the Millennium Development Goals Report (2000-2015)". This effort is worthy of making all APP's employees proud.

However, we are facing new challenges compared to history. The global sustainable development process ushered in a new milestone in 2015. The United Nations' 2030 Sustainable Development Agenda proposed 17 sustainable development objectives, to urge humanity to solve the three development dimensions of the society, economy and environment in an integrated manner, and turning towards the road of sustainable development.

Currently, APP-China is developing a "Sustainable Development Strategy 2030", to achieve binding business development goals and the global sustainable development goals. For APP, whether it is in China or in the world, "responsible production and consumption", "good health and well-being", "Sustainable Cities and Communities" and other targets, will further promote sustainable enterprises. We believe that we will continue under the guidance of this strategy in China for the next 15 years, to contribute and to achieve the goal of common development for mankind.

**Teguh Ganda Wijaya**  
Chairman and CEO

## About This Report

This is the ninth Sustainability Report published by Sinar Mas Paper (China) Investment Co., Ltd. (hereafter referred to as APP-China). APP-China is synonymous with Sinar Mas Paper (China) Investment Co., Ltd. and the group of companies under its direct investment in China. Through this report, we aim to keep stakeholders informed of our policies, management, initiatives and key achievements in sustainable development.

The report discloses and responds to key stakeholder concerns by identifying and analyzing material issues. This report is prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

**Language:** Chinese and English; if anything differs, the Chinese shall prevail;

**Period:** January 1, 2015 – December 31, 2015;

**Frequency:** Annual report. Last report was published in September, 2015;

**Assurance:** APP-China has commissioned SGS-CSTC Standards Technical Services Co., Ltd. (SGS) to assess the reliability, objectivity and transparency of this report. Please refer to the Assurance Statement for further details.

### Indicator Selection

In accordance with GRI materiality, stakeholder engagement, sustainable development principles and professional judgement, APP-China produced this report based on the following methods;

- Stakeholder engagement
- Analyses of the most relevant and important sustainable development issues
- Continuity with previous reports

Please refer to the *Stakeholder Engagement* for further details.

### Scope of Report

Business unites and entities covered in the scope of this report include APP-China Head Office, 9 pulp and paper mills and APP-China Forestry:

- APP-China Head Office
- Gold East Paper (Jiangsu) Co., Limited (Gold East Paper)
- Hainan Jinhai Pulp & Paper Co., Limited (Hainan Jinhai Pulp & Paper)
- Guangxi Jingui Pulp & Paper Co., Limited (Guangxi Jingui Pulp & Paper)
- Ningbo Zhonghua Pulp & Paper Co., Limited (Ningbo Zhonghua)
- Ningbo Asia Pulp & Paper Co., Limited (Ningbo Asia)
- Gold Huasheng Paper (Suzhou Industrial Park) Co., Limited (Gold Huasheng)
- Gold Hongye Paper Group Co., Limited (Suzhou Gold Hongye, including Suzhou Plant and Sales & Marketing)
- Hainan Gold Hongye Paper Co., Limited (Hainan Gold Hongye)
- Hainan Gold Shengpu Paper Co., Limited (Hainan Gold Shengpu)

- APP-China Forestry Business Unit (APP-China Forestry, including Forestry Business Headquarter, Hainan, Guangxi and Guangdong BUs, Lancang, Ganzhou, Wenshan and Henan Sub-BUs)

Due to the substantial scale, complex organizational structures and widespread locations, it will take more time to streamline and expand the report scale to incorporate more business units and operations in the future.

**Data and Information Collection:**

APP-China adopts industry-recognized guidelines and criteria in listing, measuring and disclosing report data. The report incorporates historical reference and figures to help stakeholders fully examine our progress and achievements in improving our sustainable development.

**Methodology for Data and Information Collection:**

This report is prepared at the Core In Accordance level of the GRI (G4) guidelines, and with reference to Global Compact Ten Principles, the official 12th Five Year Plan of China's paper industry, relevant policies, cleaner production benchmarks for the paper industry, relevant national emissions standards, forestry, pulp and paper industry standards, laws and regulations of the national and local authorities of APP-China's business operations, and APP-China's best practices in sustainable development. In addition, it refines the definitions, units, standards, formulas and footnotes of each indicator.

**Certain data presented in the sections of Message from the Chairman and Corporate Profile is aggregate of all entities operating under APP-China. Figures and information presented in subsequent sections only refer to the aggregate of entities specified in the scope of this report, except where specified.**

## Corporate Profile

APP-China is synonymous with Sinar Mas Paper (China) Investment Co., Limited and the group of companies under its direct investment in China. APP-China began investing in manufacturing sites in China in 1992 focusing primarily on the Yangtze and Pearl River Deltas. APP-China has established Gold East Paper, Ningbo Zhonghua, Ningbo Asia, Gold Huasheng, Gold Hongye, Hainan Jinhai Pulp & Paper and Guangxi Jingui Pulp & Paper with state-of-the-art technology and equipment and modern fast growing, large-scale plantations. Gold East Paper is the largest paper mill in China and the world's largest art paper producer, while Ningbo Zhonghua and Ningbo Asia are two of the largest industrial paper producers in China today. Gold Huasheng is diversified special paper producers. Gold Hongye is famous modern household paper makers in Asia. Hainan Jinhai Pulp & Paper is one of the largest pulp producers in China. Guangxi Jingui Pulp & Paper is the largest Chemical Mechanical Pulp producer in China.

By the end of 2015, APP-China owned over 20 pulp and paper mills as wholly owned subsidiaries and holding companies and 19 forestry companies, with total assets valued about RMB153.08 billion. Total annual production volume of its mills reached 11 million tons, with sales revenues of RMB45.3 billion and approximately 24,000 full time employees.

Shareholders Meeting

Supervisor

Board of Directors

Decision-making Committee, Personnel Review Committee

Management Price Committee, Committee

Corporate Headquarters

Forestry

Pulp

Industrial Paper

Tissue

Cultural Paper

Paper Products

Domestic Sales

Overseas Sales

### Our Vision

**APP-China will continue to be the world's premier, fully integrated green-cycle plantation, and pulp and paper conglomerate.**

**Integrated:** To increase the overall benefits to the business by operating throughout the industry chain from plantation, through pulp and paper to converted paper products and related industries

**Green Cycle:** To take care of the large cycle from plantation to pulp and paper making, as well as the small cycle of using recycled paper for production.

**The Largest:** To be the leader in the industry and number one in the world by being equipped with the largest production capacity, the most state-of-the art technologies and the most thorough customer service network.

**The Strongest:** To manufacture high quality products to maximize profitability through the most

effective management team and strongest R&D.

## **Our Mission**

### **Conduct Green Cycle:**

Promote afforestation to naturally increase forests back into the environment, enhance water and soil conservation, alleviate greenhouse effects and benefit nature.

### **Advocate Paper-making Culture:**

Promote the sustained manufacturing of pulp and paper to preserve this ancient Chinese tradition.

### **Improve Lifestyles:**

Satisfy mankind's needs in printing, packaging, writing, sanitation, etc.

### **Build Multidimensional Life Community:**

Abide by environmental protection standards, create decent work environment, and enhance meaning of life.

Provide customers high quality products and services to increase their competitiveness and profitability to achieve win-win.

Empower employees, excite their potential and encourage innovation to accelerate high-tech development.

Enhance company's profitability to increase shareholders' benefits.

Complement with peer companies in industry core competence to promote the industry competitiveness.

## **Our Values**

### **Pursing Excellence**

Keep pushing the limits and challenging ourselves

Continuously improve and strive for the best

Choosing best of best, be quick and precise

### **Integrity**

Be a humble and down to earth person, do things in earnest

Be modest and frank, deeds according with words

Strictly protect company trade secrets

### **Leadership**

Set a good example for your subordinates

Be active and aggressive, make innovations and breakthroughs to create maximum values

Motivate your subordinates and inspire potential of your team

### **Ownership**

Promote the sense of ownership

Be responsible for the fate of our company

Proactively show your abilities and wisdom during work

### **Teamwork**

Set up study model and motivate each other

Frequent communication, help each other

Mutually respect and make common progress

## **Management Philosophy**

### **Respect to Individual**



Employee is the most valuable asset of our company.

Offer study and development opportunities, provide a platform for employees to develop their talents.

**Innovation and Development**

Make innovations and breakthroughs, adopt advanced science and technologies.

Create high value-added products needed by the market.

**Customer Satisfaction**

Reverse thinking, market oriented, set customer satisfaction as our ultimate goal.

Continuously develop our business and provide products and services exceeding market prices for customers.

**Highest Performance**

Require all employees to do things correctly in a scientific way.

Use the best performance of global leading companies as a benchmark to measure the business results achieved by our employees and teams, and strive to be No.1 in the world.

## **Achievements and Honors**

### **APP -China**

- "2015 Most Responsible Enterprise" – Eleventh China• International Forum on Corporate Social Responsibility
- Responsibility Best Brand Award - The 4th China Charity Festival
- 2015 China Annual Low Carbon Model –"China Low Carbon Model Selection", hosted by the Economic Observer
- Ranked in "Top Ten Green Action in Chinese Companies" – China Summit on Caring for Climate
- 2015 International Carbon Gold Reward --WEC World Economic and Environmental Conference
- Commemorative Medal on "Emotional Ties to Our Homeland, Benefiting the People" - the State Council Overseas Chinese Affairs Office

### **Ningbo Asia Pulp & Paper Co., Ltd**

- Top 100 Zhejiang Province Technological Innovation Capability Enterprise
- National Model Green Enterprise
- Top 100 Ningbo Manufacturing Enterprise (Shared with Ningbo Zhonghua)
- Top 100 Ningbo Import and Export Enterprise (shared with Ningbo Zhonghua)
- Zhejiang Province Outstanding Contributions to Foreign Investment

### **Guangxi Jingui Pulp & Paper Co., Ltd.**

- Guangxi 2015 Spring Festival Traffic Safety Public Service Campaigns Charity Enterprises
- Guangxi Science and Technology Progress Award, Third Prize
- 2015 Series of Bagui Disabled Charity-Aid Activity --Helping the Disabled, Dedication in Charity
- Guangxi Leading Enterprises in the Modern Forestry Industry
- 2015 China - ASEAN Expo Forest Products Exhibition Gold Medal
- 2015 Guangxi Annual Foreign Trade Outstanding Contribution Enterprise
- 2015 Guangxi Annual Top 10 Foreign-Investment Enterprise
- 2015 Qinzhou Annual Foreign Trade Advanced Enterprise

### **Hainan Hongye: Gold HongYe Paper Group**

- 2015 Hainan Top 100 Enterprises
- Original Ecological Product Evaluation Certificate
- Original Ecological Certificate

### **Gold East Paper (Jiangsu) Co., Ltd. (Gold East Paper)**

- United Nations Global Compact China Best Practices Award--United Nations Global Compact China Annual Meeting
- Contract-honoring and Trustworthy Enterprise
- China Top 100 Enterprises in Light Industry
- China Top 500 Foreign Trade Enterprises
- China Top 50 Tax Payer in Manufacturing
- National Quality Benchmarking Model Enterprise
- National Excellent Labor Union Practitioner
- Jiangsu Excellent Brand
- National IPR Advantageous Enterprises
- Third National Papermaking Industry, Third Prize in Energy Saving & Emissions Reduction

Employees Outstanding Technology

- Third National Papermaking Industry, Second Prize in Energy Saving & Emissions Reduction Outstanding Technology Innovation Performance

- 2015 Annual Zhenjiang Enterprise Patent Breakthrough Award, First Prize

**APP-China Forestry**

- Hainan Quality Association Executive Director Enterprise, by Hainan Quality Association
- The National Key Forestry Leading Enterprise, by State Forestry Bureau
- 2015 Hainan Top 100 Enterprise, by Hainan Entrepreneur Society
- Hainan Excellent Brand Certificate, by Hainan Federation of Business

**Suzhou Gold HongYe Paper Group**

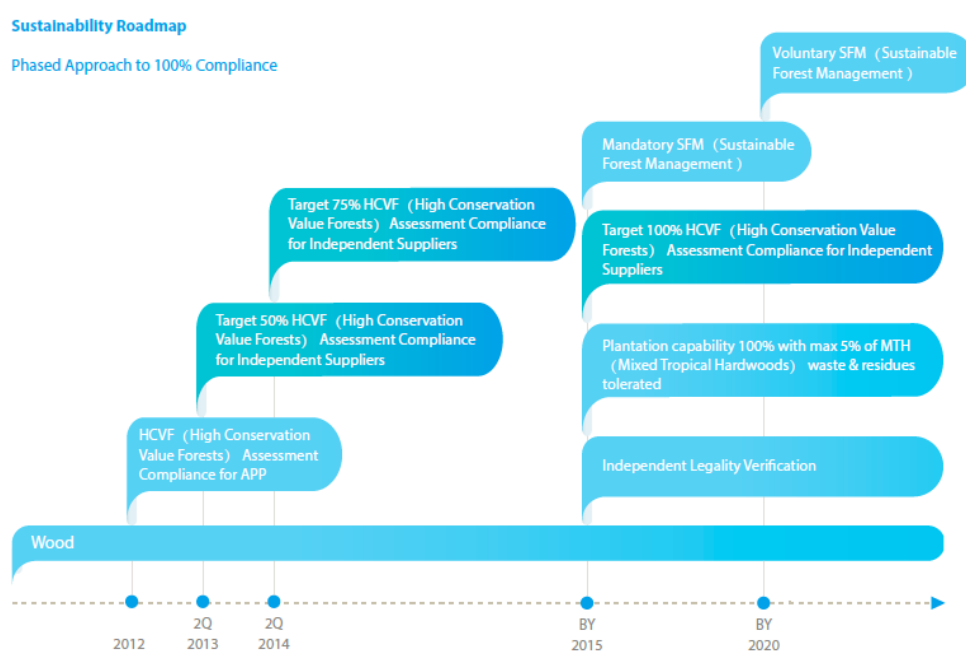
- Title of Suzhou Industrial Park Regional Headquarters

# 1. OUR GOVERNANCE - Sustainable Development Management

APP-China attaches great importance to the sustainable management of the enterprise, and integrates sustainable development concepts into both the strategic and the operational level. Through effective participation of stakeholders, and constantly optimization of its operations and management, APP is committed to realizing the joint development of the economy, society, and environment for the enterprise and stakeholders.

## 1.1 APP Sustainable Development Management

APP released its "Sustainability Roadmap Vision 2020" in 2012, a commitment statement on sustainable development, including environmental protection, biodiversity conservation and maintaining community interests for the next 10 years. APP established multi-stage targets and committed to become an international paper manufacturing company, bringing great value to its customers, communities, employees, and other stakeholders.



As an important part of the "Sustainability Roadmap Vision 2020", APP announced the Forest Conservation Policy (FCP) in 2013, in which it committed to ceasing all operations related to natural forests in its supply chain, which were realized two years ahead. To further confirm the implementation of this policy in the field, February 5, 2015, the international environmental organization Rainforest Alliance, as an independent third party, accepted an invitation from APP to conduct an external assessment audit on APP's implementation progress of its FCP, and recognized APP's achievement on FCP in the end. In February and September 2015 respectively, APP released Progress Reports on its FCP, detailing its significant progress on high conservation value forests and high-carbon reserves assessment. At the same time, APP developed a globally responsible fiber procurement policy in 2015, aiming to address social and community disputes and issues through implementation of effective programs.

## 1.2 APP-China's Sustainable Development Management

APP-China is committed to continuously improve and integrate sustainable development management into its business operations, and continuously achieve the goals of sustainable development based on the aim of effectively addressing internal and external pressure.

To address material issues involving in corporate responsibility such as environment, safety and staff, APP-China has established a unified management and control system at the headquarters level, and established a management mechanism directly involving operating sites, in order to achieve specific top-to-bottom management and control over various issues. APP-China will gradually improve its assessment and evaluation system for each operating site, and strengthen communication and management between headquarters and operating sites in the form of weekly, monthly and annual reports.

Meanwhile, in order to ensure compliance, APP-China carried out various internal and external communication activities, continuously paying attention to new demands from stakeholders such as employees and communities, developed specific strategies to promote the achievement of sustainable development goals.

APP-China Certification Status Overview

Gold East Paper	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Gold HuaSheng	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Suzhou HongYe	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Ningbo Zhonghua	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Ningbo Asia Pulp	Periodic audit	Periodic audit	Periodic audit	Periodic audit
Hainan Jinhai Pulp & Paper	Replacement	Replacement	Replacement	Periodic audit
Guangxi Jingui Pulp & Paper	Periodic audit	Periodic audit	Periodic audit	Periodic audit



**Case: APP-China was honored the "Most Responsible Enterprise 2015"**

November 27, 2015 in Beijing, China News Services (CNS) and China News Weekly jointly organized the Eleventh International Forum on China Corporate Social Responsibility “2015 Responsible China Honor Ceremony” at the Diaoyutai State Guest Hotel. The Forum brought together hundreds of guests from government, business and academia to recall the initial mood and goals of corporations in implementing social responsibility. The participants discussed how to comply by applying internet innovation and developing new models, to normalize corporate social responsibility management behaviors. During the ceremony APP-China won the "Most Responsible Enterprise 2015" title together with 19 other enterprises. APP-China Vice President Ms. Zhai Jingli, on behalf of the company, accepted the award from the Vice Chairman of the Eleventh National People's Congress Chen Zhili, and stated in her speech, “APP-China not only provides high-quality paper, but also builds bridges linking happy life and a beautiful natural eco-environment for all of us. APP-China practices corporate social responsibility, and has gained recognition and praise from multiple parties. This has been the second time we won this award after 2013.”



#### **Case: APP-China won the United Nations Global Compact China Best Practices Award**

February 13, 2015, the United Nations Global Compact Network China held its annual meeting. Gold East Paper, a subsidiary of APP-China, was honorably awarded "Best Practices in Promoting Social Development and Cooperation" with its outstanding charity projects, recognized by its persistent efforts on social charity.

Global Compact Network China is officially authorized by the United Nations Global Compact as a regional network dedicated to promote sustainable development of Chinese enterprises in the background of economic globalization, and to encourage enterprises to comply and implement the Ten Principles including human rights, labor standards, environment and anti-corruption. On the basis of a successful best practices assessment in the first two years, the Global Compact Network China continued to carry out best practices collection, assessment and selection activities in 2014. After rigorous experts review, APP-China's Gold East Paper was ultimately selected for the Best Practices Award China on the basis of its splendid cases.

APP-China Vice President Ms. Zhai Jingli said, "We are delighted to be honored by the Global Compact China Best Practices award, and the support of the community and society enable our business operations. APP-China has been very concerned about the social impact of our business, has supported public welfare, and has fulfilled our social responsibility. In addition, under the guidance of the sustainable development strategy, APP-China has attached great importance to environmental issues such as water and climate. The Chinese economy has entered a 'new normal' and we are convinced that only by committing to sustainable development can enterprises get more development opportunities. "

### **1.2.1 Stakeholder Engagement**

Stakeholder engagement can help companies properly assess the internal and external impacts of our behaviors, and understand the material issues that existing in operations. Establishing multiple mechanisms for stakeholder engagement to ensure the effective participation of stakeholders in sustainable development management is an important guarantee to promote enterprises to adjust their own actions, improve operational efficiency, and fulfill social responsibility. In 2015, in order to include stakeholder feedback into our sustainable development decision-making process, APP-China maintained close engagement with all stakeholders, continued to carry out stakeholder surveys and Stakeholder Round Table, while obtaining feedback and evaluation through new media.

## Survey of Stakeholders

The survey of stakeholders has been conducted annually since 2009, becoming an important part of our sustainable development work and stakeholder engagement, from which we can be more targeted and comprehensive in understanding the concerns of stakeholders on various issues of sustainable development and to acquire direct feedbacks. The findings determine the content of our Sustainability Report to a considerable extent, and also reflect the changing trend of stakeholders' concerns, which have an important impact on our sustainable development action plan.

In 2015, we continued our survey of stakeholders established in the previous year. Based on identified issues of sustainable development, we sent out an anonymous online questionnaire to the middle management, frontline employees, consumers, suppliers / contractors, banks, government agencies, community representatives, industry associations, academic institutions, NGOs and media, and receive a total of 173 valid responses. To comprehensively and truly reflect stakeholders' evaluation on APP-China, we authorized different weighted percentage to different stakeholders according to their influence, which we applied to both our questionnaire distribution and analysis.

2015 Stakeholder Survey Weight Distribution

Stakeholders		The proportion
Employee	Middle Management	10%
	Frontline Employees	20%
Partner	Consumers	5%
	Customers	20%
	Suppliers / Contractors	10%
	Banks	5%
community	Government Agencies	4%
	Community Representatives	6%
	Industry Associations	4%
	Academic Institutions	4%
	NGOs	6%
	Media	6%
		100%

## Round Table

Round table is another important stakeholder communication activity, and it has been the second year that APP-China invited external experts in the field of sustainable development to exchange specific ideas and discuss issues in relation to the preparation and dissemination of our Sustainability Report, sustainable development management, and shared experiences, including action planning, event planning, information dissemination, and stakeholder engagement. The meeting and discussions enabled us to continuously optimize policies and strategies on sustainable development, and jointly promote mutual sustainable development through our actions in response to stakeholders' demands.



### Other communication channels

In 2015, APP-China continued to improve new media communication platforms, through operations of the official website and official Wechat accounts of the Group and its brands. We directly communicated with various stakeholders and responded to their concerns, enabling more disclosure and transparency of the enterprises' actions.

**Overview of Stakeholder Concerns and Communications Content**

Stakeholders	Key Concerns of Stakeholder	Communications Content
Employees	Sustainable forestry	Please refer to Sustainable Forestry
	Water management	Please refer to Water Resource Management
	Product labeling	Please refer to Products and Services
	Employee education and training	Please refer to Occupational Channel Expansion, Occupational Capacity Building
	Occupational health and safety	Please refer to Occupational Health and Safety
Consumers	Product safety	Please refer to Product Quality
	Technology innovation	Please refer to Technology and Product Innovation
	Product labeling	Please refer to Forest Certifications, Product Quality
	Community involvement	Please refer to Community Involvement
	Charitable activities	Please refer to Community Involvement
	Green production	Please refer to Environmental Management
Customers	Customer relationship management	Please refer to Response to Customer Demands
	Technology innovation	Please refer to Technology and Product Innovation
	Product labeling	Please refer to Forest Certifications, Product Quality
	Market operations	Please refer to Response to Customer Demands
	Compliance	Please refer to Compliance Management
	Product safety	Please refer to Product Quality
Suppliers / Contractors	Compliance	Please refer to Compliance Management
	Suppliers' forest management certification	Please refer to Forest Certifications
	Suppliers' social impact assessment	Please refer to Supplier Management, Production material procurement
	Market operations	Please refer to Response to Customer Demands
	Anti-corruption	Please refer to Compliance Management
Banks	Market operations	Please refer to Response to Customer Demands

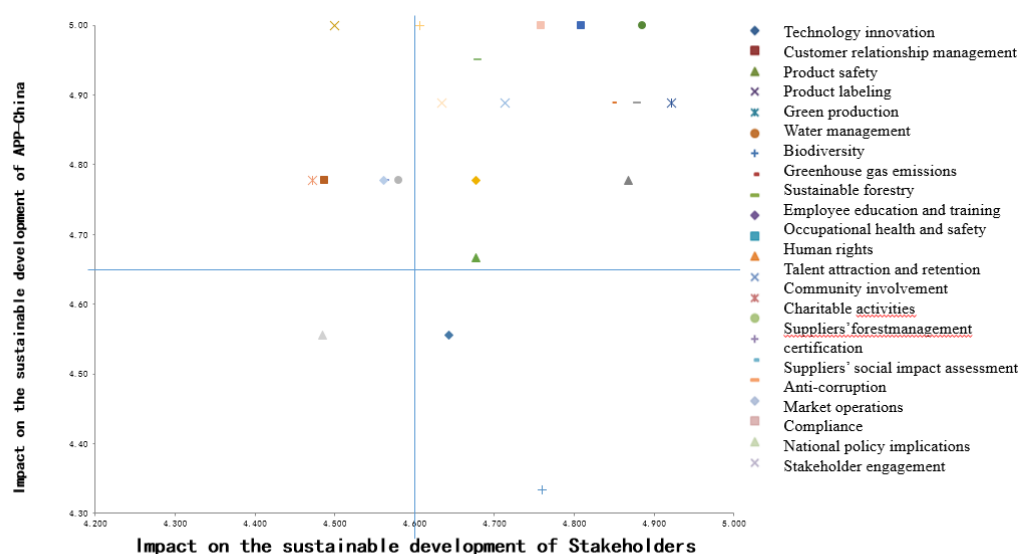
	Compliance	Please refer to Compliance Management
	Anti-corruption	Please refer to Compliance Management
	National policy implications	Please refer to Stakeholder Engagement
Government s Agencies	National policy implications	Please refer to Compliance Management, OUR PERFORMANCE
	Compliance	Please refer to Compliance Management
	Sustainable forestry	Please refer to Sustainable Forestry
	Water management	Please refer to Water Resource Management
	Biodiversity	Please refer to Water Conservation and Biodiversity
Community Representati ve	Green production	Please refer to Environment and Energy
	Water management	Please refer to Water Resource Management
	Biodiversity	Please refer to Water Conservation and Biodiversity
	Sustainable forestry	Please refer to Sustainable Forestry
	Compliance	Please refer to Compliance Management
Industry Associations	Green production	Please refer to Environment and Energy
	Water management	Please refer to Water Resource Management
	Product safety	Please refer to Product Quality
	Sustainable forestry	Please refer to Sustainable Forestry
	Biodiversity	Please refer to Water Conservation and Biodiversity
Academic institutions	Green production	Please refer to Environment and Energy
	Compliance	Please refer to Compliance Management
	Talent attraction and retention	Please refer to Labor and Human Rights
	Stakeholder engagement	Please refer to Stakeholder Engagement
	Sustainable forestry	Please refer to Sustainable Forestry
	Charitable activities	Please refer to Community and Charity
NGOs	Water management	Please refer to Water Resource Management
	Charitable activities	Please refer to Community and Charity
	Community involvement	Please refer to Community and Charity
	Sustainable forestry	Please refer to Sustainable Forestry
	Anti-corruption	Please refer to Compliance Management
Media	Green production	Please refer to Environment and Energy
	Water management	Please refer to Water Resource Management
	Compliance	Please refer to Compliance Management
	Product safety	Please refer to Products and Services

	Occupational health and safety	Please refer to Occupational Health and Safety
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## 1.2.2 Materiality Analysis

To further understand the expectations and needs of stakeholders, and to enhance the relevance and responsiveness of this report, we carried out identification of material issues to determine the core issues of sustainable development. By sorting out GRI G4 and other relevant international and domestic regulations and standards, while analyzing the disclosed sustainable indicators selection of peer companies, and integrating issues of sustainable development from media that reflect changes of sustainable development topics in 2015, we have identified a total of 22 material issues.

Based on the identified material issues, we conducted the Seventh Survey of the Stakeholders (see "Survey of the Stakeholders") and identified 22 significant issues to the stakeholders. Meanwhile, we conducted an independent paper questionnaire in each functional department at APP-China headquarters and with the general managers of subsidiaries, to assess the importance of 22 issues to APP-China's sustainable development. Combining the results from the two surveys, we completed the materiality matrix of sustainable development issues for APP-China in 2015, and determined the major disclosure content of the report.



APP-China Matrix for Significant Issues

Compared to other issues of sustainable development, in 2015, we focus on issues of sustainable development as below

Products & Economy: product safety, customer relationship management, technology innovation, product labeling  
Community & Supply chain: community involvement, charitable activities, suppliers' forest management certification, suppliers' social impact assessment

Environment: green production, water management, biodiversity, greenhouse gas emissions, sustainable forestry

Labor and Human Rights: employee education and training, occupational health and safety, human rights,

talent attraction and retention

Corporate Governance: anti-corruption, market operations, compliance, national policy implications, stakeholder engagement

### 1.2.3 Compliance Management

For all business activities which APP-China carries out, we have insisted on compliance as the bottom line. Continuing to improve staff awareness of anti-corruption measures is one of our major priorities regarding compliance management. Within the enterprise, APP-China keeps optimizing internal compliance management, providing different types of rules and regulations training, created an anti-corruption reporting mailbox, required employees to sign the Employment Professional Ethics and Probity Code of Conduct , and created a bulletin board and other channels to strengthen communication on internal controls, anti-corruption and anti-commercial bribery information with employees to raise their awareness. In 2015, no significant legal risk event occurred within APP-China.

In 2015, with regards to contract management, APP-China comprehensively updated its sales contracts, orders and annual contracts for each domestic trade company, and produced Contract Usage Guidance policies. At the same time, in order to guarantee the implementation of the new contracting system, APP-China conducted centralized training to salespeople at domestic trade companies, and verified their compliance and risk management. In 2015, APP-China conducted training more than 50 times for legal staff and other employees of various departments regarding various laws and regulations.

Externally, APP-China published anticorruption announcements on the corporate website and printed the anticorruption mail box address on business cards to communicate anticorruption information to keep external stakeholders like suppliers and contractors informed of our anticorruption policy and code of conduct, which would bring them with us together to maintain a healthy, fair and transparent business environment.

#### **Seven legal risk management and control measures at APP-China at the mill level**

- 1) Risk control for decision-making: unified decisions issued by the Board of Directors and General Manager;
- 2) Risk control on contract management: the Legal Department at headquarters is responsible for reviewing important contracts for all departments (e.g. important contracts from the departments of procurement, logistics, finance and propaganda) and contract management system establishment. The Legal Department of each mill is responsible for its own contracts review;
- 3) Risk control on legal disputes and lawsuits: unified risk management and control on lawsuits, determined for control or guidance by headquarters according to the subject and its importance;
- 4) Legal risk control on investment projects: legal assessment on all investment projects and review all legal documents;
- 5) Legal risk control on operations: review all subsidiary establishments, alteration, cancellation and operational legitimacy;
- 6) Legal risk control on corporate leaders: legitimacy review of all legal documents signed-off by the company's legal representatives, legal liability exemptions and change of legal representatives;
- 7) Legal risk control on corporate corruption: implement prevention and control regulations against corporate "corrupt behaviors" with the Department of Internal Control.

## **2. OUR PERFORMANCE - Status Quo of Sustainable Development**

2015 is the last year to implement the "Paper Industry Development 12th Five-year Plan". Chinese paper production and consumption growth recently slowed down significantly. With more stringent energy conservation and emission reduction requirements, the paper industry bid farewell to its "golden age" and entered into an in-depth adjustment phase. Confronted with the complicated international economic environment and industry plight, APP-China proactively adapted to the economic "new normal", introduced lean management model according to a diversified development strategy, and adhered to the road of sustainable development. In order to better respond to changes and challenges by technologies and the environment, APP-China implemented cleaner production and technological innovation, realizing water conservation, energy conservation, energy reduction, pollution reduction, and efficiency increasing. At the same time, APP-China continues to optimize its product structure, steering towards the direction of functionalization, high-quality and multi-variety products, promoting sustainable development goals on the basis of operational improvements.

### **2.1 Sustainable Forestry**

In the context of global warming and forest degradation, APP-China, as a leader in implementing sustainable development, has adhered to "integration of 'Plantation-Pulp-Paper'" strategy and integrated sustainable forest management concept into production and operations for more than 20 years. In September 2014, Huang Zhiyuan, Chairman and President of APP-China, participated in the UN Climate Summit and signed the "New York Declaration of Forests". By 2015, the area of self-managed forests of APP-China has reached 293,000 hectares. More than 83% (about 240,000 hectares) of forests is certified by authorized organization. In July 2015, this achievement helped APP-China win an award as the "Top 10 in Chinese Companies on Green Actions" during the "China Summit on Caring for the Climate" hosted by the UN Global Compact Network China.

#### **2.1.1 Management Policy**

APP-China Forestry developed a comprehensive forest management system, including the "Forestry Laws and Regulations Manual", "Staff Management Rules", "Forest Operation Policy" and "Environmental Guidance Policy". Based on the concept of sustainable management, APP-China also made a number of standard operating procedures, covering various detailed content such as harvesting, reforestation, green manure and intercropping, and forestry security. APP-China Forestry has a series of scientific forest management operational measures, covering soil management, seeding, planting, tree care, growth monitoring, harvesting and transporting, COC, and official acceptance of forestry operation. APP-China Forestry promoted sustainable forest management policies and standard operating procedures to all its employees. APP-China Forestry gave relevant personnel intensive training in the above policies and standard procedure and also included them in the employee performance evaluation system. Along with the release of APP's "Sustainability Roadmap Vision 2020", APP-China Forestry strives to practice the "Forest Conservation Policy (FCP)" according to the goals set in the Sustainability Roadmap, insists on not being involved in operations with natural forests, strictly prevents natural forests from entering its supply chain and terminates business cooperation with non-complying contractors. The implementation of the actions prescribed by the FCP is supervised by an internationally renowned NGO

named The Forest Trust. APP-China consistently focuses on the protection of High Conservation Value Forests (HCVF). In 2015, APP-China Forestry invited experts from the Chinese Academy of Forestry to provide relevant training and guidance of HCVF.

At the same time, APP-China has exerted considerable efforts on safe forestry, subcontractor management and harmonious community building. APP-China Forestry gives safety training for employees; conducts forest disaster and pest and disease prevention work. APP-China also established a Harvesting, Plantation Integrated Package (HPIP) to provide scientific management and regular training for contractors. APP-China advocate corporate's sustainable forestry policies for local communities, established community participation and dispute settlement mechanisms, strengthened communication with local communities and helped vulnerable groups.

**Case: APP-China Forestry promoted FPIC<sup>1</sup> in the local community at Lancang, Yunnan Province.**

APP-China Forestry recognizes and respects the human rights (including traditional rights of minorities) of people who lives in the surrounding area of its forests, adheres to the "Free, Prior and Informed Consent (FPIC)" principle in the decision-making process, and in 2015 carried out the pilot programs in Yunnan Lancang. In June 2015, APP-China Forestry Yunnan Lancang social team held community communication activities in Hui Long Village. The APP-China Forestry Headquarters team, the Lancang team leader and the Propaganda Director of Hui Long Village used different languages (including their dialect) to tell local villagers about company operating status, the Forest Conservation Policy (FCP), the commitment to protect the traditional rights of local communities, implementation of community participation plans; complaints and disputes mechanisms and handling. This event strengthened communication between the company and local community, let the local residents know their rights and obligations as well as the associated complaints channels.

### **2.1.2 Scientific Silviculture**

APP-China Forestry has invested heavily in the establishment of modern research and development centers, fostered good forest species for paper pulp production, introduced the Plantation Management System (PMS) in 2009 to effectively manage and monitor forestry operations. As a result, the information management systems of the forestry business, plantations, materials management and the financial department are all integrated into the SAP system.

APP-China Forestry also established a series of systematic detection methods, and detected and assessed the whole rotation of afforestation. We engaged qualified organizations to assess our environmental impact, in order to ensure it comply with national laws and regulations and meet the requirements of sustainable development.

### **2.1.3 Forest Certifications**

APP-China afforestation follows the most advanced international standards. In 2011, five forestry companies under APP-China Forestry acquired CFCC pilot certification as the first batch of forestry enterprises. While APP released its "Sustainability Roadmap Vision 2020", APP-China Forestry has accelerated its progress on Forestry Certifications. Forestry Certifications received by 2015 of APP-

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<sup>1</sup> FPIC = Free, Prior and Informed Consent

China Forestry are shown as follows.

Forest Certifications received by 2015

Forest District	ACF forest certification proportion of CFCC / PEFC
Guangdong Business District	
Guangxi Business District	
Hainan Business District	
Lancang / Wenshan Business District	
Weighted Average	

With the actively promoting of APP-China, CFCC and PEFC achieved mutual recognition, which not only further increased the global supply of certified products and accelerated global sustainable forest management, but also to some extent, enhanced the international competitiveness of Chinese forestry products, provided a "green passport" and "market passport" to smoother international trade, and made it more convenient for Chinese products to enter the global market.



**Case: APP-China released CFCC-PEFC jointly certified paper products**

In 2015, APP-China released the first batch of household paper and office paper products with joint certification labeling by China Forest Certification (CFCC) and Forest Certification Schemes (PEFC), to advocate and promote green consumption. The well-known brand Virjoy has become the first household paper successfully labeled with joint certifications. APP-China plans to complete labeling both certifications on all products that fall under these two types of paper within the next 1-2 years, constantly providing the market with green products, and further strengthening sustainable forestry operations and promoting green development.

### **2.1.4 Water Conservation and Biodiversity**

APP-China has attached great importance to soil and water conservation and biodiversity protection. APP-China Forestry has conducted planning over the whole lifecycle on each operating phase, from forestry land planning to log residue return. APP-China insisted on selecting species according to local conditions, maximized the utilization of organic fertilizer and minimized the use of herbicide. APP-China has returned the remaining leaves and bark after harvesting to the forest, increasing soil organic matter, retaining the underlying vegetation, maintaining the forest ecosystem, and preventing water and soil loss.

APP-China Forestry conducts five-year program of ecological monitoring on its plantations, covering biodiversity, soil and water conservation and soil fertility. In 2014, APP-China completed its first period of ecological monitoring. The monitoring results showed that APP-China's forest management has effectively avoided adverse impacts on the local water, soil and biodiversity. In the future, APP-China will continue to engage a third party to conduct ecological monitoring on the plantation and assess sustainability risks, ensuring its operation make positive impacts on the local environment using scientific management.

## **2.2 Environment and Energy**

Climate change and increasing environmental pollution is one of the most serious and urgent issues under China's new economy situation. As a leading company in the paper industry, APP-China put in considerable effort to develop circular economy, increases efforts on environmental protection during each phase of production, minimizes resource consumption and pollutant emissions, achieving sustainable development for production and the environment. APP-China has implemented energy conservation and emissions reduction, increased environmental performance and realized clean production through management and technological innovation. At the same time, we continue improving our transparency, disclosing our critical environmental monitoring data and accepting public supervision.

### **2.2.1 Environmental Management**

APP-China continuously promote environmental protection and strengthen the protection of water resources, reduce pollutant emissions and energy consumption, in order to improve its environmental performance. APP-China pays attention to optimize organizational structure, increase management capacity, and improve the assessment mechanism. As a result, APP-China established a sound environmental management system and achieved a closed-loop management system from strategy and execution to assessment. In accordance with national environmental protection laws, regulations and standards as well as the actual production situation, APP-China set up a series of specified environmental assessment indicators for every mill, requiring the environmental protection department of each mill to submit pollutant emission data including waste water and air emissions on a monthly base. These indicators will be assessed by the relevant departments in headquarter. In addition, APP-China quarterly holds a Communication Conference to facilitate inter-mill communication. The mills exchanged experiences of environmental management and environmental technology and participated in key indicators performance contests, in order to share their distinguished environmental protection work experiences. These activities further enhanced APP-China's overall environmental management level. With the enactment of a new environmental law in 2015, APP-China continued to optimize its



environmental management system and to strengthen its internal and external stakeholder communication on issues such as management of water resources, air emissions and solid waste management. These measures have achieved remarkable success.

**APP-CHINA HQ (Decision Maker Level)**

At APP-China headquarters, all relevant departments will participate in the goal setting, plan development and the decision making and reviewing of major environmental protection related policies.

**Environment Protection Functional Dept. (Organization Level)**

The associated personnel at headquarters are responsible for organizing, coordinating across all function departments and up and down the subsidiaries on environment-related work, striving to achieve environmental protection goals.

**Horizontal Environmental Protection Department of each plant and vertical Production Department at each plant (Execution Level)**

- Horizontally, the environmental protection department assumes the responsibility of environmental protection for the mill
- Vertically, workshops at each mill organize and carry out environmental work and report regularly to the decision-making level

**APP-China Environment Management Structure**

**2013-2015 Annual environmental investment comparison**

	2013	2014	2015
Environmental investment (10 thousand RMB)	122,359.88	93,513.80	71190.21

From 2013 to 2015, the amount of environmental investment by APP-China showed a declining trend. This is because from 2012 onwards, the factories started transformation of thermal power plant desulfurization and denitrification. Desulfurization and denitrification projects require large amount of investment, which occupied a major percentage of the total investment in environmental protection from 2013 to 2015. The vast majority of funding for the projects was invested at the beginning of the projects. With the gradual completion of desulfurization and denitrification projects, only a small amount of expenditures were later required.

### **2.2.2 Water Resource Management**

APP-China established a mechanism for effective water resource management. APP-China sets supervisory system at the mill level, which requires each mill to regularly report its water consumption. Relying on advanced pulp and paper-making technology and devices, all mills continuously reduce water consumption in the production process with strict management measures. Guangxi Jingui Pulp & Paper, Gold Huasheng and some other mills have created water-saving SDA<sup>2</sup>. By establishing specific short term and long term water conservation goals and improving management quality, these mills successfully reduced water consumption per unit of production. Thanks to the various water saving actions took by the mills, the total water consumption in APP-China has fallen steadily through 2013-2015. Meanwhile, APP-China continues to improve its water recycling and grey water reuse systems, raising its water resources reuse ratio. It also further increased the recycled water usage in irrigation, equipment washing, fire-fighting facilities and reverse osmosis in order to reduce wastewater discharge.

### 2013 - 2015 APP-China Water Usage

	2013	2014	2015
The total quantity of water (tons)	124,947,268	121,733,245	120,433,366



#### Case: APP-China participated in the 2015 World Water Day Water Forum in Shanghai

In March 2015, APP-China's Vice President Ms. Di Jingli attended the 2015 World Water Day Water Forum, organized by SEE Foundation, in Shanghai with other entrepreneurs. Topics focused on the increasingly serious water crisis, the trends in water management policies, and calls on the industry to actively take corporate social responsibility with concerted efforts to improve corporate water strategy, in order to protect water resources for human survival.

At the forum, Ms. Di Jingli said: "The paper industry traditionally is one of the major users of water. Current wastewater emission of paper industry is ranked as top 1 among all industry sectors. Therefore, it has an obligation to take more responsibility to the water crises for: firstly, the healthy environment for human beings; secondly, the sustainable development of paper industry in long term. As a world leading green paper-making company, recently APP-China has improved its own water recycling system, continuously upgrading its water-saving equipment and water recycling equipment. As a result, APP-China is currently the industry leader in meeting wastewater and pollutant emissions standards, which are far better than the national limit requirement. We are very willing to work with industry partners to share our successful experiences, in order to promote the 'water saving' and 'emission reductions' in the entire industry. "

### 2013 - 2015 APP-China total recycled water usage in 9 mills (in tons)

	2013	2014	2015
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Gold East Paper	459,947,772	462,905,343	488,100,000
Hainan Jinhai Pulp & Paper	1,043,531,770	985,113,985	908,608,007
Ningbo Zhonghua	130,747,934	134,695,427	134,360,725
Ningbo Asia Pulp	151,348,677	151,286,064	254,805,840
Gold Huasheng	354,629,000	384,789,253	259,164,007
Suzhou Gold HongYe	143,437,210	94,273,367	121,349,989
Guangxi Jingui Pulp & Paper	6,471,205,938	475,860,000	451,802,163
Hainan Gold HongYe	81862500	69250000	71687661
Hainan Gold Shengpu	678750000	64310698	64178333

#### **Case: United Nations Global Compact “The CEO Water Mandate”—Our Actions**

In 2011, APP-China’s six mills - Gold East Paper, Hainan Jinhai Pulp & Paper, Ningbo Zhonghua, Ningbo Asia Pulp, Gold Huasheng and Suzhou Gold Hongye, joined in the United Nations Global Compact “The CEO Water Mandate”, which becomes the first Chinese paper companies to join the initiative.

During the Geneva Summit, the United Nations Global Compact officially launched “The CEO Water Mandate” in 2007. Co-sponsored by business leaders and the international community, and aimed at developing appropriate strategies and solutions, this initiative combines the power of the public and private sectors in order to tackle the growing global water crisis. Enterprises participating in the initiative should have an advanced awareness of water conservation, and actively take the environmental responsibility to help promote green technology development. They should seriously take sustainable water consumption into consideration and carry out practical steps towards protecting water resources during the process of decision-making operations, supply chain and watershed management as well as during the communication with government, businesses, international organizations and other external stakeholders.

The Strategic Framework of the “CEO Water Mandate” covers six key components: direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency. For specific content about the six key areas of the strategic framework in the “CEO Water Mandate”, see United Nations Global Compact website:

[http://ceowatermandate.org/files/CEO\\_Water\\_Mandate.pdf](http://ceowatermandate.org/files/CEO_Water_Mandate.pdf)

Corporates participating in this initiative are required to take concrete actions to support the framework and annually report the progress and effectiveness of specific actions to the United Nation. By participating in this project, APP-China will further protect water resources, improve water usage efficiency and reduce water pollution, and deeply integrate these concepts into the company’s strategy, corporate culture and daily business activities.

The actions that APP-China take in order to support the six key areas of the “CEO Water Mandate” includes: using a series of cutting-edge water treatment and protection measures including introducing new equipment and technologies, upgrading existing systems to improve productivity and to reduce

water and steam consumption, improving wastewater treatment and releasing water recycling during the production process:

1. Water consumption control: The mills rely on advanced technology and equipment, using strict management measures to minimize the water consumption of pulp and paper production. The average waste water emission per ton of paper is less than the national standard by 1/2;

2. Water cycle process: the water for pulp and paper processing is circulated and constantly recycled. The amount of sewage discharged from the pulp and papermaking process is minimized. Using a tertiary sewage treatment system to ensure the sewage is far superior to national standards. The water recycling rate of major mills of APP-China is more than 90%.

In addition, regarding the assessment of water resources protection, APP-China's "BREEZE" brand has become the first brand in the domestic paper industry to be an accepted water footprint verified brand. "Water Footprint Verification" has an important certification value for guiding the improvement of water management system in factories, such as which new production equipment and technology to facilitate, how to upgrade existing systems to improve productivity and reduce the consumption of water and steam, how to improve wastewater treatment, and how to recycle the water in the production process.

Sewage discharge is one of most concerned issue in paper industry. APP-China invested heavily in the introduction of an advanced sewage treatment system, effectively reducing the concentration of pollutants in wastewater. Wastewater pollutant emissions are monitored online in real-time and surveillance data is uploaded to the company website and the Environmental Protection Bureau website for public scrutiny. In 2015, APP-China's mills continued to enhance their management of the production process in order to reduce the amount of water consumption and chemical use, minimize waste water emissions, and improve wastewater treatment processes and sewage treatment capacity, ensuring sewage treatment be much better than the national standard.

The past three years, APP-China's waste water emissions fluctuated because of the fluctuation of production, operations, and total production output at each plant. For past three years, APP-China's annual sewage discharge volume (tons) showed a clear downward trend. Annual average wastewater emissions volume and COD emissions per tons pulp fluctuated due to the phased production adjustment during the transformation of the pulping production line. This resulted in a short term increase pulp mill wastewater emission and COD emission. At the end of the production adjustment in 2015, the sewage water emissions index returned to normal levels. Influenced by yield, wastewater discharge volume and the change of COD emission, the annual sewage emissions (tons) per ton paper in 2015 is slightly higher than 2014.

2013-2015 APP-China Wastewater Discharge

	2013	2014	2015
Wastewater discharge (tons)	88,260,859	107,303,658	88,522,504

Annual Average Wastewater Discharge per unit of Product (per ton of paper)

	2013	2014	2015	National standard limit <sup>3</sup>

Annual sewage emissions (tons) per ton paper	11.67	8.46	6.74	
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**Annual Average Wastewater Discharge per unit of Product (per ton of pulp)**

	2013	2014	2015	National standard limits
Annual sewage discharge (tons) per ton pulp	16.95	21.91	15.12	

**COD emission for each Ton of Paper Produced (kg/ton)**

	2013	2014	2015	National standard limits
COD emissions per ton paper (kg/tonne)		0.276		

**COD emission for each Ton of Pulp Produced (kg/ton)**

	2013			National standard limits
COD emissions per ton pulp (kg/tonne)	1.19	1.54		

**Case: Gold Huasheng improved reclaimed water and decreased effluents, reducing waste water emissions**

In 2015, while maintaining wastewater discharge standards, Gold Huasheng increased reclaimed water and decreased effluents using technological innovation and management improvement, effectively reducing wastewater emissions and pollutant emissions, fundamentally reduced waste emissions. Gold Huasheng improved the production process of the water system to avoid pollutants clogging the water system ultrafiltration membrane, increasing recycled water production. While ensuring water supply quality, it calculated the optimal ratio using river water and recycled water amounts by controlling conductivity, to increase the recycled amount of effluents.

Meanwhile, the Department of Environmental Protection at Gold Huasheng revised its "Implementation Measures on Source Control", created specific responsibilities for daily inspection and meter reading, strictly enforced a regular inspection system of the water source department, and required immediate notification and maintenance of the personnel at responsible departments if water leaks or abnormal discharge was found. In addition, Gold Huasheng also created an environmental audit team to weekly inspect environmental issues. In 2015, inspection and rectification of the rain and sewage diversion in the whole factory effectively reduced the rain water entering into the wastewater system.

The above water-saving improvements achieved remarkable results. Compared to 2014, Gold Huasheng reduced wastewater emissions by more than 400 thousand tons, increased reclaimed water by 304 thousand ton of water, and reduced the recycled amount of effluents to 172 thousand tons in 2015. Gold Huasheng received the award of “Water Saving Company” in Jiangsu Province.

### 2.2.3 Air Emissions

Air emissions is another vital component of environmental management in the paper industry. Gases produced from APP-China are mainly sulfur dioxide, nitrogen oxides and particulate matter, which are generated from the pulping process as well as self-owned power plants. In recent years, Chinese government improve the requirements of environmental protection. Ministry of Environmental Protection issued a number of new policies to alleviate the increasingly serious air pollution problems. *Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011)* implemented on July 1, 2014 significantly increased the pollutant emission standards. The Standards clearly defined that, old units of thermal power plants built before July 2011, should meet the emissions standard of sulfur dioxide 200mg/m<sup>3</sup>, NO<sub>x</sub> 100mg/m<sup>3</sup>, and particulate matter 30mg/m<sup>3</sup>, with major regions implementing the special emission limits of sulfur dioxide 50mg/m<sup>3</sup>, NO<sub>x</sub> 100mg/m<sup>3</sup>, and particulate matter 20mg/m<sup>3</sup>. In order to meet the emission requirements, APP-China carried out a number of technical innovations and equipment upgrades, and invested heavily to transform thermal power plant desulfurization and denitrification processes, so that the original power plant flue gas emissions concentration was substantially reduced. From 2013 to 2015, APP-China’s gas pollutant emissions decreased significantly. In 2015, the actual emissions of sulfur dioxide, nitrogen oxides and particulate matter fell more than 56.6%, 9.2% and 22.9% respectively, compared to 2014.

Additionally, APP-China's mills introduced advanced technology to synthesize CO<sub>2</sub> into precipitated calcium carbonate, sulfur dioxide is used to synthesize ammonium sulfide fertilizer. Both the carbon dioxide and sulfur dioxide are emitted from the boiler. The above processes generates no waste water, liquid nor residues, which further reduces the air emissions from the mills, and maximized the resource utilization.

2013-2015 APP-China air pollutant emissions

	Unit	2013	2014	2015
Annual emissions of SO <sub>2</sub>	Ton	10,352.30	5,409.87	2,347.84
Annual emissions of NO <sub>x</sub>	Ton	8,584.38	6,334.09	5,747.13
Total annual emissions of particulate matter	Ton	2,300.20	1,133.46	873.69

#### Case: Ningbo Zhonghua and Ningbo Asia Pulp display environment monitoring data to the public

To actively respond to the state’s new Environmental Law released in the beginning of 2015, and to the announced relative environmental disclosure requirements of key pollution companies, Ningbo Asia Pulp and Ningbo Zhonghua in May 5, 2015, began displaying real-time environmental data, as well as the particulate matter concentration, sulfur dioxide content, nitrogen oxide content and other emissions’ standard value from the chimneys of the power plants, reflecting the real-time information of waste water

discharge and mud incineration. The 24 hours on-line monitored data displayed on the electronic screens of these two mills are in accordance with the on-line monitored system data which is transmitted to the provincial and city environmental bureau. This not only shows actual environmental emissions of the mills, but also shows transparency in environmental protection work, receiving the supervision by internal and external stakeholders.

#### **Case: External Environmental Communication of Ningbo Asia Pulp and Guangxi Jingui Pulp & Paper**

Due to its close proximity to surrounding villages and communities, the biggest conflict between Ningbo Asia Pulp and the surrounding communities is air odor. For this reason, in 2015, Ningbo Asia Pulp organized discussions and consultation regarding environmental protection. The local communities selected six residents with environmental knowledge, integrity and prestige from the surrounding areas, in order to form a Voluntary Environmental Supervision Team using community votes. The team members may enter the mills at any time to directly look the mills environmental work, supervise the operation of environmental protection equipment and provide feedbacks from the surrounding communities. The company timely addressed or responded to any feedback collected by the team, and give explanation to the surrounding communities via the Voluntary Environmental Supervision Team. This communication method has resulted in good effects, dramatically reduced the volume of complaints and established an efficient community communications mechanism for the surrounding companies, which played a leading role in creating a harmonious community.

Guangxi Jingui Pulp & Paper created an interdepartmental Environmental Warning and External Coordination Group (referred to as the Environmental Protection Group). The group members come from various functional departments including public relations, environmental protection, production, utilities, logistics, and others. Once a month, they carry out an entire plant environmental inspection and convene a specific environmental issues review meeting. For any problems identified, they list the required correction and the individual responsible for the correction. After the general manager sign-offs and releases the list, the group weekly tracks the correction situation.

The mills has disclosed environmental feedback contact information. People can contact the company directly, or contact the mill via the Environmental Protection Bureau, to communicate their doubts or comments about the environmental aspects of the company. The environmental group will conduct specific investigation and research, correct all real issues, and quickly eliminate any doubts or confusion or explain the correction situation to the people. When necessary, they will invite representatives to visit the mill, or invite the Environmental Protection Bureau to conduct specific testing and publish the testing results. These positive community interactions have positive effects. The Environmental Protection Group has been widely praised by the Environmental Protection Bureau and local communities for its communication and coordination work.

## **2.2.4 Waste Management**

At APP-China's mills generate solid waste, including coal ash, furnace slag, and mud generated in the processing of waste water treatment and hazardous waste (such as oil bucket, batteries, lamps, etc.). APP-China follows the 3R principles of waste disposal, namely Reduction, Reuse, and Recycle, to ensure scientific and effective treatment of solid waste during the production process, and minimizes the final amount of waste needed to be disposed of to the greatest degree, allowing for maximum comprehensive

utilization of resources. APP-China's mills mainly produce bricks using the coal ash and furnace slag generated from boilers, the sewage treatment generates mud for composting and incineration generates power. Remaining waste products, for example paper, pulp production packaging materials, scrap metal, scrap wire and engineering supplies, are fully recycled or sold to certified companies as raw materials. At the same time, all hazardous waste is disposed by contractors certified in hazardous waste treatment and utilization, and household waste is treated by the local municipal waste disposal units. These procedures are to comply with the legal disposal of all waste, realizing recycling, decontamination and reduction of waste treatment.

In 2015, APP-China generated 790.62 tons of hazardous waste and disposed 581.475 tons. This mainly includes waste oil, batteries, asbestos and lamps (some hazardous waste such as lamps and waste oil are estimated according to unit weight). All hazardous waste was disposed in compliance with the law. General waste production of APP-China in 2015 is listed in the following table below.

2015 APP-China general waste types and disposal amount

	Coal Ash	Furnace Slag	Mud	Other (Waste paper, pulp sheets, packaging materials, scrap metal, scrap wire, engineering supplies, etc.)
Disposal (tonnes)	581,185.31	91,600.4	760,789.58	122,314.256

**Case: Gold Huasheng pallet recycling and reuse**

In order to maximize the use of resources and reduce waste generation, thus reducing the cost of production, Gold Huasheng recycles and reuses pallets. The mill will directly reuse pallets or repair them before use. In 2015, the mill directly reused 25,652 pieces, repaired and reused 5,195 pieces. 854 tons damaged pallets were sold to reduce production costs. The company will also directly reuse, or use as padding, the raw materials from the pallets. In 2015, the company directly used 7,837 pieces of this type of pallet; the use of such pallets as padding for other materials was about 5,000 pieces. The recycling of discarded pallets by Gold Huasheng, not only effectively reduces the amount of waste generated and avoids the impact of subsequent waste disposal activities on the environment, but also significantly reduces production costs.

**Case: Ningbo Asia Pulp introduced an incinerator to process mud from paper making process**

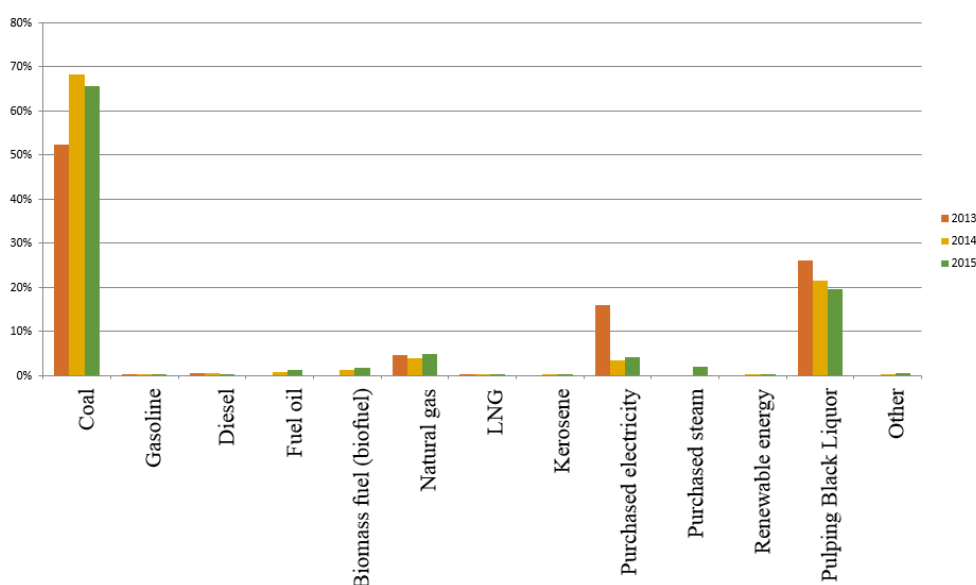
In order to process the large amount of mud produced from the paper making process, Ningbo Asia Pulp, after extensive research and consultation with the government, launched its mud incineration project. The project is the introduction of two advanced incinerators from Finland, incinerating mud to generate power and recover waste heat, and provide steam to the factory productions. The incinerator is equipped with flue gas dust removal, and desulfurization and denitration devices to clean the discharged smoke. The project is not only a perfect solution for factory mud disposal, reducing processing costs and environmental risks, but it also recycles waste heat, effectively reducing the production costs of the factory, and forming a virtuous cycle of sustainable production.



## 2.2.5 Energy Management

To achieve the goals of "Energy Conservation and Emission Reduction in the 12th Five Year Plan" to reduce China's unit GDP carbon dioxide by 40%-45% by 2020, APP-China continues to enhance the establishment of mills' energy management system, increase its investments on energy-saving equipment, adjust its energy use structure, increase the use of renewable energy, and make efforts to reduce greenhouse gas emissions from production and operation.

In the overall energy structure of APP-China, coal is still the main type consumed. In 2015, energy from coal accounted for comprehensive energy consumption of 66% at APP-China, declining 2% compared to 2014. The amount of purchased electricity and steam also showed a downward trend. APP-China continues to tap its energy saving potential, and all mills actively carry out special programs on energy-saving technological transformation in order to effectively reduce energy consumption per unit of product. At the same time, APP-China continues to develop the use of renewable energy. It has started photovoltaic power generation projects, reducing the use of fossil fuels and greenhouse gas generation and emissions from the source.



### Case: APP-China household paper products awarded title of "2015 Annual China low-carbon model"

On June 30, 2015, the "Economic Observer" organized the "2015 Annual China Low-carbon Model" conference held in Beijing. APP-China's household paper company, as the world's leading green paper company, won the "2015 Annual China Low-carbon Model". This win is also the only win for the paper industry.

As one of the most prestigious annual low-carbon development campaigns, the China low-carbon model assessment created by the Economic Observer, through a wide range of criteria including carbon strategy, competitive advantage and assumed responsibility, looking for "low-carbon" companies that best fulfill those responsibilities, and providing best practices and a reference for other companies.

APP-China is committed to keep improving all aspects of sustainable development, and invited to attend the meeting as a world leading green paper company. APP General Manager (China) Public Relations Officer Mr. Wen Xuzheng attended the forum on behalf of the company to accept the honoring award, and conducted in-depth discussion and exchanges with industry experts on low-carbon transformation,

innovation and government policy.

**Case: Gold Huasheng Steam Seal Transformation**

Gold Huasheng adheres energy policy as “optimizing the energy structure with rational use of resources, developing the circular economy and achieving sustainable development” to find energy savings potentials. In March, 2015, it was discovered that steam leakage from the #2 turbine of the thermal power plant resulting in excessive gas consumption when generating power and providing heat. Experts created a transformation plan, and in December 2015 invested 2 million RMB on retrofit of steam sealing. After comparing the measured steam consumption, annual standard coal saving was 5,200 tons per year, and annual carbon dioxide emissions were reduced by 9,000 tons, achieving both economic and environmental benefits.

**Case: Gold Hongye Solar Photovoltaic Project**

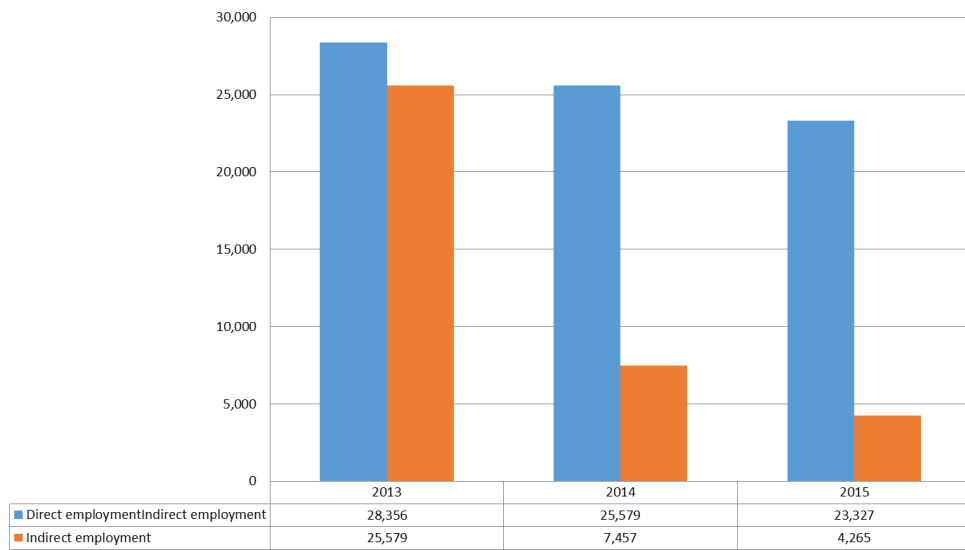
As a strong response to the national policy on accelerating the development of new-energy industry, APP-China planned to carry out a 200MW solar photovoltaic project on existing roofs since 2014 in the next 3 to 5 years. Gold Hongye has initiated a demonstrative solar power generation project (capacity 20MW), utilized almost 300,000 m<sup>2</sup> colored steel roofs to build the solar photovoltaic plant and accomplished the power generation in June 2014. The investment of this project exceeded more than 200 million RMB, annual power generation reached 20 million KWh which can account for one third of annual power consumption of Gold Hongye in Suzhou industrial park.

In 2015, Suzhou Gold Hongye solar photovoltaic project generated 322 million KWh which can save standard coal 975 tons, reduce CO<sub>2</sub> emission 2535 tons, SO<sub>2</sub> 23.4 tons and NO<sub>x</sub> 6.825 tons, reached the balance between economic and environmental benefits.

## 2.3 Labor and Human Rights

APP -China’s employees are the driving force and source of the enterprise development. APP -China will always adhere to a "people-oriented" business philosophy and strive to create a broad space for employee career development, and for employees to work together and share business development achievements. Within the scope of this report, as of December 31, 2015, APP-China employs a total of 27,592 people at its pulp factories and institutes, including 6120 female employees, accounting for 25.25% of direct employees. The number of female managers was 444, accounting for 18.46% of management employees. In 2015, the retention ratio of employees in maternity / paternity leave of APP -China was 93.00%.

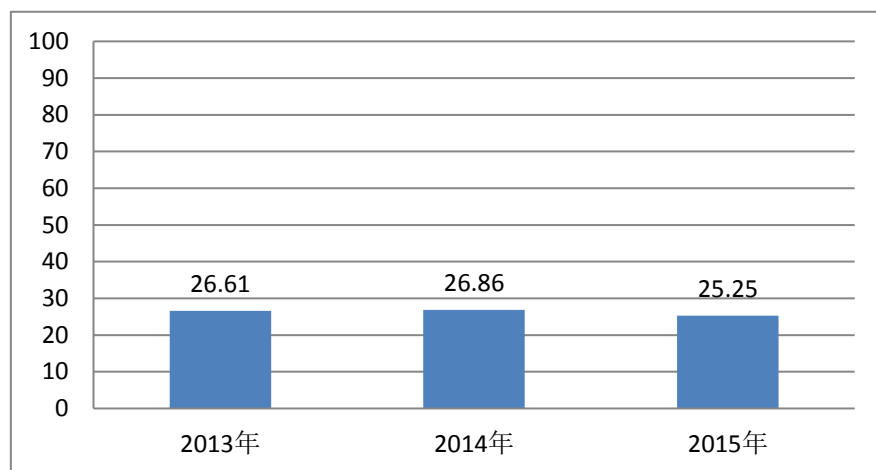
### 2013-2015 APP-China Direct Employment and Indirect Employment



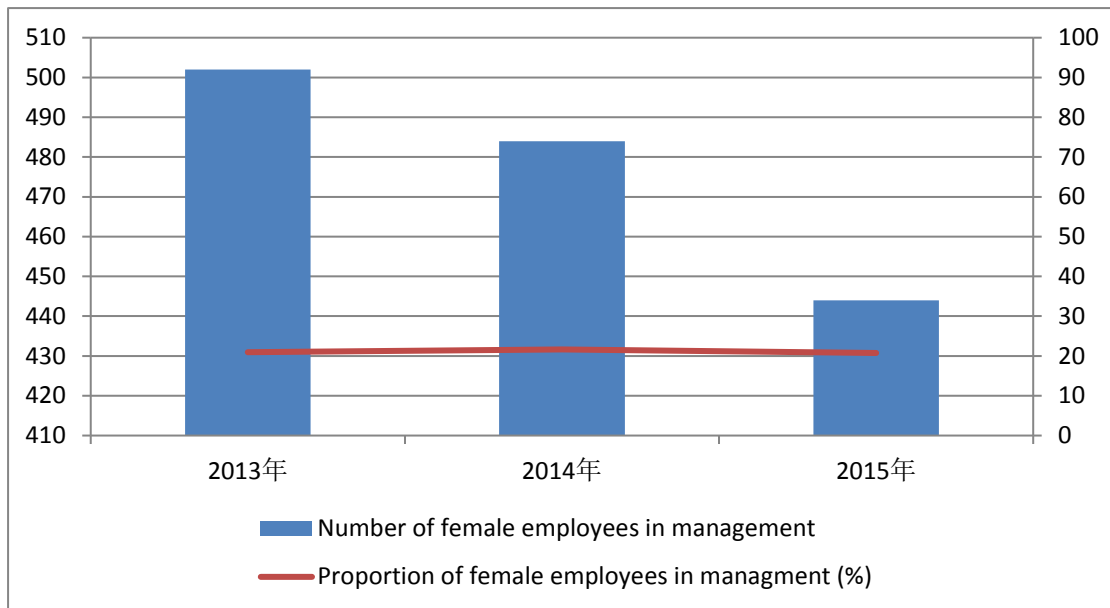
\*Due to the

adjustment of direct employment statistics range in 2015, the direct employee number changed greatly.

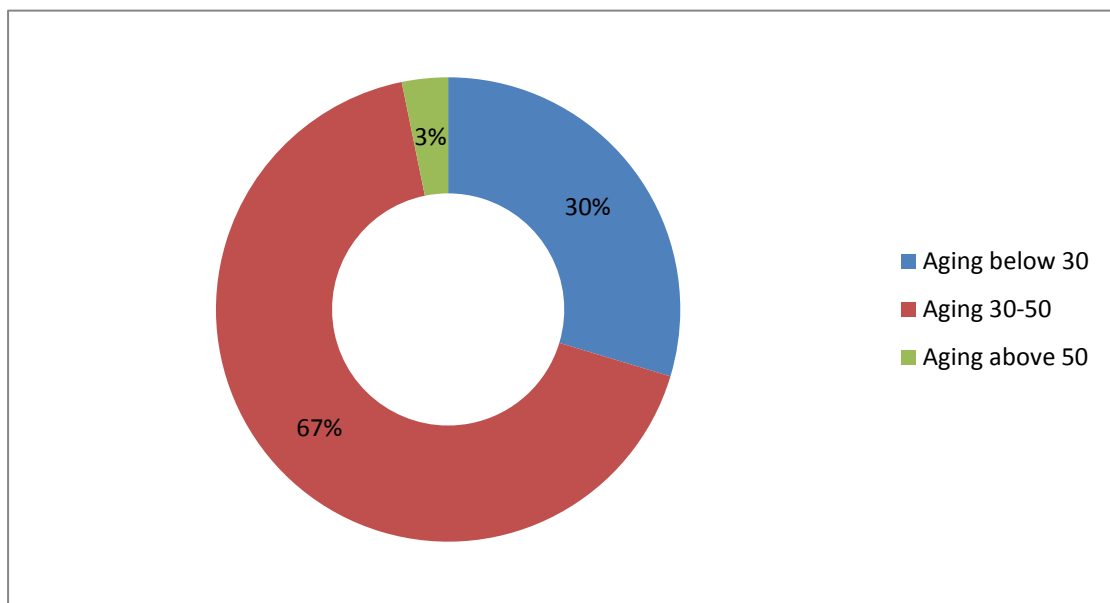
### 2013-2015 APP-China Percentage of Female Employees



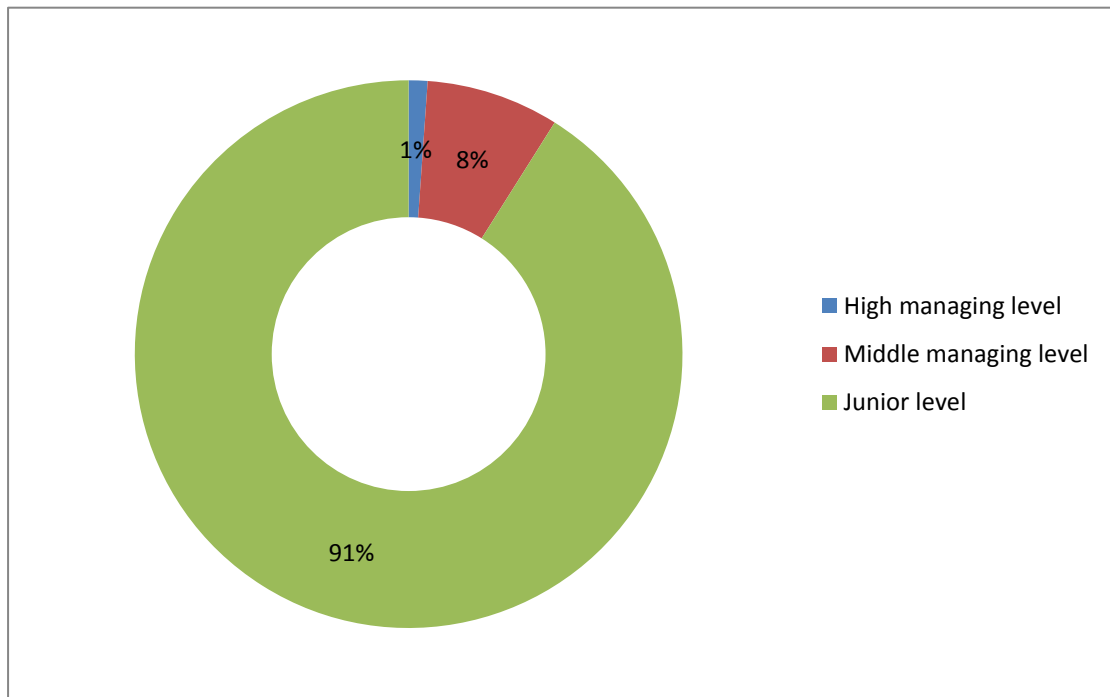
### 2013-2015 APP-China Female Employees in Management



2015 APP -China Age Structure



2015 APP-China Employee Levels



2013-2015 APP-China Employee Turnover Rate



2015 APP -China Employee Retention after Maternity / Paternity



### 2.3.1 Working Environment

APP -China treats all employees equally, protects the legitimate rights and interests of employees, respects the labor of employees, and listens to the voices of employees, in order to create a fair, just and open working environment, and an open, progressive and innovative work atmosphere.

#### Legitimate rights and interests

APP-China pays attention to protecting the legitimate rights and interests of all employees, in strict accordance with the National laws and regulations such as “Labor Law”, “The Employment Contracts”, “The Trade Union Law”, “and other relevant regulations involving local labor and employee management rules for foreign investing businesses. All employees sign labor contracts. Recruiting, salary, training, promotions, and other matters are decided without consideration of gender, ethnicity, religion, age, and political affiliation, in order to prevent discrimination. We ban child and forced labor, to ensure that all employees are entitled to fair, just and open job opportunities.

#### Reasonable remuneration

According to the remuneration principles established by APP-China headquarters and its actual operational situation, each subsidiary establishes and adjusts its perspective remuneration plan, linking staff performance and contributions in order to ensure that staff salaries are competitive with the industry. Each employee regularly receives insurance including pension, unemployment, medical, work injury and maternity, and a housing fund. Commercial insurance is purchased for employees as well. In 2015, direct employment had both social insurance coverage and commercial insurance coverage of 100%, the maximum possible, in order to protect the interests of employees.

**Case: Gold East Paper "Secondary Distribution" Management Approach on Remuneration** In 2015, Gold East Paper implemented a base salary and variable pay management approach for employees. Employees receive a basic salary according to their rank Which is determined by the individual employee's position, qualifications, experience, performance and other factors. The variable pay is

applicable to a “secondary distribution” salary management approach. The company allocates bonuses by departments. Each department scores and ranks its employees comprehensively according to their performance, workload, teamwork and other indicators, so as to determine the distribution of bonuses for individual employees. Implementation of the "secondary distribution" compensation management approach benefits hard-working employees, improves staff enthusiasm for work, and also enhances the efficiency of the department.

### **Communication and appeals**

In 2015, APP-China enhanced channels for staff communication and appeals. Mills or business units were involved in this work. Mill employees can give feedback on work issues or report corruption incidents and personnel by various channels, such as using the phone number of the Human Resources Department at each mill or business unit, or sending an email to a drop box at the GM's office and dedicated anti-corruption e-mail account. The improved communications and appeals process assures employees that every complaint will be addressed and responded to in a timely manner. In 2015, there were no complaints, petitions or letters of forced labor, nor other complaints or reports related to employment discrimination.

In addition, APP-China affiliated mills also built a diversified employee communications platform, to provide an opportunity for employee suggestions, discussions of work issues and brainstorming, thus promoting employee growth and the development of enterprises through communication.

#### **Case: Ningbo Asia held "Golden Ideas" Discussion**

At the end of each quarter, Ningbo Asia regularly holds a "Quarterly Golden Ideas Discussion", encouraging employees to share their knowledge, intelligence, and experiences, and the working methods accumulated in their own work, to provide suggestions for the company's development. *"The only purpose of the proposal and discussion is to encourage people to think, to share good working methods and techniques, and apply them practically. Let us continually exert efforts to develop the company from our own modest contribution."* - Ningbo Asia employees Ge Xiaohong.

#### **Guangxi Jingui Pulp & Paper carried out Proposal Month to "improve internal satisfaction"**

In order to develop better services, to seek breakthroughs, improve services and optimize performance, to let the company and employees achieve common development goals, Guangxi Jingui Pulp & Paper held an "Improve internal satisfaction" Proposal Month in April, 2015. The Proposal Month event includes improvement on various services inside of each department. Under the publicity of the Sub V-Team, this received strong support from the majority of employees. During this month, there were 2,149 valid proposals from the whole plant, of which 932 were on topics to “improve internal satisfaction”, accounting for 43.3% of total valid proposals. Such a large proportion of proposals on topics demonstrated that the employees are willing to dedicate time to the continuous development of the company.

### **2.3.2 Occupational Channel Expansion**

According to the Group's strategic objectives and talent development plans, under the guidance of APP-China headquarters, affiliated mills continued to improve employee job promotion plans in 2015. In addition, they strived actively to construct more staff development channels, such as Gold East Paper's

"Vertical and Horizontal" channels and Gold Huasheng's "Succession Program". Through application of a variety of initiatives, this helps employees achieve personal development as well as lets the company attract and retain talent.

<b>Gold East Paper building staff development "Vertical and Horizontal" channel</b>	
In 2015, Gold East Paper added grade promotions to the existing level promotion types, allowing integration of the company's existing resources to better help employees achieve personal development.	
Level promotion (original)	Rank promotion (added)
On the basis of expanding managed range and work responsibility, and increasing managed staffs, promotions are limited in levels.	On the basis of grades in each level, promotions are escalated based on individual employee's performance and ability improvement.

<p><b>Case: Gold Huasheng promotes a succession program</b></p> <p>For employees, a clear training and promotion channel, helps increase working motivation, promotes individual performance, improves job satisfaction, and enhances a sense of belonging and identity. For enterprises, a stable and enterprising team helps to promote enterprise performance and provides an adequate talent pool for the development and expansion of enterprises.</p> <p>At the beginning of 2015, Gold Huasheng assessed all key positions, including existing employees, and their short-term and long-term successors, and the knowledge, skills and competency of all personnel. Gold Huasheng developed a series of development plans based on the assessment results, involving rotations, the SDA project, training development, and so on. After a year of development, some staff were promoted and contributed greatly to the company. In the future, Gold Huasheng will also develop and implement an appropriate retention plan for these key talents, aiming to retain more talents with additional measures.</p>
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### 2.3.3 Occupational Capacity Building

In 2015, confronting the actual structural adjustment situation of the talents, APP-China focuses on enhancing and improving the specific work ability of employees at all levels. For middle and senior employees, APP-China paid more attention to their learning skills and their understanding of the management experience of other colleagues. For technical staff positions, Gold Huasheng piloted the development of an occupational technical competency model, and plans on promoting its development fruits in the whole group in the future, to improve the understanding of technical personnel on what competencies are required to realize individual career development.

Total training costs for supporting staff in 2015 was 4.8889 million RMB, a reduction of 38.35 percent. This was because of a reduction in the total number of employees, as well as the optimization of company training programs, with more emphasis on effective training, and by excluding irrelevant training. Employees from different plants were chosen to participate in free training programs held at the industrial park.

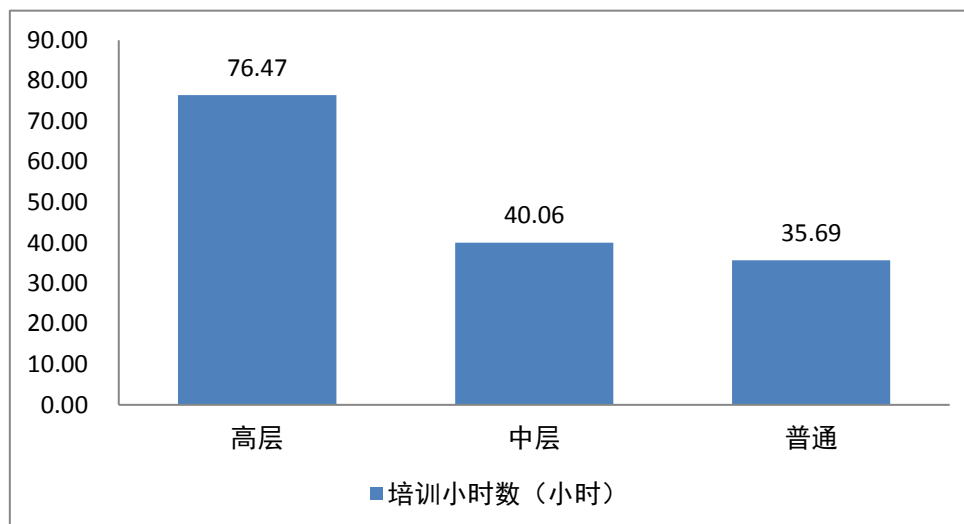
#### 2015 APP-China Staff training

	Unit	2013	2014	2015
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Total training costs	Ten thousand RMB	825.79	793.05	532.63
Total time spent on training	Hours	960567.9	1035031.72	720404.65
Number of employees participating in continuous education program company paid for diploma	People	48	73	67
Total costs spent on employees participating in continuous education program company paid for diploma	Ten thousand RMB	30.91	11.16	13.13

2015 APP-China Average Training Hour



培训小时数 (小时) Total time spent on training (hours)

高层 Senior Management

中层 Middle Management

普通 Other Employees



**Case: APP-China implemented technical skills competency model and certification system**

One major 2015 project for APP-China is its technical skills competency model and certification program, which as a systematic engineering effort to help enhance production technology level and

efficiency, cultivate and develop a professional technical team, and as a basic system establishment, maintain competitiveness in the pulp and paper manufacturing field.

The "factory occupational technical skills competency model" uses the internationally advanced assessment concept "factory human resources position, level, ability, efficiency" and a three-dimensional model to conduct objective and quantitative definition of similar capacities, specific capacities and competency standards of different functions, different positions in one function, and different levels in one position. APP-China clearly defines qualified technical competency standards (including knowledge, skills and experience) for each production position, including what the production operating positions and production management positions should have, provides clear and actionable references for positions and levels definition, personnel training and cultivation, employee skills assessment, employee career development channels, recruiting, and job rotation.

**Case: Ningbo Zhonghua and Ningbo Asia Pulp jointly conducted special training for "team leader ability enhancement"**

To enhance the level of professionalism and management of team leaders in various departments, and to strengthen team performance management, meeting the company's innovation and transformation requirements, Ningbo Zhonghua and Ningbo Asia Pulp, along with the Qingqi community, jointly organized a two day "team leaders ability enhancement" special training session during May 2015. The training invited experts with rich experience in factory accuracy improvement and team management, to share their in-depth analysis from the aspects of team, team members and team leaders, so that students could learn how to become qualified staffs and team leaders, and to create harmonious teams with understanding of corporate processes. Students learn from the advanced experience of Zhenhai refinery and other outstanding enterprises.

The training will help inspire team leaders and team members to focus on the accumulation of experience in practical work and in improving their disadvantages, to create, implement and continuously improve effective standardized management processes, benefiting the team with good performance in a safe, harmonious and joint growth atmosphere. Thus, the training urged the teams to transform from a "physical" to a "learning" model, and from an "experiential" to a "knowledge-based" model.

**Case: Suzhou Golden Hongye motivate team to learn and grow**

In 2015, in order to create efficient professional management team, Golden Hongye strengthens training of executives and middle managers to improve their management idea and help them develop rapidly, finally to realize the management pattern change from the command control type to the motivational coach type, as well as to motivate middle managers intrinsic motivation, innovating independent management pattern.



Carry out 3 phase training for senior executives to learn about lean production, standardization,

process efficiency



Carry out 9 management training camps for middle managers

### 2.3.4 Work-Life Balance

APP -China pays attention to the physical and mental health of employees, by carrying out various cultural activities for the staffs, to help employees to build a variety of cultural associations. This eases pressure on staffs, enriches their spare time, and promotes a work-life balance for employees.



#### **Case: Guangxi Jingui Pulp & Paper holds "Emotional management and stress relief" training**

In today's competitive era, many enterprises face enormous challenges of survival and development. Enterprise managers, as the backbone of the enterprise, are also under tremendous pressure. Guangxi Jingui Pulp & Paper always adheres to a people-oriented management philosophy. After learning about managers' specific needs from a questionnaire, the mill invite industry experts on May 23, 2015 to speak on "emotional management and stress relief" at the factory for management at the vice department chief level and above. The topics were on the major causes of work stress, and the difference between passive and active pressure, emotional management steps, interpreting various scenarios, and stress remedies created for management to help eliminate negative emotional impacts, establishing proper mental health awareness, so as to enhance job satisfaction and happiness, and improve work performance and professional competence.



**Case: Gold East Paper organized “Open Company Day” for employees family members**

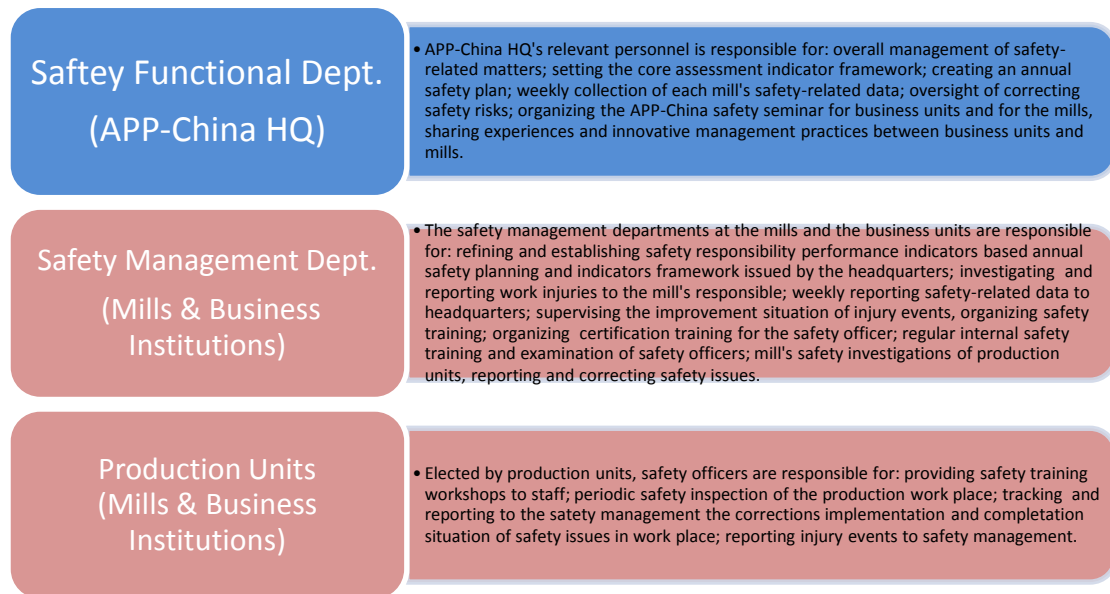
To increase employees morale and cohesive worker strength, the company supports humanity spirit by supporting a “zero” distance between the family members of employees and the employees’ work environment and enterprise development situation. Gold East Paper organized the second Open Day in August, 2015 for the employees and their families. On that day, dozens of children showed up and toured the production work area, and learned about the paper production process and wastewater treatment process. They were also invited to the environmental protection park to view peacocks, koi fish, ducks, ostriches, deer, and other animals.

## **2.4 Occupational Health and Safety**

APP-China attaches great importance to a safe working environment and good working conditions. To achieve this, APP-China has established a sound industrial safety guarantee system, enhancing equipment maintenance management, conducting timely investigations of safety issues. It also strengthens employee safety training and improves employee safety awareness. It organizes regular fire drills, enhancing employees’ emergency response capabilities and preventing emergency incidents. To prevent and reduce the occurrence of injuries, APP-China also encourages employees to detect and report safety issues during operation on a timely basis, increases investment on protective equipment for personnel, strengthens staff occupational health and safety management, and effectively protects the occupational health and safety of employees.

### **2.4.1 Occupational Health and Safety Management**

APP-China’s headquarters specifically established occupational health and safety assessment indicators (including the number of hours lost due to injury, the total number of deaths due to work-related injuries and occupational diseases, the number of risk investigations, economic losses from accidents, fires and accidents cases) for each pulp and paper plant, and collects weekly from each plant safety-related data covering injury, fire, safety issues, safety training, etc.. APP-China organizes quarterly seminar, gathering the safety management department from each mill to exchange experiences and to compare key indicators in order to enhance the safety management of each mill.



#### Occupational health and safety management framework

APP-China's mills, and business units all follow the OHSAS18001 occupational health and safety management system as occupational health and safety management infrastructure tools and platforms. Based on equipment and the production environment characteristics, safety inspections are regularly carried out for exclusive risks, to ensure the occupational health and safety of employees. At the same time, mills have specially developed safety issue tracking system. Safety personnel who find safety risks can upload case details and photos in the system for the corresponding responsible departments to correct. A record continuously keeps track of the cases, confirms the completion of repairs or corrections, and closes the case while retaining the record. The safety risk management system improves efficiency, while ensuring that the hidden safety issues are corrected, effectively protecting the quality of the investigation and the inspection of safety issues.

#### **Case: Safety issue investigation management mechanism of Gold East Paper**

Gold East Paper developed a "Safety Issue Inspection Procedure and Management Approach" according to the characteristics of its production line. The Occupational Health and Safety Management Committee defined in this approach is the lead department responsible for organizing division managers from the departments of safety, work issues, defense, and production, to carry out safety inspections. It requires chiefs of relevant departments and floor safety personnel to participate in daily safety inspections and to keep written records in a unified template. The Approach defines the types of safety investigations, lists in detail the safety inspection contents for different levels, covers safety management policies, management systems and records, site safety risks and disciplinary violations, incident handling processes, and other issues. There is a requirement that each team conducts team safety self-investigations, each division is required to conduct two major safety inspections a month, and the company is required to conduct at least two comprehensive safety inspection annually. This approach also clearly illustrates the process flow and timing of accidents and risks. In addition, this approach also encourages employees to actively report safety risks found. Employees who find significant risks and timely address or report them, are rewarded.



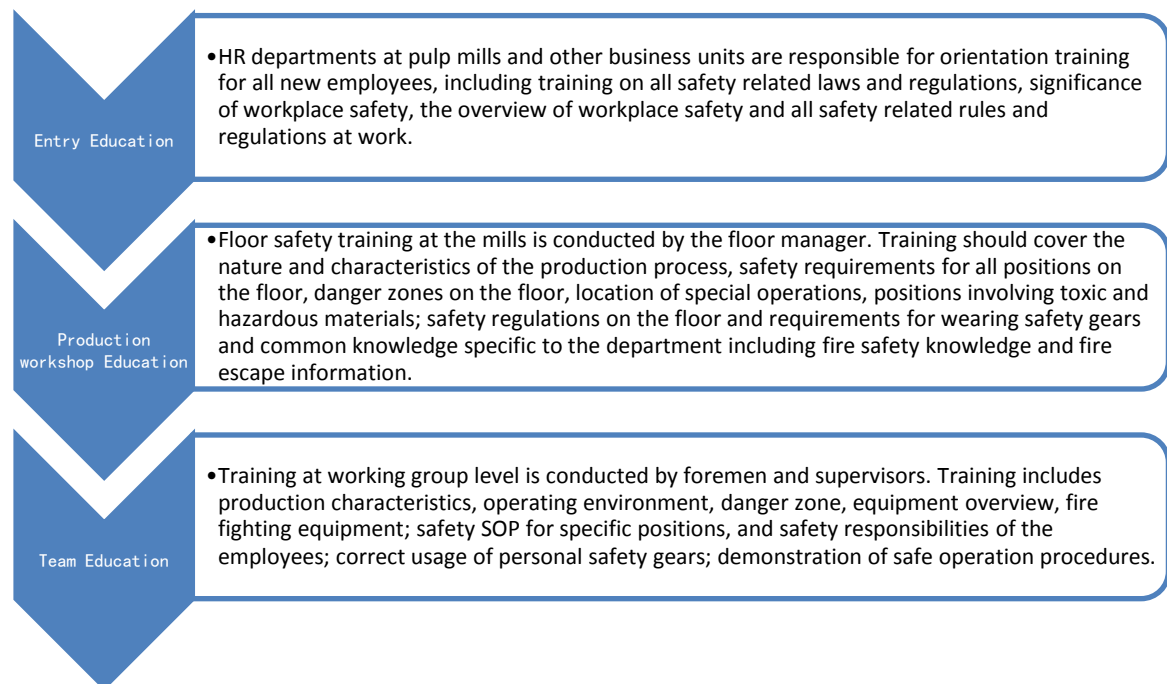
#### **Case: Gold Huasheng Paper team's inspection system**

Gold Huasheng Paper defines in its "Production Safety Accident and Risk Investigation and Management Approach" that: Risk inspection follows the principle of "who is in charge, who is responsible". Every team as a unit, must at a minimum, have one risk investigation per week, fill out the "Team Risk Investigation Record Form", and report results to the safety officers within one working day. There is a division-level review with a delegated responsible person who signs off on post-improvement measures and completions.

### **2.4.2 Safety Training**

APP-China implements Three Tier Safety Education and Training for all employees. The training encompasses industrial safety, occupational health and fire prevention. All new employees are required to complete entry safety training before working in the factory and must pass relevant tests. The mills and business units also hold safety-related activities, including joint inspection of firefighting equipment, seminars for exchanging safety-related experiences, employee safety knowledge contests, onsite first aid lectures, basic common chronic occupational disease prevention lectures and other activities to improve employee's safety awareness.

In 2015, APP-China the time of employee safety training mounted to 257,515.4 hours, which is 5,000 hours more than 2014. In addition, in order to comprehensively improve the business quality levels of outsourced personnel and to strengthen the safety and health management of external contractors, some mills provide full coverage safety training for them. The trainees must pass examinations to work in the mills. This effectively prevents and reduces the occurrence of various types of safety accidents during outsourcing projects, maintenance projects and construction work.



APP-China Three Tier Safety Education and Training System

**Case: Ningbo Asia and Ningbo Zhonghua safety training for contractors**

Safety management departments of Ningbo Zhonghua and Ningbo Asia, in order to strengthen external contractor's safety and health management, reduce and avoid safety accident occurrences of all types of outsourcing projects, maintenance projects and construction labor operations, and to ensure the safe and smooth completion of projects and operations, provide all contractors comprehensive safety training.

The trainings apply methods of individual to individual, team to team, to full coverage training. The training focused on new employees of external contractors, namely new staff who have already signed contracts with contractors, but have not received a company security pass. The main content of the training is company safe production rules and regulations, and general industrial safety regulations. This improves the operational safety of contractors' new employees and prevents risks from occurring.

After undergoing training and passing an examination (those who do not pass must retake the test), a safety education registry card will be issued to the new employees of the contractors. Contractors need to show the education registry card to apply for access cards at the Security Department, in order to enter the work area. Due to the effectiveness of training, there were no contractor accidents in 2015.

**2.4.3 Injury Treatment Measures**

APP-China established a treatment process at each mill to deal with injury accidents, detailing responsible personnel and compensation standards. After an injury occurs, the employee is immediately taken to the clinic at the mill or to a hospital for treatment, who also conducts the injury confirmation and ensures the insurance compensation. On the other hand, floor safety personnel immediately notifies the relevant safety-related departments, conducts a site investigation and acquires evidence, fill out an "Investigation Report of Workplace Injury" form describing the detailed process and cause of the accident, accident cause analysis and recommended corrections. Once the filing is completed, it will be forwarded to higher levels from floor safety personnel, the floor manager, safety-related departments, to the business manager/general manager who adds his treatment opinions, and signs off on it. The production floor safety personnel or safety-related department staff then is responsible for supervising the correction and confirming the correction results. At the same time, mill's workshop and team events are organized to make employees be aware of this issue and for safety training, in order to strengthen employee safety awareness and to prevent accidents from occurring again.

In 2015, within the scope of this report, the number of work-related injuries within the mills and business units is 142, lost hours per million working hours was 1971.17. There were no deaths. In 2015, the lost hours per million working hours due to injuries has increased in APP-China, however, the actual number of work-related injuries shows a downward trend. In the future, APP-China will continue to increase the frequency of safety risk inspection, improve workflow management, enhance employee safety training and improve employee safety awareness, so as to prevent and reduce safety incidents.

**2013-2015 APP-China Lost Hours per Million Working Hours**

	2013	2014	2015
<b>Lost Hours per Million Working Hours</b>	1,157.08	1,445.38	1971.17

**Case: Gold East Paper work injury accident management approach and industrial safety incentive mechanisms**

Gold East Paper, in its "Work Injury Accidents Management Approach", provides that after an accident, industrial safety personnel immediately investigate onsite the causes of the accident and file an injury incident report within 24 hours. All involved departments need to complete a "Work Injury Report Form" within five working days. Except for cases involving minor injuries, incidents must be reported to the general manager.

Gold East Paper also implemented a safety guideline "Safety first, Focus on prevention, and Comprehensive management", in particular developing the "Industrial Safety Assessment and Incentive Management Approach". This Approach provides incentives for direct responsible and managerial responsible of the work injury. Cutting the performance reward of injured employees and of those responsible, and increasing performance rewards yearly to employees without injury. By using these methods, Gold East paper ensures the timely processing of reported accidents, and improves employees' safety awareness through an incentive mechanism.

#### 2.4.4 Occupational Disease Prevention

Occupational diseases in the paper industry mainly include high temperature, noise and dust. At APP-China's mills and business units continuously monitor and compare the occupational risk factors, in order to timely discover and analyze the abnormalities, and take appropriate corrective measures (such as increasing noise-decreasing equipment in the paper machine workshop).

APP-China requires new recruits to attend at least one occupational disease prevention training session and holds periodic physical examinations. For the positions with occupational risk factors (particularly in surpassed standards areas), the company requires the employees to have at least one occupational disease examinations annually and equips them with the necessary Protective Personal Equipment (PPE) to prevent and control occupational risks. Workers are trained to correctly wear PPEs, and inspection of the proper usage of PPEs is included in various important routine inspection projects. APP-China also offers special occupational disease examination to employees exposed to occupational hazards for free. Each employee has an occupational health monitoring profile. Employees are transferred to other positions if diagnosed with potential occupational disease risks. APP-China's investment in protective personal equipment show a clear upward trend for nearly three years, reaching 5.32 million RMB in 2015.

In 2015, within the scope of this report, three operational employees were diagnosed with occupational disease at workshops, who are workers from Gold East Paper and Hainan Jinhai Pulp and Paper. Although already wearing protective earplugs, due to the long exposure to noise, they were diagnosed with mild hearing loss. The mills transferred these three people s to other positions, strengthened the monitoring of occupational hazards in the whole mill, increased proper PPE training and inspection, in order to reduce employee health risks during industrial production.

2013-2015 APP-China Investment in personal protective equipment

	2013	2014	2015
Investment in personal protective equipment (ten thousand RMB)	403.2	520.75	688.67

**Case: Guangxi Jingui Pulp & Paper invited 3M corporate to conduct special industrial safety training**



To enhance awareness of occupational health and safety protection for employees, and to avoid the occurrence of occupational diseases, in May 2015, Guangxi Jingui Pulp & Paper invited 3M corporate to conduct special occupational health and safety training for employees. Nearly 300 employees participated in the training.

Two methods including video teaching for driving special cars and industrial safety officers' special seminars were conducted, including training content such as respiratory protection and hearing protection. Employees from production and production supporting departments participated. By video case teaching and 3M safety experts' on-site speeches, employees were made fully aware of the harm which occupational hazards of the site might have caused, and were taught how important protection is and how to properly protect themselves.

Industrial Safety Officers are the main force behind factory safety management and departmental safety training seminars. In the seminars, the experts' occupational diseases case training and instructions on the use of protective equipment for floor safety personnel, have again made the officers realize the importance of occupational health protection and increased their own responsibility. This has created positive impacts for department employees regarding safety training and supervision on the use of protective equipment.

## 2.5 Responsible Procurement

Responsible procurement is an important measure of how APP-China practices social responsibility. APP-China has procurement principles based on openness, fairness and impartiality. APP-China strictly controls the procurement process to ensure quality. Through continuous increasing supplier social responsibility requirements and strengthening communication with suppliers through various forms, APP-China can jointly develop a healthy, benign and sustainable green supply chain with suppliers.

### 2.5.1 Production material procurement

APP-China procurement includes papermaking raw materials (e.g. wood, paper pulp and waste paper), and other bulk purchase such as spare parts and energy. In 2015, APP-China headquarters increased the centralization scope of purchases, effectively controlling the quality of procured materials, while reducing procurement costs.

For the procurement of timber, APP-China prioritizes buying certified timber, to ensure the legality and traceability of pulp and paper raw wood material. At the end of 2015, APP-China's 16 mills, had received PEFC/CoC certification, and used the wood flow accounting system to track the flow of timber and to ensure that the wood used is in compliance with PEFC/CoC requirements. New purchasing certified wood fiber volume accounts for 25.48% of the total purchase wood fiber, up by 2.48 %.

List of PEFC-CoC Certified Enterprise in APP-China Report Range

Numbering	APP-China Affiliates	Certificate No
	Gold East Trading (Hong Kong) Co., Limited	SGS-PEFC / COC-0249
	Gold East Paper (Jiangsu) Co., Limited	SGS-PEFC / COC-0263
	Gold Huasheng Paper Gold (Suzhou Industrial Park) Co., Limited	SGS-PEFC / COC-0328

	Ningbo Zhonghua Pulp & Paper Co., Limited	SGS-PEFC / COC-0334
	Ningbo Asia Pulp & Paper Co., Limited	SGS-PEFC / COC-0360
	Gold Hongye Paper Group Co., Limited	SGS-PEFC / COC-0462
	AXA Pu Paper Products (Suzhou Industrial Park) Co., Limited	SGS-PEFC / COC-0533
	Jinfengyuan Paper (Shanghai) Co., Limited	SGS-PEFC / COC-0628
	Yalong Paper Products (Kunshan) Co., Limited	SGS-PEFC / COC-0787
	Hainan Jinhai Pulp & Paper Co., Limited	SGS-PEFC / COC-0805
	Hainan Gold Hongye Paper Co., Limited	SGS-PEFC / COC-1733
	Gold Hongye Trading (Hong Kong) Co., Limited	SGS-PEFC / COC-1463
	Gold Huasheng Trading (Hong Kong) Co., Limited	SGS-PEFC / COC-1464
	Ningbo Asia Pulp Trading (Hong Kong) Co., Limited	SGS-PEFC / COC-1465
	Hainan Jinhai Trading (Hong Kong) Co., Limited	SGS-PEFC / COC-1467
	Guangxi Jingui Pulp & Paper Co., Limited	SGS-PEFC / COC-1543
	Sinar Mas Paper (Shenzhen) Co., Limited	SGS-PEFC / COC-1640

APP-China headquarters implements centralized purchase management for pulp purchases, sourcing from both APP-China's pulp mills and external suppliers. APP-China has unified quality standards on pulp from all sources. In addition, APP-China also strengthened pulp inventory fine management and control, optimized supply configurations, and reduced ineffective inventory.

In 2015, purchases of new certified pulp accounted for 18.05 percent of total purchases, up by 1.57 %. Purchases from the North America and South America have increased from 2014, but the China region remains an important pulp procurement source for APP-China. The total procurement of Chinese local sourced paper pulp was 32% of total purchases.

#### 2013-2015 APP-China Pulp Purchasing Quantity

	2013		
Total purchase pulp (tonnes)	346.26	348.3	477.93
Amount of certified pulp (ten thousand tons)	72.25	57.4	71.68

#### 2013-2015 APP-China Pulp Sourcing Regions

Region		2014	2013
China	32%	37%	43%
Other Asian areas	16%	17%	%
Oceania	1%	3%	4%
Europe	1%	2%	2%

North America	38%	34%	24%
South America	12%	7%	3%

\* Sourcing ratio change is mainly determined by the pulp quality and its market prices.

According to statistics, recycling one ton of waste paper can create 800 kg of fine paper, save 17 trees and 3 cubic meters of landfill space, decrease sodium carbonate used by 240 kg, reduce paper-making pollution emissions by 75% and energy consumption by 40%-50%. Each sheet of paper can be recycled at least twice. Thus, APP-China emphasizes using waste paper as raw material to produce various kinds of industrial paper. Using waste paper as resource creates important double values in resource conservation and environmental protection. Due to production requirements for waste paper quality, APP-China procures most raw waste paper from overseas. In 2015, procured raw waste paper was 464,784 tons.

2013-2015 Recycled Paper Purchasing Quantity

Paper purchases	2013	2014	2015
Ningbo Zhonghua (tons)	155,977	158,825	106,944
Ningbo Asia(tons)	358,200	415,600	357,840

\*APP-China's Ningbo Zhonghua and Ningbo Asia have established and out into production waste paper processing lines

## 2.5.2 Supplier Management

APP-China has always had a strictly managed procurement process with preference given to those suppliers harboring sustainable development ideas and especially having sustainable development capacities. APP-China conducts annual spot verification on its suppliers. In 2015, APP-China required all new suppliers to sign a "Corporate Social Responsibility Letter of Declaration & Commitment". The Declaration & Commitment combined Chinese and international laws and regulations, and SA8000 social responsibility standards, clearly defined requirements for suppliers on business ethics, human rights, environmental protection, energy conservation and emission reduction, intellectual property protection and other aspects. APP-China's suppliers and contractors did not employ child labor and did not have forced labor events in 2015.

## 2.6 Products and Services

As far as APP-China is concerned, customers and consumers are one of our most important stakeholders, and our foundation of sustainable operations. To be able to continue to sustainably operate, we first need to provide high quality products to meet public demand, which is what we have adhered to as a development foundation. In 2015, we faced a more diversified market. Traditional paper media was confronted with great impacts in the era of electronic reading, while the function of paper as a cultural and information carrier has been weakened. In addition, the promotion of the social urbanization process increased the necessity for better paper product quality, health and safety, and other requirements. This requires our adjustment to the development, the production and the service side, like higher value-added, more investment in tailor-made product development, service systems, and to external demand response capacity optimization, in order to respond to customer needs through actions.

### 2.6.1 Technology and Product Innovation

Innovation is important, because it allows us to continually create new products and market opportunities. We are able to quickly change, responding to market opportunities and challenges by creating more competitive products. Innovation also ensures an accurate targeted response to new customer requirements. Especially with the promotion of public awareness of sustainable development, the consideration and new requirements of the environmental characteristics, health, and safety of paper products, have become a driving force for our persistent innovation.

APP-China's mill management structure guarantees continued investment in research and development, from funds to staffing. The annual R&D investment of paper and pulp mills represented by Gold East Paper is not less than or near to 3% of the annual income, involving research on the physical properties of paper, adjustments of new products, raw materials testing, and others. New product research and development is directed by feedback on new customer requirements from relevant departments. Each mill has established a customers' demand linkage mechanism led by the R&D Department. This ensures that the process from research and development, and quality control throughout the production, is timely and accurately adjusted to meet customer demands. New product research and development is also directed by APP-China's view on the development of products and markets, especially changes in the paper industry business environment. Relative to previous years, in 2015, we invested more resources in controlling the environmental impacts in the paper product life cycle, reducing the load on the environment from paper manufacturing, printing, usage and other processes during the R&D process.

#### **Case: Green Capsules of Non-carbon Paper**

Non-carbon paper is Gold Huasheng's key product. Its technical innovation has been the core innovation and research direction of the company, whose quality parameters as a bar code reflection curve, on products like non-carbon related NCR and express waybills, are always at the forefront of industry. In 2015, Gold Huasheng, to break its non-carbon paper micro-capsules' dependence on petroleum resources, applied green materials to make microcapsules through careful research and technological innovation, which filled gaps in domestic technology, and allowed Gold Huasheng to become one of the world's few companies which own this technology.

By having established R&D departments and effectively focusing corporate resources towards technological innovation, APP-China's mills have step-by-step completed building their intellectual property management system, and successively acquired national standards and provincial standards certification. Effective intellectual property management protects our trademarks, brands and other rights and interests from infringement, and also promotes the establishment of an environment for industry-wide compliance. The introduction of a complete set of policies including internal intellectual property management approaches and a patent incentives system, effectively trigger the enthusiasm of relevant departments (e.g. R&D and production) and employees. APP-China mills have filed 241 new patents in 2015. The large number of new patent applications has a direct effect in improving productivity while also gradually creating a competitive advantage for APP-China's products, ultimately ensuring sustainable development of APP-China.

APP-China continued to organize effective cooperation with research institutes. APP-China has worked

with universities such as Zhejiang Sci-Tech University and Nanjing Forestry University through establishing subjects, building united academe and developing researchers. Our co-researches are related by cutting-edge researches facing the future industry development, seeking paper making technology innovation. At the same time, APP-China also wants to contribute to the development of the industry, using its own R&D results and through effective communication with other firms. In 2015, Gold Huasheng participated in the paper industry's National Standardization Technical Committee annual meeting, involving itself in the establishment of standards including standardized wood pulp performance testing, optical brighteners applied in food wrapping paper, and cardboard.

#### **Case: Collaborative Research on Graphene Application in Paper Making**

Continued cooperation with research institutions effectively utilizes resources of both parties. In the process of technology exchange with the experts from the Ningbo Institute of Material Technology and Engineering, Chinese Academy of Sciences, Ningbo Asia Pulp & Paper combined high-tech and tradition papermaking to optimize product function and to improve product competitiveness. In 2015, the research cooperation of "Application of Graphene in Papermaking" successfully acquired a three million project grant of technologically innovative R&D special funds from Ningbo city. Graphene is a new nano-material with good performance in blocking gases and molecules such as water and oxygen, which can be imparted to give cardboards good comprehensive properties including printing, oil repellent, anti-bacterial and anti-electrostatic characteristics. By continuous in-depth study in the future, the technology provides a new development level for high-grade packaging materials.

### **2.6.2 Product Quality**

High quality requirements are not only the continued motivation, but also the bottom line of APP-China's sustainable development. Traditional paper has its special physical, appearance and coloring properties. As our management and control on product quality gradually becomes sophisticated, mills establish a comprehensive control system using the ISO 9001 quality management system certification, develop quality standards and operational guidance documents for each product category, and strictly regulate the quality assurance process and testing procedures.

Meanwhile, the business environment we faced has already changed. In 2015, the demand for product quality quickly began to diversify. This demand came from complete growing public awareness of sustainable development. A large number of overseas customers as well as some domestic customers began to focus on environmental attributes and safety properties of paper, and increasingly demanding that our products were RoHS compliant, met REACH and other relevant standards involving limited use of toxic and hazardous substances, and requiring third-party assurance to verify the products' compliance. With the diversity of our product types, we also entered several foods, medicine and other special industries. Beginning on our own, based on meeting national production accreditation requirements on relevant products, we also developed more stringent control standards, to ensure the health and safety of the final product.

To better ensure this, we took the initiative to seek or accept more tests procedures. Inside our mills, we ensure the effective operation of raw materials and finished products through a sample test mechanism led by the Quality Departments, and make sure we have effective control of key and core indicators over all stages of operations. We conducted timely upgrades of test devices in 2015 according to the changed

quality management and control criteria, in order to ensure timely management and control. When confronting with external tests, we send our products directly to third party professional testing organizations according to our customers' requirements, focusing on testing parameters related to chemical substance usage. At the same time, we are prepared for random checks by local regulatory authorities to ensure compliance with national laws and regulations, and corporate standards. In 2015, APP-China products had a 100% pass rate for all external checks.

#### **Case: Meeting Customers' Special Requirements**

Faced with customer growing tailor-made requirements for product quality, Gold Huasheng has created a special customer requirements operational procedure to satisfy different product characteristics, in particular requirements on environmental factors.

Special customer requirements operation procedure

Salesperson brings forward special requirements----After receiving orders, on account of an order with special requirements, salesperson submits a "Special customer requirements consulting single", specify paper types, client name, paper function, and paper type special requirements.

Production management division confirms papermaking capacity and specification----Production management division confirms papermaking capacity and specification, and checks if the mill can produce this product.

Operation and management division estimates EBITDA

R&D division confirm physical requirements----the R&D division confirms physical requirements and checks if the mill can produce the product

Quality assurance division establish standards----According to the special physical requirements, quality assurance division establishes standards after discussing with BU and the production division

Production division, BU and Vice General Manager sign off----After sign-off by the production division, BU and Vice General Manager, the "Special customer requirements consulting single" returns to the applicant division. The production management division schedules the papermaking plan.

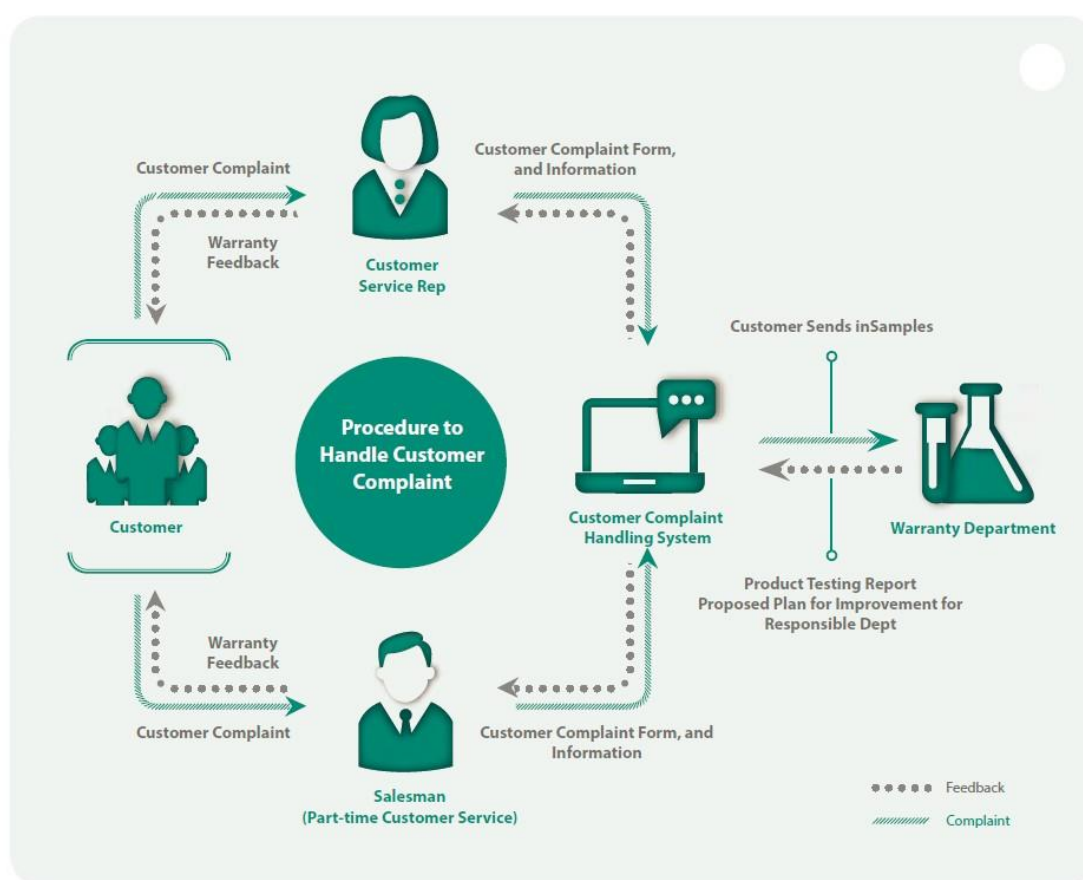
Tracking customers' feedback---After the products are sent to the customers, the operational business division tracks usage performance.

To ensure from the source that the product quality meets standards, we began to adjust our supply chain procurement standards according to changing customer requirements, especially in higher risk areas like chemicals and pulp suppliers. In 2015, mills such as Gold Huasheng and Ningbo Asia Pulp added new requirements to their third-party testing reports. Mills also created a mechanism linking customer service, quality assurance, research and development, procurement and other departments, to ensure that the internal production processes (including suppliers) is able to respond quickly to rising quality requirements.

### **2.6.3 Response to Customer Demands**

From customer feedback, we not only learn about how our product and service quality still needs to be further improved, but we also learn information on how to improve product quality and service quality, allowing us to directly respond to the preferences and needs of the market, and to adjust the product line to better serve customer requirements. This way, we ensure a smooth and sustainable development process, improve customer access to information and quickly handle their complaints.

For different product types such as industrial paper, household paper and cultural paper, APP-China has introduced a customer complaint processing mechanism with the sales company at the front end and each mill as professional support. It has released a management approach and performance assessment approach related to client complaint processing, specifying various departments' work responsibilities and time demands of the customer complaint processing procedure, in order to ensure that customer complaints are solved in a timely and accurate manner. For different types of issues related to products, the mills have established different customer complaint handling teams, and consult with customers to jointly solve the issue, on site if necessary. Meanwhile, regarding the major content and direction of customer complaints during each month, the monthly report of each mill will provide important grounds for adjustments on product quality, features, services and other aspects, in order to avoid similar problems from recurring.



**APP-China customer complaint processing flowchart**

**Case: Closed-loop customer complaint management**

Since June, 2015, in order to further implement an occupational responsibility mechanism towards quality, and to reduce customer complaints, Gold East Paper started to implement a closed loop customer complaint management approach. Specific management and assessment methods were developed towards all departments involving production, finishing, logistics, public works, business, and other. The methods include:

First, Gold East Paper accepted responsibility for the quality, logistics and other types of customer

complaints. It will distinguish between customer complaints and determine the final amount of compensation, set different performance award reduction ranges and administrative sanctions, and determine the responsible person for each single customer complaint.

Second, regarding customer complaints that are human error, involving a significant amount and occur frequently, the Quality Assurance Department provides an 8D customer complaints addressment and preventive measures report. Responsible departments specify root causes, temporary measures, long-term measures, countermeasure verification, preventive measures, and make sure the measures are implemented in the production process. The customer service department tracks customer usage and evaluates the improved results to see if the loop can be closed.

After the implementation of these measures, through the efforts of all colleagues at Gold East Paper, the closed-looped rate of 8D customer complaints addressment and preventive measures report reached 88.9%. The 2015 customer complaint rate, compared to 2014, showed a reduction of 107.5%.

The customer needs feedback from our customer service and sales departments are becoming increasingly diverse. Although more focused in the past on controlling our product quality and cost, we began to focus more on customer concerns on our sustainability performance, and on their understanding and comprehensive assessment of our management situation of the environment, health and safety, human rights, and other issues. In 2015, Gold Huasheng and Suzhou Gold Hongye have received several environmental, health and safety (EHS) verification procedures from customers, the results of which will produce direct impacts on our further cooperation with our customers. These excellent customers often already have created their own sustainable development management system. By gradually extending these measures to upstream and downstream enterprises, they can effectively control environmental and social impacts over the entire supply chain. We internalize these sustainable development management and control requirements into our own management system through on-site verification, and through continuous contact and communication with customers, ultimately improving our own actions and performance on sustainable development.

We undertook a series of actions regarding our customers' needs, and to evaluate the performance of these actions, we continued our annual customer satisfaction surveys in 2015 to understand our customers' evaluation on different products and services by customer type and regions, and to make future improvements on critical issues. Satisfaction surveys are a specific way to communicate with customers, helping us to understand their specific needs. According to the survey, each mill visits some departments' customers and/or organizes customers to tour the mill, allowing them to understand the actual production process and the technical aspects, or adjusts our production to meet their needs. Besides this, for the first time in 2015, our cultural paper related mills hired a third party professional company to carry out customer satisfaction surveys, in order to achieve a more scientific, objective and systematic investigation. The survey results will help us more specifically improve our products and services.

## **2.7 Community and Charity**

The integration of economic, environmental and social value is the base and objective of APP-China's development. Looking back, our development has been accompanied by China's overall reform and opening up process, and contribution to the Chinese modern industrialization process in papermaking industry. APP-China will maintain good communications with the surrounding communities, continue



the previously positive public-company cooperation model, and actively respond to new changes created by community planning. We will always spare no efforts in participating in philanthropy, to promote social prosperity and development.

### 2.7.1 Community Involvement

APP-China is rooted in its operating locations. Our millsactively maintain a close interaction with the surrounding communities. From creating jobs, protecting the environment, helping the poor, contributing tax revenue and other value creation aspects,we strives to win over community members, government recognition and support. Since community members are most concerned with the environmental impact of the pulp production process, APPChina makes a commitment that its production processes and environmental indicators strictly comply with national standards, or higher. It uses modern technology to constantly monitor its environmental impact, manages and timely discloses its environmental data, and accepts oversight by the society. APP-China is concerned with local community development.Our mills actively work with local communities and seek common development. Through cooperation projects, volunteer activities, donations and other means, we encourages businesses and local communities to create and share prosperity together.

2013-2015 APP-China hours of volunteer service				
	Unit	2013	2014	2015
<b>Volunteer hours</b>	People hours	54,367	43,660	36,923

\*Since APP-China Human Resources and factories community programs adjustment, volunteer hours show a decreasing trend over three years








### **Case: Gold East Paper's joint building action: Gangzhong Community**

#### **Gangzhong community**

In order to strengthen community and business linkage and to build a harmonious community, in 2013 Gold East Paper and the Gangzhong Community signed a "joint building agreement". The agreement was to support the community to implement the common weal, help empty nesters, widows, orphans and other vulnerable groups, support community to organize sports activities, and to create more employment opportunities.

May, 2015, Gold East Paper organized a thanksgiving event of entering the Gangzhong New Village Community. They invited Dr. Lin Muliang from 359 hospital to give a speech about back and leg pain, and osteoporosis, and prevention methods, to community members. It was positively rated by the community and public.	July, 2015, Gold East Paper assisted Gangzhong Community in organizing an Enjoying the Cool Evening Party, in selecting hosts, arranging for vocal association in displaying the "Green Island Serenade" and tenor singing. The community feels the versatility of Gold East Paper's employees.

#### **Mi Shan community**

Gold East Paper and Mi Shan community inaugurated a "Small Affectionate classroom" in May, 2011. The classroom is free for the community and for students to receive an education, coaching, play games, and enriches the school life of children. In 2015, Gold East Paper, taking advantage of existing expertise within the company's staff associations, carried out a variety of activities to enrich the children's school life, to increase their knowledge of the paper business and industry.

July, 2015, Gold East Paper literary associations held a variety of parent-child reading activities at the "Small Affectionate classroom" in Mi Shan community.	August, 2015, children, parents, and community leaders visited Gold East Paper to learn about modern industrial paper and took a class in innovative social practices.	August, 2015, Gold East Paper table tennis associations held summer table tennis activity for children in Mi Shan, with fun games and enjoyable exercises.

*"As the saying goes: giving roses, hand left with a lingering fragrance. After years of volunteer activities, I have left my footprint in places like the train station, hospitals, museums, nursing home, and Nanshan. I have not only gained happiness and knowledge through activities, but also changed my perspectives. At least I think I have the ability, this activity is very necessary for me. To judge a person's value, not to see the number of deposits in the bank account, nor is there to see how much fame he has, but look at how much he made a contribution to society."*

*- Pan Xiaohui, an Gold East Paper volunteer, awarded as "caring employees" for eight consecutive years*

### **Case: Ningbo Zhonghua and Ningbo Asia jointly promote harmonious community building**

In 2015, Ningbo Zhonghua and Ningbo Asia, after joint research and considering company resources, developed and implemented an annual plan "Harmonious Community", with the goal to carry out at least

one activity per month. Carrying out the "Harmonious Community" activity, not only enriches the spiritual and cultural life of the community, but also narrows the distance between the company and the community. Before and after each activity, organizers will publically announce the activity in the company internal magazines, so that more staffs can understand the company's charity efforts, and can volunteer for "Harmonious Community" activities, thus improving their sense of social responsibility.



**Elder care** – community volunteers in Xiaocao community visited poor elderly people and brought them daily living necessities.



**Activities for the disabled** - A volunteer service activity was launched in Xiaocao community with the theme of "concern for disadvantaged groups, improve one's own moral accomplishments". Distributed mementos to the disabled community residents.



**Celebrate Lantern Festival with community residents** - jointly organized a small community gathering to celebrate Lantern Festival in Xiaocao community. Residents enjoyed a joyful and peaceful atmosphere.



**Console community children in difficulty** - Volunteers gave stationary, thermos bottles, and other learning and living supplies to poor children in Xiaocao community.



**Case: Guangxi Jingui Pulp & Paper Care for Children with Disabilities**

May 15, 2015, to celebrate the Twenty-fifth National Disabled Day, Qinzhou City's Jinguang Special Education School carefully prepared student theatrical performances, to demonstrate teaching achievements to the society, and to thank the society for their support of disabled persons. Guangxi Jingui Pulp & Paper supports the special education program of Qinzhou. Supporting the healthy growth of disabled persons has been a major priority and an important task for Guangxi Jingui Pulp & Paper. Since 2003, APP-China has donated one million and built the current Jinguang Special Education School. The annual donations of Guangxi Jingui Pulp & Paper to this school have never stopped. They have added teaching facilities, maintained and provided teaching equipment, and have contributed enriching cultural and sports equipment. In addition, to encourage disabled children to have a positive learning attitude, Guangxi Jingui Pulp & Paper began to create scholarships program at the school from 2015. This program alleviated hardship for dozens of disabled children allowing them to regain an opportunity to study.

## 2.7.2 Charity

APP-China focuses on broader areas of public charity, for example, long-term concerns on subsistence and living needs of children, the disabled and other groups, and critical issues in environmental protection. In addition, as a model for the paper industry in Asia, APP-China pays special attention to the history of the paper industry, and is committed in carrying forward the tradition and culture of ancient Chinese papermaking. Relying on the expertise of the Huang Yicong Foundation, and combined with the company's own qualities, APP-China has the courage and ability to conduct in-depth research and cultivation in these areas. We hope to contribute our cumulative efforts, and do our small part in building a better society.

2013-2015 APP-China External Donations

	Unit	2013	2014	2015
<b>Donations to the Public</b>	Ten thousand RMB	4,465.31	3,502	2,516.78

Note: Since the last three years, the amount of external donations has shown a decreasing trend due to APP-China adjusting financial expenses for change business performance.

### Case: Little Sun Preschool

Early education for 3-6 years old children is vital for the development of a child's life. Children in this period need care, adequate nutrition, health care and psychological counseling. However, in most remote areas of China, early childhood education is not taken seriously, or they lack the resources for it.

In 2014, Huang Yi Cong Charitable Foundation (Huang Yi Cong) and the international non-profit organization, Humana People to People (Humana), entered into a collaboration agreement that APP - China and Huang Yi Cong donated 2.65 million, to gradually build 25 kindergartens for children ages 3-6 in remote rural areas of Yunnan, over the next three to five years,. This project will help children receive a kindergarten education, help the local community to cultivate its own kindergarten teachers, establish a kindergarten teachers model applicable for the local community, promote the long-term development of the areas, and help them break free from the cycle of poverty.

The establishment of kindergartens in rural areas required refurbishing abandoned or unused facilities, allowing more funds to be allocated towards teacher training and teaching materials development. Accounting for the uneven distribution of children ages and family locations in rural areas, classes are composed of children with a variety of ages. Mixed-aged class teaching will also help children learn independence. Beneficiaries of the project included the children's parents. They have an opportunity to learn a wide range of knowledge about nutrition, health, family education, etc. By participating with preschool management and teaching activities, their relationships with their children have become more intimate. Preschools have also liberated the women in some communities, who now have the free time to participate in economic activities to help lift their families out of poverty.



#### Action Events

2014-2015	Huang Yi Cong and Humana launched a preliminary investigation in Yunnan's Lancang, Ximeng, and other several natural villages.
September, 2015	The first of five kindergarten classes initiated in five villages, Bannong, Biyong, Wulong and Longkan Village in Wenggake Town, Ximeng County, and Banzhe Village in Mengka Town.
December, 2015	The "Little Sun Preschool" project won the "2015 Public Projects Award" in the Fifth China Charity Festival.
March, 2016	The second phase of four kindergarten classes were initiated in Wolong Village of Zhongke Town, Talang Village and Yuesong Village of Mengsuo Town. At present, nine classes are running smoothly.

#### Case: Never ending footsteps of love

The "Love never stops" domestic paper endowment to campus was launched in 2012 and has continued for four years up to 2015. During this period, APP-China has expanded this program throughout China beginning in Hainan, Shanghai, Sichuan, Shandong, and Hubei, with a persistent promise and original intent of love. The program helps improve the health of children and promotes their personal hygiene habits, started from improvement of the school's hardware and software, and by appealing to schools, governments, the communities, and other parties to be concerned about the health of children. As of 2015, total investment in this activity was 4.4 million, benefiting a total of 6000 children.





June, 2015, in Zelin Experimental Primary School of Echeng district, E City, Hubei Province, environmental protection volunteers taught children interesting environmental protection lessons to convey the importance of environmental protection, and to arouse public attention towards the issue of paper for children. In October, APP -China provided three years of household paper, including toilet paper, tissues and wipes, for children at Zelin Experimental Primary School, with a total value of more than 165,000 RMB. At the event, volunteers organized spectacular activities that expanded students' imagination for a better life environment and taught students the concept of environmental protection and sustainable development, through folding a variety of beautiful handicrafts, using the "Breeze" brand tissue.

#### **Case: Caring for the Hearing Impaired by Supporting the "Silent Classroom"**

In 2015, the Huang Yi Cong and Shanghai Puki Deafs Coordination Agency worked together to implement the "Jinguang Lit Dream-Silent Classroom" project. The project had taught the hearing-impaired skills in electronic design, Wechat operations, products photography, and other skills. The project also actively contacted available companies to help them get suitable internship opportunities, integrate into the workplace, achieve the goal of accumulating experience, and promote a true realization of "Unbounded Integration of the Deaf & Non-deaf Groups".

During the summer of the same year, the project recruited and trained 55 deaf and mute students from eight provinces. In the future, the project will continue to run during the winter and summer holidays. Previous students will be visited, given long-term support and concern. In 2015, the "Jinguang Lit Dream - Silent Classroom" project won the "China Corporate Social Responsibility Excellence" award, hosted by the "China Philanthropy Times".



Mock interview segment



Releasing Butterflies

#### **Case: Green Earth, Beautiful Homeland - Huang Yi Cong "Education for Sustainable Development" project at Huangpu School**

In recent years, Shanghai has encouraged residents to begin sorting garbage through establishing

sortable garbage bin and putting up posters. However, due to a lack of further daily guidance, sorting facilities are not widely known and the impact is limited.

In April, 2015, Huang Yi Cong cooperated with a Shanghai local environmental protection organization, the "Environmental Protection Pioneers" (Pioneers), and continued the "Education for Sustainable Development" project, piloting in Huangpu School. By conducting a series of activities including garbage sorting and reduction activities, nature and environmental protection classes, and an environmental protection painting competition, the program encourages children to learn more knowledge about environmental protection, participate in environmental protection practices, play to their creativity, and create a more clean and beautiful campus.

The project has facilitated the school with garbage sorting equipment at a higher standard than the government's facilities, and also brought to the teachers, students, and staff, systematic garbage sorting and reduction training. After sorting the garbage through the school, the Pioneers will properly dispose of main recyclables, toxic and hazardous waste. Annual recovery amount reached 2,065 kg in 2015. The garbage sorting rate exceeded 60%, far above the government's 5% standard.

During the opening ceremony, the Foundation presented to the school a number of "Planet Watch" books to facilitate the environmental protection classes. The book was translated from English to Chinese and published by the Foundation and a related publishing company in 2010. The Foundation has sent similar books to dozens of schools in the country, to help them create environmental protection classes. Over ten thousand students have benefited.



*"Reduce waste, starting with me in my daily life, begin classifying garbage, love my beautiful campus, empower those around me, together guard the Earth, in order to build a better environment for the country, work hard together!" – Sworn by nearly a thousand students at Shanghai Huangpu School.*

#### **Case: Inheriting and carrying on Chinese Papermaking Culture Radiates the Energy of Public Welfare --- APP-China Creates an Art Photography Exhibition in Milan**

In 2015, APP-China strived to create an art photography exhibition in Milan, Italy. Through unique methods, it expressed APP-China's responsibility in inheriting and carrying on China's traditional papermaking culture with great efforts, as a model for the industry.

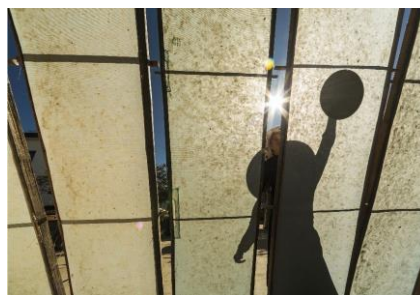
In this exhibition, APP-China worked with photographers from an innovative NGO "Xihan Action". Using China Pavilion theme "field of hopes, source of life" at the World Expo as creative inspiration, intermediated with paper, the exhibition used the art of photography to show the cultural essence of Chinese cities, thus letting Chinese traditions bloom with new and beautiful life.

Photography about Sichuan records the post-disaster reconstruction of the cities giving it a new lease on life. This follows the World Expo China Pavilion theme “field of hopes, source of life”, by transferring fire of “hope”.



Sichuan | Fireworks

Photography about Xishuangbanna shows papermaking process by the Dai people. Dai paper is known as the “Paper of Rainforests View” With 800 years of history, which is an indispensable part of Dai culture.



Yunnan | Century scene

*"APP-China, as a leading paper company, in addition to attaching importance to the natural ecology, also focuses on the development of human ecology. We hope that through these activities at the World Expo, we show the global audience the long history of China's paper culture, to convey to them the irreplaceable importance of paper in Chinese civilization."*- APP-China Vice President, Ms. Di Jingli

## Facts and Figures

### Environmental Performance

The Sum of Pulp and Paper Mills and Business Units Documented in the Scope of this Report

Indicator	Unit	2015
Total investments in environmental protection	RMB 10,000	71190.21
Total water usage	Ton	120477308
Wastewater Treatment Volume	Ton	88,522,504
Annual average wastewater discharge per unit of product (per ton of paper)	Ton	6.74
Annual average wastewater discharge per unit of product (per ton of pulp)	Ton	15.12
COD emission for each ton of paper produced	kg/t	0.33
COD emission for each ton of pulp produced	kg/t	1.20
Annual total SO <sub>2</sub> emissions	Ton	2266.54
Annual total NO <sub>x</sub> emissions	Ton	5747.13

### Social Performance

The Sum of Pulp and Paper Mills and Business Units Documented in the Scope of this Report

Indicator	Unit	2015
Total number of directly employed staff	person	23,908
Percentage of male employees	%	74.40%
Percentage of female employees	%	25.60%
Total number of indirectly employed staff	person	4265



Percentage of employees under 30 years old	%	29.65%
Percentage of employees from 30 to 50 years old	%	67.14%
Percentage of employees over 50 years old	%	3.21%
Percentage of female in management team	%	20.75%
Percentage of employees in senior management team	%	1.11%
Percentage of employees in middle management team	%	7.85%
Percentage of employees in front line	%	91.05%
Total turnover rate	%	24.41%
Male turnover rate	%	24.94%
Female turnover rate	%	22.89%
Number of female employees stayed after maternity leave	person	767
Number of male employees stayed after paternity leave	person	270
Number of female employees left after maternity leave	person	48
Number of male employees left after paternity leave	person	19
Total number of employees joining labor union	person	0
Total number of fatalities at work and by occupational diseases	person	1971.17
Hours lost per million working hours	hour	532.63
Total training costs	RMB 10,000	720404.65
Total time spent on training	hour	52.14
Average training hours per person of senior-level managers	hour	32.79
Average training hours per person of middle-level managers	hour	35.36
Average training hours per person of front line employees	hour	67
Number of employees participating in company paid for diploma based continuous education program	person	13.13
Amount of money spent on employees participating in company paid for diploma based continuous education program	RMB 10,000	23,908

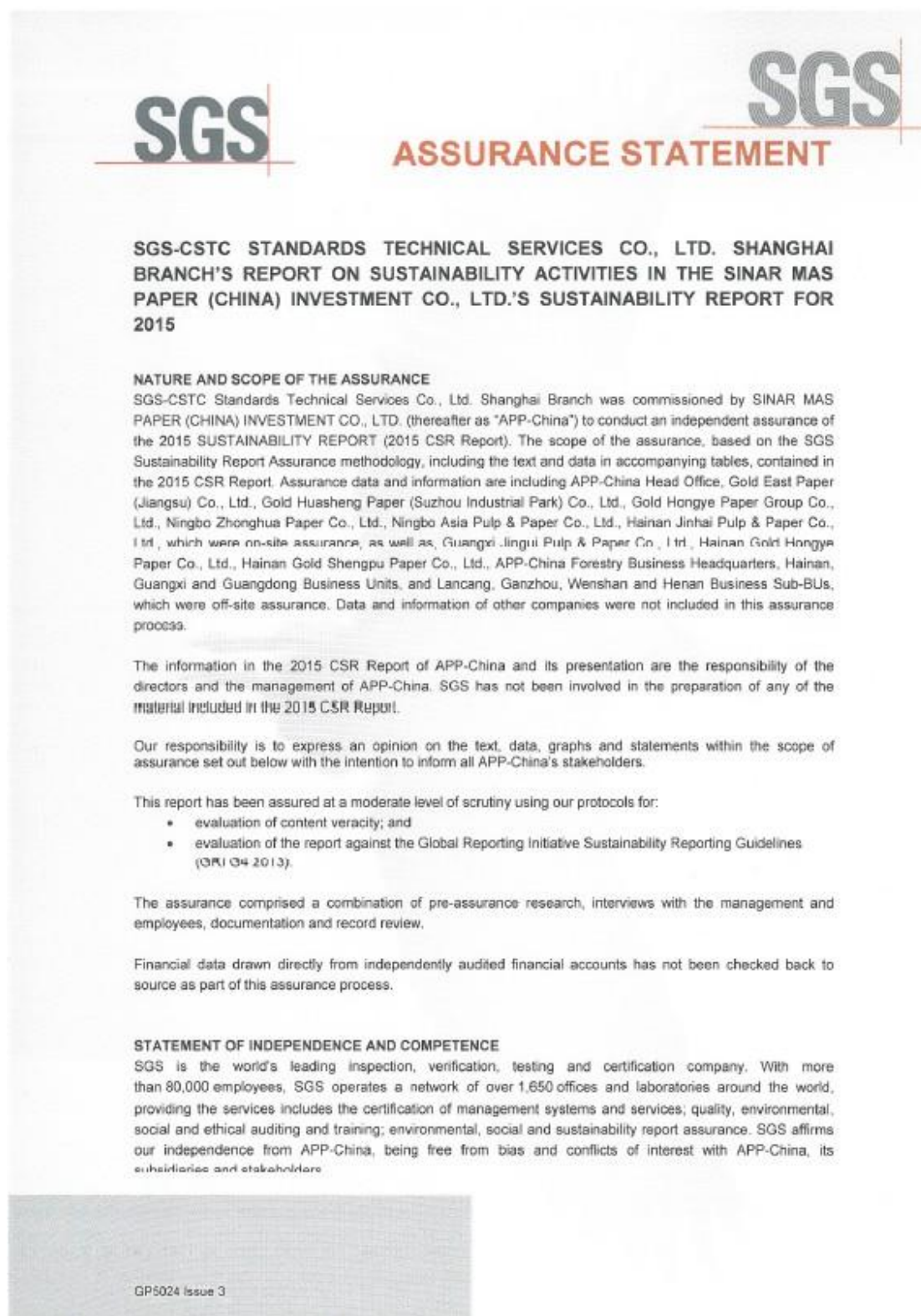
#### Economic Performance

Indicator	Unit	2015
Total assets	RMB 100 million	
Total taxes paid	RMB 100 million	

Sales revenues	RMB 100 million	
Total profits	RMB 100 million	
Net profits	RMB 100 million	

Note: Please refer to 2014 annual financial audit report of Sinar Mas Paper (China) Investment Co., Ltd for all of the financial data

## Assurance Statement





The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with CSR Lead Assuror, SAI Registered SA8000 Lead Auditor, ISO 26000 Lead Assuror, CCAA Registered ISO 14001 Auditor and OHSAS 18001 Auditor.

#### ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within 2015 CSR Report verified is accurate, reliable and provides a fair and balanced representation of APP-China's sustainability activities in 2015. The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders.

In our opinion, APP-China has chosen an appropriate option for this stage in their reporting.

#### GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

##### Materiality

APP-China continually conducts a stakeholder survey to identify current material aspects, in order to ensure the materiality and comprehensiveness of the concerned issues, which setting as the contents of sustainability report for the year and sustainability activities for the future. SGS believes that APP-China has a scientific and reasonable methodology to identify and analyze the material aspects of its sustainability, and completely disclose the material issues in the report. SGS recommends that APP-China could consider establishing the material issues management mechanism to access stakeholders concerns at each stage of the value chain timely and actively.

##### Stakeholder Inclusiveness

APP-China establishes a diversified stakeholder dialogue mechanism to ensure the effective engagement of stakeholders in sustainability management, and integrates sustainability behaviors into its decisions and activities. SGS hopes that APP-China can cooperate with the relevant stakeholders in a greater extent, in order to create shared value.

##### Responsiveness

APP-China's factories apply seven legal risk control methods to ensure compliance management, continuously implement quality, environmental, occupational health and safety and PEFC-CoC management systems, as well as persist to promote responsible procurement, and actively carry out harmonious community activities. With increasingly stringent national laws and regulations, SGS believes that APP-China can consider internal and external context, and manage the influence of organization's decisions and activities on social and environment by promoting the use of risk-based thinking, and response the concerns and expectations of stakeholders based on the practice feasibility, in order to maximize the organization's contribution to sustainability.

Signed:

For and on behalf of SGS-CSTC Standards Technical Services Co., Ltd. Shanghai Branch

Ben Tsang  
Director, China and Hong Kong  
Certification and Business Enhancement  
26 August, 2016

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General Standard Disclosures		Page	External Audit
Strategy and Analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability		√
Organizational Profile			
G4-3	Report the name of the organization		√
G4-4	Report the primary brands, products, and services		√
G4-5	Report the location of the organization's headquarters		√
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report		√
G4-7	Report the nature of ownership and legal form		√
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		√
G4-9	Report the scale of the organization		√
G4-10	Report the statistics and classifications of the employees		√
G4-11	Report the percentage of total employees covered by collective bargaining agreements		√
G4-12	Describe the organization's supply chain		√
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		√
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization		√
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		√
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization		√
Identified Material Aspects and Boundaries			

G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents and report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report		√
G4-18	Explain the process for defining the report content and the Aspect Boundaries and explain how the organization has implemented the Reporting Principles for Defining Report Content		√
G4-19	List all the material Aspects identified in the process for defining report content		√
G4-20	For each material Aspect, report the Aspect Boundary within the organization		√
G4-21	For each material Aspect, report the Aspect Boundary outside the organization		√
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		√
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries		√
<b>Stakeholder Engagement</b>			
G4-24	Provide a list of stakeholder groups engaged by the organization		√
G4-25	Report the basis for identification and selection of stakeholders with whom to engage		√
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process		√
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns		√
<b>Report Profile</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided		√
G4-29	Date of most recent previous report (if any)		√
G4-30	Reporting cycle (such as annual, biennial)		√
G4-31	Provide the contact point for questions regarding the report or its contents		√
G4-32	Report the 'in accordance' option the organization has chosen, report the GRI Content Index for the chosen option, and report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines		√

G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. Report the relationship between the organization and the assurance providers and report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report		√
Governance			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts		√
Ethics and Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		√

Specific Standard Disclosures		Page	Omissions	External Audit
Category: Economic				
Indirect Economic Impacts				
G4-EC DMA			N/A	√
G4-EC7	Development and impact of infrastructure investments and services supported		N/A	√
G4-EC8	Significant indirect economic impacts, including the extent of impacts		N/A	√
Category: Environmental				
Energy				
G4-EN DMA			N/A	√
G4-EN3	Energy consumption within the organization		N/A	√
G4-EN4	Energy consumption outside of the organization		Did not disclose data	N/A
G4-EN5	Energy intensity		Collected data is used for internal review and next operations not yet made public	N/A
G4-EN6	Reduction of energy consumption		N/A	√

Specific Standard Disclosures		Page	Omissions	External Audit
G4-EN7	Reductions in energy requirements of products and services		Use of products provided by processes are not related to energy consumption	N/A
Water				
G4-EN DMA			N/A	√
G4-EN8	Total water withdrawal by source		N/A	√
G4-EN9	Water sources significantly affected by withdrawal of water		Water source during the reporting period had no major impact	N/A
G4-EN10	Percentage and total volume of water recycled and reused		N/A	√
Biodiversity				
G4-EN DMA			N/A	√
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		N/A	√
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		N/A	√
G4-EN13	Habitats protected or restored		The factories are located in an industrial park and have no relationship with the objections by the Forestry Department of Business for the plantation and the surrounding protected or restored habitats	N/A
G4-EN14	Total number of IUCN Red List Species and National Conservation List Species with habitats in areas affected by operations, by level of extinction risk		Does not impact any agency protected species	N/A
Effluents and Waste				
G4-EN DMA			N/A	√
G4-EN22	Total water discharge by quality and destination	33	N/A	√



Specific Standard Disclosures		Page	Omissions	External Audit
G4-EN23	Total weight of waste by type and disposal method		N/A	√
G4-EN24	Total number and volume of significant spills	—	At the time of the reporting period there were no serious leaks	N/A
G4-EN25	Weight of transported, imported, exported, 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	—	Factories, in accordance to the weight management and statistics of its own waste, have yet to report total amount of waste within the entire organization	N/A
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	—	No sewage leaks or other water pollution event occurred during the reporting period	N/A
Compliance				
G4-EN DMA			N/A	√
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	—	No violations of environmental laws and regulations involving significant fines or non-financial penalties occurred during the reporting period	N/A
Supplier Environmental Assessment				
G4-EN DMA			N/A	√
G4-EN32	Percentage of new suppliers that were screened using environmental criteria		N/A	√
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken		N/A	√
Category: Social				
Labor Practices and Decent Work				
Employment				
G4-LA DMA			N/A	√
G4-LA1	Total number and rates of new employee hires and employee	42	N/A	√

Specific Standard Disclosures		Page	Omissions	External Audit
	turnover by age group, gender and region			
G4-LA2	Benefits provided to full-time employee that are not provided to temporary or part-time employees, by significant locations of operation	46	N/A	√
G4-LA3	Return to work and retention rates after parental leave, by gender	42	N/A	√
Occupational Health and Safety				
G4-LA DMA			N/A	√
G4-LA5	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	—	Collected data is used for internal review and next operations, not yet made public	N/A
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	39	N/A	√
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	40	N/A	√
G4-LA8	Health and safety topics covered in formal agreements with trade unions	—	Collected data is used for internal review and next operations not yet made public	N/A
Training and Education				
G4-LA DMA			N/A	√
G4-LA9	Average hours of training per year per employee by gender, and by employee category	43	N/A	√
G4-LA10	Programs for skills management and lifelong learning that supportive continued employability of employees and assist them in managing career endings	43	N/A	√

Specific Standard Disclosures		Page	Omissions	External Audit
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	—	Collected data is used for internal review and future operations not yet made public	N/A
Diversity and Equal Opportunity				
G4-LA DMA			N/A	√
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group memberships, and other indicators of diversity	41,42	N/A	√
Labor Practices Grievance Mechanisms				
G4-LA DMA			N/A	√
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	44	N/A	√
Human Rights				
Freedom of Association and Collective Bargaining				
G4-HR DMA			N/A	√
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	44	N/A	√
Child Labor				
G4-HR DMA			N/A	√
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	41	N/A	√
Forced or Compulsory Labor				
G4-HR DMA			N/A	√
G4-HR6	Operations and supplier identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute	44	N/A	√

Specific Standard Disclosures		Page	Omissions	External Audit
	to the elimination of all forms of forced or compulsory labor			
Human Rights Grievance Mechanisms				
G4-HR DMA			N/A	√
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	44	N/A	√
Society				
Local Communities				
G4-SO DMA			N/A	√
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	54	N/A	√
G4-SO2	Operations with significant actual and potential negative impacts on local communities	54	N/A	√
Anti-corruption				
G4-SO DMA			N/A	√
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	—	Collected data is used for internal review and next operations, not yet made public	N/A
G4-SO4	Communication and training on anti-corruption policies and procedures	23	N/A	√
G4-SO5	Confirmed incidents of corruption and actions taken	23	N/A	√
Public Policy				
G4-SO DMA			N/A	√
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society		N/A	√
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken		N/A	√
Grievances Mechanisms for Impacts				
G4-SO DMA			N/A	√
G4-SO11	Number of grievances about impacts on society filed,	—	No formal complaints received during the report period	N/A

Specific Standard Disclosures		Page	Omissions	External Audit
	addressed, and resolved through formal grievance mechanisms			
<b>Product Responsibility</b>				
Customer Health and Safety				
G4-PR DMA			N/A	√
G4-PR 1	Percentage of significant product and service categories for which health and safety impacts are addressed for improvement		N/A	√
G4-PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	—	No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during the reporting period	N/A

## UN Global Compact Ten Principles Index

	Principles	Our Actions	Sections
Human Rights			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	APP-China pays attention to protecting the legitimate rights and interests of all employees, in strict accordance with the National laws and regulations such as “Labor Law”, “The Employment Contracts”, “The Trade Union Law”, “and other relevant regulations involving local labor and employee management rules for foreign investing businesses.	Human Rights and Labor
Principle 2	Businesses should make sure that they are not complicit in human rights abuses	Recruiting, salary, training, promotions, and other matters are decided without consideration of gender, ethnicity, religion, age, and political affiliation, in order to prevent discrimination. We ban child and forced labor, to ensure that all employees are entitled to fair, just and open job opportunities.	Human Rights and Labor
Labor			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	The improved communications and appeals process assures employees that every complaint will be addressed and responded to in a timely manner. In 2015, there were no complaints, petitions or letters of forced labor, nor other complaints or reports related to employment discrimination.	Human Rights and Labor
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor	APP-China ban forced labor.APP-China’s suppliers and contractors did not employ child labor and did not have forced labor events in 2015.	Human Rights and Labor
Principle 5	Businesses should uphold the effective abolition of child labor	APP-China ban child. APP-China’s suppliers and contractors did not employ child labor and did not have forced labor events in 2015.	Human Rights and Labor, Green Procurement
Principle 6	Businesses should uphold the elimination of discrimination in respect of	All employees sign labor contracts. Recruiting, salary, training, promotions, and other matters are decided without consideration of gender, ethnicity, religion,	Human Rights and Labor

	employment and occupation	age, and political affiliation, in order to prevent discrimination.	
Environment			
Principle 7	Businesses should support a precautionary approach to environmental challenges	APP-China has established a green production loop of “integration of ‘Plantation-Pulp-Paper’”, actively explores and introduces new technologies, in order to achieve its environmental goals. Meanwhile, APP-China actively communicates and co-operates with stakeholders, explores and pushes the green development of paper industry.	Environment and Energy
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	APP-China pays attention to optimize organizational structure, increase management capacity, and improve the assessment mechanism. As a result, APP-China established a sound environmental management system and achieved a closed-loop management system from strategy and execution to assessment, continuously improve the environmental performance.	Environment and Energy
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	Mills of APP-China conducted a number of technology innovation and production improvement. It invested heavily on introduce cleaner production facilities, reduce environmental impact during operation. The emissions of production are much lower than national standard, being in the leading position of the industry.	Environment and Energy
Anti-Corruption			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	Compliance is the base line of APP-China operation. We insist improving internal compliance management, providing related laws training, signing "Employee Occupational Ethics & Probity Specification", setting bulletin boards to enhance employees awareness. We also set up a probity reporting mailbox and all stakeholders including internal employees, suppliers and customers could report as anonymous or real-name.	Compliance

Dear Readers,

Thank you so much for reading APP-China Sustainability Report 2015. Your comments and suggestions are highly valued and appreciated. Please fill in the following form and mail/e-mail/fax to us, or directly provide feedback via phone call. Thank you!

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Tel:+86-21-2283 8888

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1.What's your/your organization's relationship with APP-China?

- ☐ Customers    ☐ Community representatives    ☐ Supplier/contractor  
☐ Industry association    ☐ Employee    ☐ School  
☐ Non-profit organization (NPO) or non-government organization (NGO)  
☐ Media ☐ Bank    ☐ Others (Please specify)

2.Have you ever read the APP-China Sustainability Report

(Please ignore 3, 4 and 5 if your answer is no):

- ☐ Yes    ☐ No

3.If the answer is Yes, which version is it?

- ☐ Printed    ☐ Electronic

4.Which version do you prefer?

- ☐ Printed    ☐ Electronic

5.Please indicate your overall assessment for the APP-China Sustainability Report 2014:

Readability (Clear expression, quality design, inspiring story-telling, easy to find wanted information)

- ☐ 3 (Better)    ☐ 2 (Normal)    ☐ 1 (Relatively Poor)

Reliability (Information of this report is true and reliable)

- ☐ 3 (Better)    ☐ 2 (Normal)    ☐ 1 (Relatively Poor)

Completeness (Disclosure of both positive and negative performance, provide information you need)

- ☐ 3 (Better)    ☐ 2 (Normal)    ☐ 1 (Relatively Poor)

In addition to the disclosed contents, do you expect to find other information?

APP-China Sustainability Report 2015 Working Team

Aug 2016