



Indonesian Sustainability Report 2010



Sustain Ability

At APRIL, we are focused on development of abilities to ensure that sustainability is fully integrated with our business.

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Ability to Understand

the complexity involved in achieving the right balance
in social, environmental, and economic development.

An aerial photograph of a dense green forest. A dirt road curves through the trees on the right side of the image. A large truck, heavily loaded with logs, is driving on the road, kicking up a cloud of dust. The image is overlaid with a large, semi-transparent teal triangle on the left side, which contains the text.

Ability to Manage

processes that enable us to meet the demands of the present market while protecting resources for the future.



Ability to Empower

people to become active partners in social and economic development.

PELATIHAN AGRIBISNIS
BERBASIS KOMODITI UNGGULAN
BLPT - PPMR - RAPP

Ability to Drive

a united purpose where achievements are
measured beyond profit.





Ability to Sustain

a relentless pursuit of business excellence with
social and environmental responsibility.

President Director's Statement

APRIL Indonesia's vision is to be one of the largest, best-managed and sustainable pulp and paper companies in the world, the preferred supplier to customers, and the employer of choice to our people. To realise our vision, it is clear we must bring diligent and innovative solutions to the challenging and complex environment in which we operate.

Since the last report in 2008, APRIL Indonesia has continued its ongoing commitment to develop sustainable forest management and progress social investment programmes. This year's report illustrates the follow up and enhancement of activities in those areas and provides an update on corporate initiatives including active support for High Conservation Value – Network Indonesia (HCVNI).

We take an all-encompassing approach to sustainability. For us, this means addressing environmental imperatives, enhancing opportunities for people in the communities where we operate and contributing to economic development. We firmly believe each of these contributions is consistent with running a successful pulp and paper business. This Sustainability Report, which follows Global Reporting Initiative™ (GRI)* guidelines and incorporates the UN Global Compact principles, is a comprehensive summary of our commitments and progress in these areas. It outlines some of our ongoing initiatives and provides us with a benchmark as APRIL Indonesia goes forward guided by our continued commitment to the UN Global Compact and its principles.

The context of where we operate is important to understanding the initiatives we undertake and our priorities. Active and responsible forest management practices provide the most effective means of conserving natural forests in the developing country context of Indonesia. Alternative solutions have proven ineffective. Natural forests left unmanaged result in deforestation and forest degradation from 'business as usual' land use activities that include illegal logging, forest encroachment and 'slash and burn' practices for agricultural conversion.

A majority of our fibre plantation area is on Sumatra Island primarily focused in Riau province. Riau is home to over 5.5 million people and the country's 3rd largest provincial economy. Poverty alleviation, job creation, the improvement of health and better education outcomes are important priorities. Riau has an economy based on oil and gas and cash crops (palm oil and rubber), supported by export-oriented manufacturing and service industries**. Forestry and the pulp and paper sector have vital roles to play in the economic advancement of Riau province and of Indonesia, as part of the nation's overall development strategy.

Based on a 2006 CIFOR report (Barr et al 2006)*** and 2009 ITTO report (Sukadri et al, 2009)****, Indonesia's transition to a decentralised democracy with a rapidly growing and mobile population has resulted in complex socio-economic, political and environmental dynamics in Riau. District autonomy has provided



provincial, district and village-level governments with new authority to govern and pursue economic development. This requires that APRIL Indonesia must work closely with multiple local stakeholders to ensure that nationally-issued forestry licenses are in alignment with local level aspirations.

Achieving that alignment often requires flexibility in our operational implementation timelines. We must allow for sometimes lengthy negotiations and administration to achieve clarity for all parties, minimise potential disputes and work actively to resolve any disputes which do occur. Between January 2007 and March 2009, for example, our plantation development and wood supply plans were temporarily interrupted due to varying provincial interpretations of national forestry regulations that needed to be resolved.

Extensive migration from overcrowded areas to developing provinces such as Riau has occurred as people seek to improve their livelihoods and opportunity for their families. If employment is

unavailable within cities and rural communities, forest lands may be settled and degraded through 'slash-and-burn' methods for agricultural development. This land is often on peat soils where open drainage and practices associated with forest encroachment lead to forest and land fires, smoke pollution, biodiversity loss and rapid release of greenhouse gases (GHG).

The reality of these complexities means one of Riau's biggest sustainability challenges is the responsible management of its forest lands. The Indonesian government is responding to the goal of carbon emissions reduction with a national strategy to, over the next 10 years, reduce carbon emissions from deforestation and forest degradation by at least 26% while maintaining 7% annual economic growth.

At APRIL Indonesia, we believe we are also part of the solution to these complex challenges.

We contribute through careful management of our concession lands, maintaining High Conservation Value Forests (HCVF), using science-based land and water management practices to minimise GHG emissions from peatlands, and providing community development programmes and employment for local people.

Areas of HCVF that APRIL Indonesia conserves and areas set aside for use by local communities account for more than 40% of the concessions from which we get our wood supply.

Recognising that peatlands are sensitive areas, APRIL Indonesia has designed and implemented pioneering 'eco-hydro' land and water management practices developed through a three-year collaborative research programme with leading peat, forestry and hydrologic experts and universities. Our eco-hydro approach and protection of HCVF maintain important ecological

values on peatland and contribute to the effective management of carbon emissions over the long term.

APRIL Indonesia also makes a significant ongoing contribution to local employment and community empowerment, investing substantial sums in our community development programmes over the past three years, creating thousands of jobs and enabling improved health and education outcomes for people in local communities.

Another area of enormous focus for APRIL Indonesia is achieving continued improvement in health and safety management. The pulp and paper industry often involves work in remote and difficult areas, the use of industrial processes and manual labour practices. We are deeply saddened that 11 fatalities occurred in our operations during this three-year reporting period. The loss of even one life in our operations is unacceptable and we are committed to continuous improvement of our policies, procedures and work culture towards achieving a zero-accident record in our operations.

Following our membership in the World Business Council for Sustainable Development (WBCSD) since 2007, APRIL Indonesia initiated the establishment of its Indonesian chapter termed Indonesia Business Council for Sustainable Development (IBCSD). On 27 April 2011, we became one of the founding members. The objective of IBCSD is to promote business innovation for sustainable development, balancing economic growth with ecological balance and social benefits to ensure responsible contribution of business to the growth of Indonesian society. IBCSD is endorsed by Indonesia Chamber of Commerce (KADIN) and World Business Council for Sustainable Development (WBCSD) and its membership extends beyond the forestry industry, including banking, telecommunications, power, cement and airline companies.

Reflecting many of these commitments, APRIL maintains a number of Indonesia national and international certifications that provide evidence

of our commitment to continuous improvement, wood legality and sustainability. APRIL Indonesia's plantation forestry operations in Riau, Indonesia, are certified by ISO 14001:2004, OHSAS 18001:2007 and Lembaga Ekolabel Indonesia (LEI) for Sustainable Forest Plantation Management. Our paper manufactured from plantation wood pulp is certified as coming from non-controversial sources as defined by the PEFC Chain of Custody Standard, with certification from Bureau Veritas.

As the President Director of the company, I am the Executive Sponsor of our internal sustainability team. I am grateful to the team and to all who have worked to develop our sustainability programmes which are critical for our continued business success.

In closing, I would like to reiterate that at APRIL Indonesia, sustainability is everyone's priority – starting with me. We are proud of the progress we have made, but acutely aware that there is more to do. I look forward to addressing our sustainability challenges aggressively, transparently, and with constructive stakeholder involvement.

Kusnan Rahmin
President Director
APRIL Indonesia
16 September 2011

* Global Reporting Initiative (GRI) is a trusted and globally credible framework of consistent concepts, language and metrics for sustainability reporting. For the 2010 Sustainability Report, APRIL adheres to the GRI G3 Guidelines.
** Economic geography of Indonesia; location, connectivity, and resources. Hal Hill, Budy P. Resosudarmo, and Yogi Vidyattam. In: Reshaping Economic Geography in East Asia. Chapter 8, 2006, pp115-134.
*** Decentralization of Forest Administration in Indonesia. Implications for Forest Sustainability, Economic Development and Community Livelihoods/ ed. by Christopher Barr, Ida Aju Pradnja Resosudarmo, Ahmad Demawan, John McCarthy, Maira Moeliono and Bambang Setiono. Bogor, Indonesia; Center for International Forestry Research (CIFOR), 2006.
**** Final Report. Analyzing Government Policies to Support Sustainable Forest Management. By Daddy Sukadri, Bambang Widyanoto, Herman Prayudi. International Tropical Timber Organization (ITTO) PD 389/05 Rev. 2(F). Jakarta, Indonesia. February 2009.

Sustainability Overview

About this Sustainability Report

Corporate governance

APRIL Indonesia at a glance

APRIL Indonesia companies

APRIL Indonesia sustainability charter

Major certifications and awards

Our commitment principles

APRIL Indonesia sustainability challenges

Key highlights

4th largest

uncoated woodfree (UWF) paper producer in Asia, led by flagship brand PaperOne™⁽¹⁾

>4,500 employees

directly hired in mill and forestry operations

15% increase

in total sales volume for paper segment in 2010 compared with 2008

(1). Hawkins Wright, Market Pulp Outlook, December 2010
(2). RISI, August 2010

2nd largest

bleached hardwood kraft market pulp producer worldwide⁽²⁾

2.8 million tonnes

total designed pulp production capacity

88% of market pulp sales

within Asia Pacific and China (APAC)

About this Sustainability Report

This report sets out an overview of APRIL Indonesia's sustainability performance for the period January 2008 to December 2010. It covers areas that are most material to APRIL Indonesia's sustainability at this time and our progress in areas to which we have committed. We have engaged with stakeholders who have the most impact on and interest in our business – these include customers, employees, contractors and partners, communities, civil-society organisations, government, investors and bankers, and academia and research institutions. The information presented has been determined based on our ongoing engagement – formal and informal – with our key stakeholders and has been assessed against the backdrop of current business operations and prevailing trends in our industry and the global economy.

Scope of this report

This report describes our APRIL Indonesia operations. The boundaries for this report include APRIL Indonesia's owned and operated entities

and our joint venture supply partners. We report on a national level presenting data that are relevant, accessible and comparable. This report includes information relating to our economic, social and environmental performances. We have engaged an external assurance provider, Bureau Veritas, whose independent assurance statement can be found at the end of this report.

Our sustainability reporting approach

A cross-functional team from our business has been responsible for producing this sustainability report with oversight and direction by key business leadership. APRIL Indonesia is a private company and has adopted the Global Reporting Initiative (GRI) reporting framework as the basis for our reporting approach in this period. This report will allow our stakeholders to selectively compare our performance against our industry peer group. In terms of disclosure, APRIL Indonesia chooses to report on our sustainability system, business profile, sustainability management approach and relevant performance indicators.

Corporate governance

Board of Directors

April has a Board whose principal function is to oversee the business affairs of the APRIL Group. This role includes providing direction to the APRIL Indonesia President Director on APRIL Indonesia's sustainability strategy and performance. It reviews and determines the overall strategy and policies on business direction, financial objectives, control and performance, risk management and resource allocation. The Board has defined financial authorisation limits for operating and capital budgets, procurement of goods and services, new investments and divestments, and treasury transactions. Approval sub-limits are also set for various management levels to facilitate operational efficiency. The management briefs newly appointed directors on the Group's business, organisation structure and activities, strategic direction and corporate governance practices.

For the calendar year ending December 2010, the Board's Conduct of its Affairs consisted of 10 directors – three executive directors, three non-executive directors, two independent non-executive directors and two alternate non-executive directors.

Access to information

The Board has unrestricted access to all Senior Executives, as well as the internal and external auditors. The Board may also seek independent professional advice at the Company's expense to enable them to discharge their duties in an appropriate manner. To ensure smooth operations and facilitate decision-making, certain functions have been delegated to Executive Management Committees. These committees are formed as dictated by business imperatives to deal with specific matters such as strategic directions, performance reviews, market updates and organisational development of the Group.

Ethical business practices

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

At APRIL Indonesia, all contractors and suppliers are expected to comply with the same culture of business ethics as our employees. Enforcement is ensured through a combination of routine and random audits, and through a comprehensive annual review of employee performance.

APRIL Indonesia at a glance

APRIL Indonesia is a leading producer of pulp and paper and one of the largest producers of bleached hardwood kraft (BHK) pulp in the world, with manufacturing operations in Riau Province, Indonesia. With a global sales and marketing network, the Company is supported by a team of over 4,500 professionals across Indonesia, embracing the diversity of 16 nationalities.

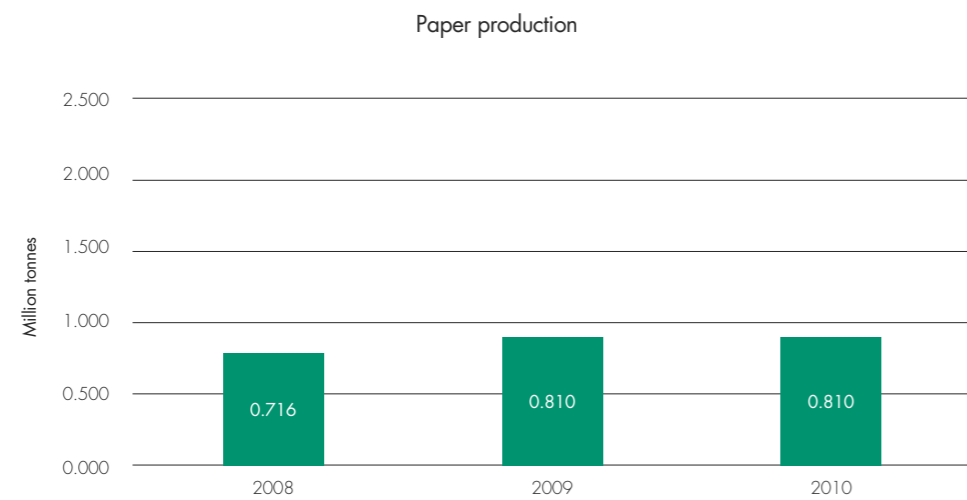
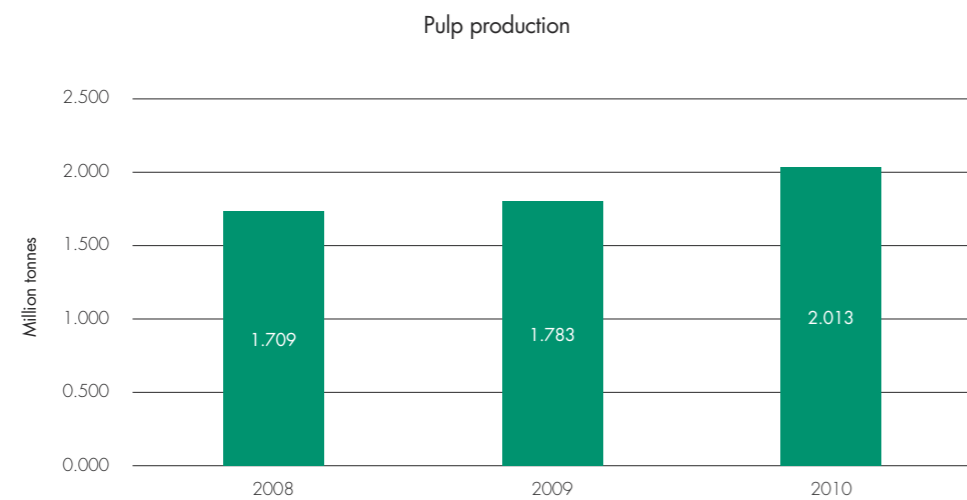
Our designed production capacity in Indonesia is 2.8 million tonnes for pulp and 800,000 tonnes for paper in a year. Despite the economic downturn, our pulp segment contributed strong growth in sales volume with an increase of 10.2% in 2010 from 2008. The paper segment saw an increase of 15% sales volume in 2010 from 2008. On average, 88% of our market pulp sales occurred within the Asia Pacific, China and Australia (APAC), and 66% of our paper sales occurred within this same region.

APRIL Indonesia is committed to supporting sustainable economic development, through a business model that balances social and environmental considerations specific to the developing country context of Indonesia.

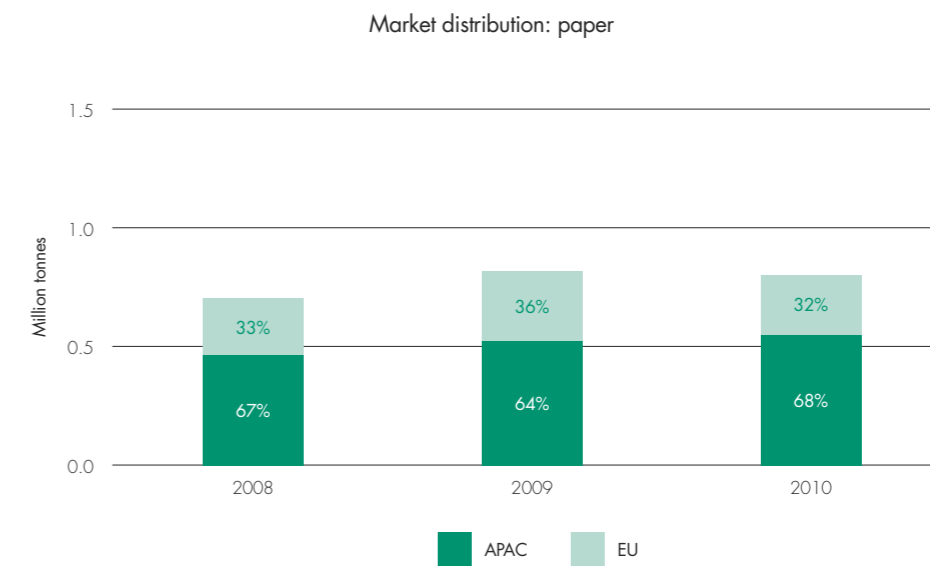
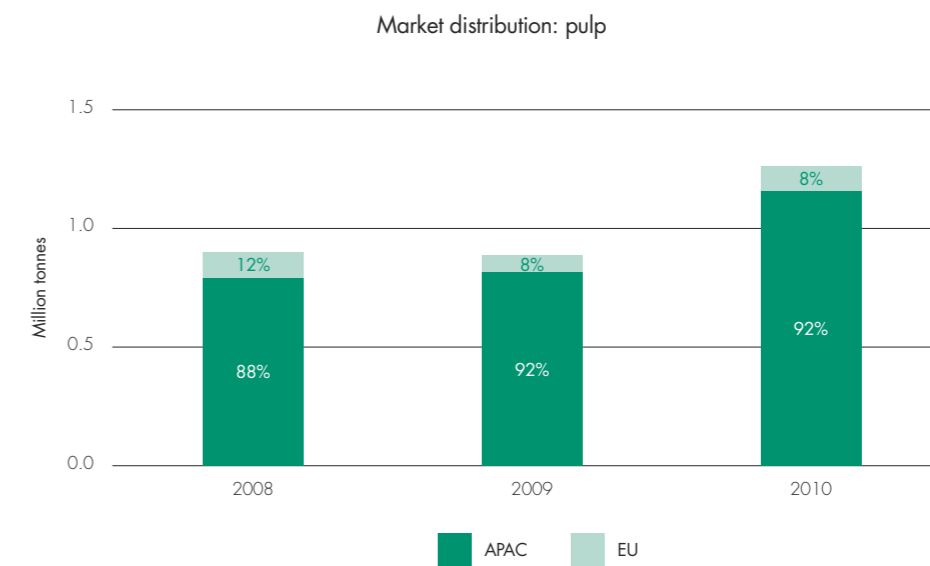
We lead the forest industry in implementing viable solutions for optimising land management by applying the High Conservation Value (HCV) approach to land use planning, ensuring a strong focus on social empowerment, while providing practical and responsible solutions to the challenges of deforestation and degradation.

In 2010 alone, APRIL Indonesia planted 160 million trees on 96,000 hectares.

Production performance



Market sales distribution



APRIL Indonesia companies

- PT Riau Andalan Kertas
- PT Riau Andalan Pulp and Paper
- PT APRIL Management Indonesia
- PT Intiguna Primatama
- PT Anugrah Kertas Utama
- PT Riau Prima Energi
- PT Asia Prima Kimiaraya

APRIL Indonesia sustainability charter

APRIL Indonesia's vision is to be one of the largest, best managed and sustainable fibre, pulp and paper companies in the world, the preferred supplier to customers, and the employer of choice to our people. This is based on our ability to create long-term value by transforming chosen natural resources into products that improve the quality of life for people in our markets.

We understand it is important to use the natural resources we rely on in a responsible and sustainable way to fulfil our vision. We are guided by the Triple Bottom Line principle of responsibility to People, Planet and Profit. Social investment, environmental concern and economic development are integral components of our business values. In this regard we are committed to sustainable development according to the 10 principles of the United Nations Global Compact.

Our sustainability system represents a set of targets and benchmarks, against which we measure our progress. The APRIL Indonesia sustainability system undergoes continuous improvement and annual review. Based on our performance over this reporting period, APRIL Indonesia has identified key areas of focus going forward as outlined in the following table.

People	Planet	Profit
Build strength through purpose and diversity	Reduce greenhouse gas emissions and our energy footprint	Relentlessly focus on our customers
Grow and develop our people	Reduce solid wastes and improve water quality	Strive for profitable growth through innovation
Value human rights and create a healthy and safe workplace	Maintain and enhance High Conservation Values	Promote ethical practices, good governance and discipline in all that we do
Create a great place to live and work	Develop and apply best-in-class sustainable management practices	Build a sustainability system that directs and controls all business relationships and activities
Actively engage key stakeholders	Achieve and maintain key certifications	
Build community partnerships for mutual growth and success		

Major certifications and awards

APRIL Indonesia strives to ensure that our management processes and efforts are aligned to national and globally accepted standards and benchmarks. Towards that aim, we actively work to achieve the requisite certifications and awards that assures our commitment to continuous improvement and sustainability.

The mills in Indonesia are certified under ISO 9001, ISO 14001 and OHSAS 18001 for quality, environment, and health and safety management respectively.

Since 2006, our concessions were awarded certification for Sustainable Plantation Forest Management by the Indonesian Ecolabelling Institute, locally known as Lembaga Ekolabel Indonesia (LEI). In 2010 we received Sustainable Production Forest Management and Timber Legality Verification Certification (PHPL/SVLK) certification from the Ministry of Forestry, and our manufacturing, sales offices and stores received Chain-of-Custody Certification under the Programme for the Endorsement of Forest Certification (PEFC).

Highlights for 2008 to 2010	
2010	<ul style="list-style-type: none"> Chain-of-Custody Certification under the Programme for the Endorsement of Forest Certification (PEFC) for pulp and paper production, stores and sales. Sustainable Production Forest Management and Timber Legality Verification Certification from the Indonesian Ministry of Forestry Green Industry (Manufacturing) Award at silver level for large company category from the Ministry of Industry, Indonesia
2009	<ul style="list-style-type: none"> CSR Recognition Award from Singapore Compact and United Nations Global Compact Ecolabel certificate awarded by Pulp and Paper International Certification Services (PAPICs) Bandung, Indonesia "Green" PROPER rating by Indonesian Ministry of Environment for efforts in environmental management and Corporate Social Responsibility for four years since 2006 Occupational Safety and Health Management System certified by Minister of Manpower and Transmigration, Indonesia
2008	<ul style="list-style-type: none"> Partnered with United Nations Environment Programme (UNEP) to honour the Champions of the Earth 2008

Our commitment principles

Our commitment to sustainable development through balancing economic growth, social progress and ecological needs has always been inherent in our policies and practices. We realise that achieving our commitments requires engagement with a range of stakeholders. We work with a number of NGOs to align our actions with socially accepted practices. Our corporate engagements include:

- World Business Council for Sustainable Development (WBCSD)
- United Nations Global Compact (UNGC)
- Fire Management Actions Alliance under the Food and Agriculture Organisation of the United Nations (FAO)

World Business Council for Sustainable Development

Based in Geneva, but operating around the world, the World Business Council for Sustainable Development (WBCSD) is a leading catalyst in promoting responsible, sustainable business. Through its members, the organisation is active in influencing global policy developments, most recently with a particular focus on climate change. Comprising nearly 200 corporate sustainability leaders, APRIL Indonesia remains Indonesia's only representative. The Sustainable Forest Products Industry (SFPI) Working Group is one of WBCSD's most active working groups.

SFPI members seek ways to sustainably manage forests to meet societies' wood and paper product needs, renewable energy, ecosystem services and sustainable livelihoods. The 15 forestry companies participating in SFPI account for around 70% of current global forestry production.

Under WBCSD's Membership Principles and Responsibilities, we are committed to²:

- Efficient and innovative use of fibre, energy and new technologies
- Promoting the recyclability, recovery and appropriate reuse of fibre
- Improving energy efficiency and use of renewable energy
- Tracking, managing and reporting on carbon dioxide emissions
- Promoting sustainable forest management and use of forest products as important climate mitigation strategies

United Nations Global Compact

APRIL Indonesia took a further step to demonstrate our commitments by becoming a signatory to the Principles of the United Nations Global Compact (UNGC) in 2006. The Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report transparently on implementation. As a signatory to UNGC, APRIL

Indonesia supports its principles, implementing a corporate sustainability framework closely aligned to UNGC best practice guidelines.

FAO Fire Management Actions Alliance

We strive to manage our forests in a sustainable way and ensure that the forest resources are being conserved to meet the needs of future generations while also serving the benefits to present generations. Coordinated by the FAO, APRIL Indonesia has been a member of the Fire Management Actions Alliance since May 2007. The Alliance's goals are to improve fire management worldwide, through promotion of *Fire Management Voluntary Guidelines: Principles and Strategic Actions* that provide a holistic framework for fire management, balancing social, cultural, environmental and economic dimensions. In November 2008, APRIL Indonesia co-hosted a Fire Management Needs and Actions Workshop with The Nature Conservancy and FAO in Pekanbaru, Riau, that was joined by fire management professionals from 6 Southeast Asian countries. In October 2009, APRIL Indonesia joined the 13th World Forestry Congress in Buenos Aires, Argentina, to assist the FAO in promoting the use of the Fire Management Voluntary Guidelines to forestry and fire management professionals from around the world.

APRIL Indonesia sustainability challenges

Identifying and understanding the issues of most concern to our stakeholders is essential for the sustainable growth of our business. APRIL Indonesia's sustainability practices are specifically driven by our commitment to People, Planet and Profit. Implementing sustainability in our specific operational context presents many challenges. To better understand these challenges, APRIL Indonesia assessed the viewpoints of 63 environmental and social civil society organisations in Indonesia and the world with interest in forestry, pulp and paper industry to gain a detailed understanding of their issues and how we are perceived. We have also looked inwardly to assess our organisational capabilities and strategies as we continue to integrate sustainability into our business management systems. We openly acknowledge the challenges that have been identified and here outline our action-oriented responses to effectively deal with 10 key focus areas.

Focus	The challenge	Our response
Sustainability governance	APRIL Indonesia adheres to good corporate governance practices. As part of our continuous improvement philosophy, APRIL Indonesia will seek to further develop our sustainability governance practices in the areas of control, integration and performance management.	Improve sustainability governance practices through better integration, clearer reporting relationships and performance management. A new External Affairs Director role has been created at the Corporate level, to develop the sustainability governance model, strengthen internal and external liaison and improve practices over the next 12 months. Our Sustainability, Certification, Corporate Communications and the NGO engagement teams report directly to the External Affairs Director.
Sustainability strategy and commitments	APRIL Indonesia is guided by our Triple Bottom Line principle of People, Planet and Profit. Our growth imperative requires that we develop a more clearly defined sustainability strategy and supporting management operating system.	In this 2010 report, APRIL Indonesia has defined our sustainability strategy focus areas. Over the next 12 months, we will implement processes to develop a set of objectives, targets and plans to address these focus areas in a structured manner. These actions will be resourced and managed to enable us to lift our sustainability performance to the next level.
Joint-venture supply partners	External stakeholders expect joint-venture supply partners to adopt and effectively manage and monitor sustainability standards, policies and practices consistent with APRIL Indonesia.	We aim to conduct an assessment of the sustainability practices of our joint-venture partners and jointly develop improvement plans that enhance sustainability performance. We will ensure that new partnerships will include an obligation to identify and protect HCV. We are also investigating the possibility of acquiring some of our partners in line with our growth plans, and in order to support consistency in sustainability management.

Focus	The challenge	Our response
Land tenure/rights	Indigenous/Customary land use rights may result in conflict with APRIL Indonesia's licensed rights from national government.	APRIL Indonesia will continue to improve the process of engaging and managing our partnerships with communities and resolving disputes through third party mediation and government approval.
Partnerships	Our growth requires nurturing existing partnerships and building new relationships with our key stakeholders.	APRIL Indonesia will continue to seek engagements with external stakeholders to help identify and develop opportunities that deliver meaningful outcomes for our partners and the communities within which we operate.
Climate change	Sustainably reduce our carbon footprint across the APRIL value chain.	We are working on measuring carbon emissions and quantifying our overall carbon footprint. This will be used to establish a baseline from which goals can be set and improvements measured.
Peatlands	The development of peatlands is a significant source of greenhouse gas (GHG) emissions.	All peatland concessions utilise "eco-hydro" management to reduce GHG emissions.
High Conservation Value (HCV)	Alignment in understanding between internal operations and external stakeholders on HCV delineations and maintenance of conservation values.	Continue to utilise <i>Indonesian HCV Toolkit</i> in collaboration with internationally recognised technical experts. Land use planning will be done by a multi-disciplinary team of resource experts.
Natural forest conversion	Establish a plantation-land base that will sustainably provide a renewable supply of wood fibre to meet market demands.	The clearing of natural forest is an inherent step in developing renewable plantation wood supply for the future of our business. We will continue to assess our wood supply needs and ensure a responsible approach is taken to meeting that demand.
Forest certification	APRIL Indonesia's goal to be a preferred supplier requires a variety of forest certifications to meet the expectations of individual markets.	Although APRIL Indonesia already has several different certifications, we will develop the standards, people and management system controls to ensure full compliance with regard to maintaining these certifications and expand certification where standards are appropriate to our business model.

Mill Environment

Efficient usage of raw materials

Emission levels

Water consumption

Effluent levels

Solid waste levels

Energy efficiency

Key highlights

USD 2.3 million

invested to build the bio-fuel methanol plant to reduce greenhouse gas emissions

2 CDM projects

recover methane from waste vapour and sludge from effluents

87% energy

generated from renewable biomass sources such as bark and black liquor

95% removal

of waste water contaminants through integrated clarified aeration basins – first in Indonesia

Efficient usage of raw materials

We strive to use raw materials, energy, water and other resources as efficiently as possible. All our mills are ISO 14001 certified and adopt a strict environmental management process based on compliance with government regulations and our own environmental improvement standards. Emissions, effluents and waste levels are monitored regularly and community health assessments are done on upstream and downstream villages along the Kampar River. Sample data on our environmental impact are then analysed and reviewed at regular intervals and compared with regulatory requirements and our own continuous improvement goals. We use the results of that analysis to continually refine and improve management of our emissions, effluents and waste.

Training and awareness programmes relating to Environmental Management Systems (EMS) are incorporated in the training programmes offered in APRIL Learning Institute on a regular basis (Reference: *Chapter 4, section on Training Programmes*).

The efficient use of all raw materials is a guiding principle for our pulp and paper mills to prevent waste. Chemical residuals from our pulp and paper mills are recovered and reused or recycled as raw material, fuel or for other beneficial uses. This is in line with APRIL Indonesia's "5R" approach – Recycle, Recover, Reuse, Reduce, and Replace.

We manually debark 50% of the acacia trees in the plantation before transporting them to our wood yard. Manual debarking in the field is more efficient than using mechanical drum de-barkers which create more waste wood during the debarking process. The bark removed in the plantation is a valuable source of organic material that returns nutrients to the soil and also reduces the weight of logs to be transported, thereby reducing fuel consumption.

We have invested in a state-of-the-art pin chip digester (PCD) to ensure the highest utilisation of our wood supply. When wood is chipped, some of it becomes too fine to use through normal processes and is screened out. The material screened out is typically used as fuel in the power boiler. With the PCD, we are able to cook this material instead and blend it with pulp made from normal chips so that wood fibre utilisation is maximised. In 2010, we had an average output of 350 tonnes of pulp per day from the PCD.

Fast facts

APRIL Indonesia has invested heavily to optimise our pin chip digester system to reuse some of the small wood chips that will otherwise be burnt or sent to the landfills. The pin chip digester in our Kerinci pulp mill has a capacity to cook up to 165,000 tonnes of wood chips a year. In the past three years, we managed to salvage approximately 350,000 tonnes of wood chips, equivalent to approximately 260,000 trees.

Case study: Precipitated Calcium Carbonate Filler (PCC)

Precipitated Calcium Carbonate Filler (PCC) is a special crystal structure that contributes to the bulkiness of paper. APRIL Indonesia has a proprietary technology that uses more PCC and less wood fibres without losing the thickness, stiffness and smoothness properties of the paper. Between 2008 and 2010, APRIL Indonesia has increased the PCC content of the paper by 1.5%. This reduction in wood fibre is equivalent to 8,500 tonnes of Acacia pulp every year.

Another benefit of PCC is that in the process of producing it, CO2 is required. Hence CO2 emitted from the lime kilns is recovered and mixed with calcium hydroxide (Ca(OH)₂) in the PCC plant.

Emission levels

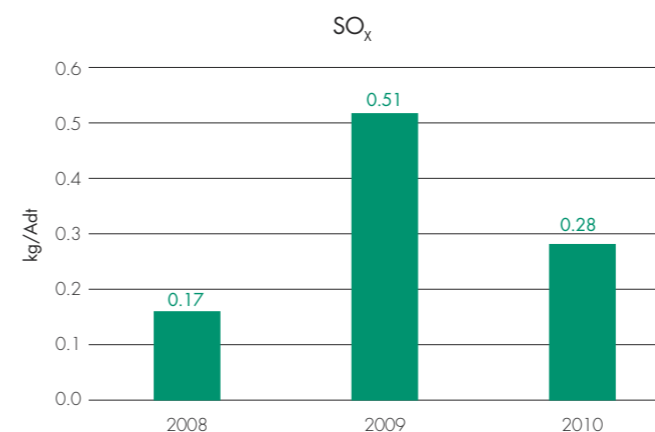
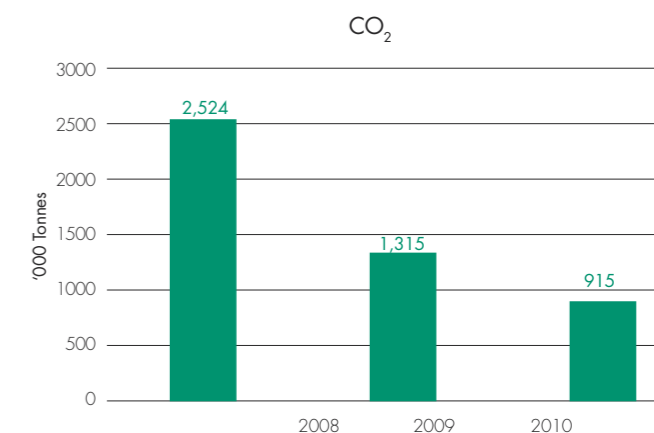
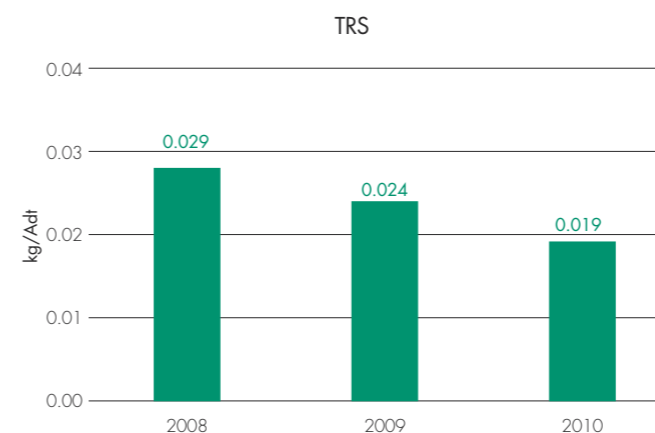
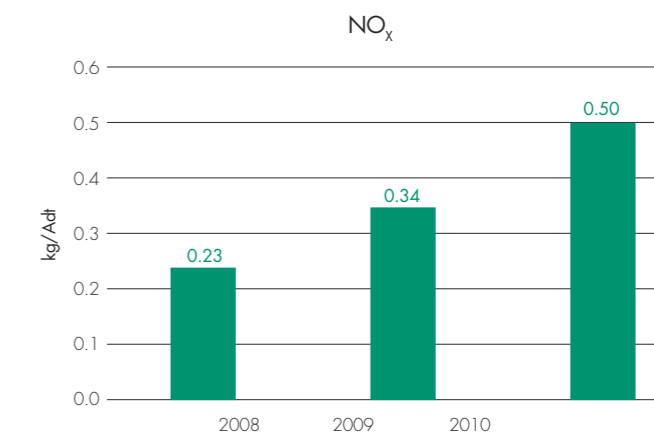
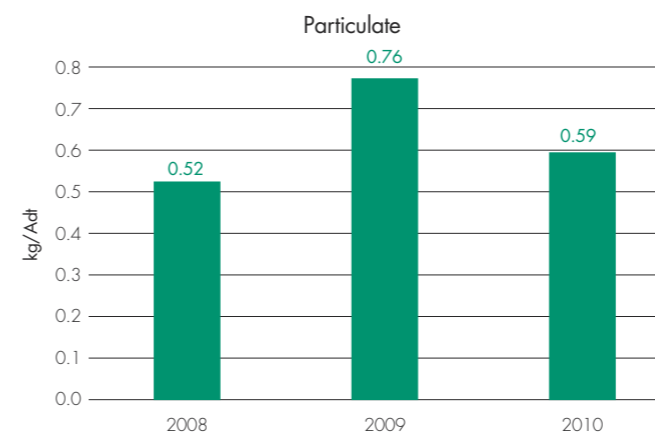
From 2008 to 2010, we made overall reductions in air emission levels from our mills. Emissions result from burning fossil fuels and chemical reactions in the pulp and paper making process. We regularly monitor the emission levels of particulates, nitrogen dioxide (NO_x), sulphur dioxide (SO_x), total reduced sulphur (TRS) and carbon dioxide (CO₂) from our mills. Being conscious of the negative impacts of ozone-depleting emissions, APRIL Indonesia ensures that no ozone-depleting substances are emitted from the mills in the manufacturing process.

Emission levels from our mills meet national government standards. Variations from year-to-year in emission levels are due to changes in fuel sources (e.g. coal versus biomass) and changes in the production ratio of pulp and paper. Results are presented below as weight of emissions in kg per air dried tonne (Adt) of production, except CO₂ which is presented as total tonnes emitted.

Mill Emissions (2008 – 2010)

Particulate	↑ 14%
NO _x	↑ 113%
SO _x	↑ 63%
TRS	↓ 31%
CO ₂	↓ 64%

Emissions



Fast facts

Black liquor is the cooking chemical from the kraft pulping process. Most kraft pulp mills use recovery boilers to recover and burn the black liquor to generate steam power, enabling the mill to become more self-sufficient in energy generation. The cooking chemicals are also recovered in the recovery boiler; and in the process, emissions and the use of chemicals are reduced significantly. With a new recovery boiler operating in 2010, we saw an increase of 12% energy generation using black liquor compared with 2008. This underscores APRIL's "5R" approach to Recycle, Recover, Reuse, Reduce and Replace

Fast facts

Bark has to be removed from the logs through a manual debarking process or a drum de-barker because it contains relatively few usable fibres and darkens the pulp. Bark is considered waste from the drum de-barker and is used in the power boilers as bio-fuel to generate energy. In 2010, the amount of energy generated using bark increased by 7% from 2008.

Steps to reduce emissions

By reducing dependence on fossil fuels and investing in new technologies, APRIL Indonesia has made significant steps to reduce emission levels. CO₂ emissions are directly related to the use of fossil fuels. Using alternative sources of energy has enabled us to reduce the consumption of coal, diesel and marine fuel oil, and the amount of CO₂ emitted (Reference: *Mill Environment, section on Self-sufficient energy consumption*).

The quality of the fuel source also has a direct impact on emission levels. For example, between 2008 and 2009, the coal used in the power boiler showed a higher sulphur content compared to another source of coal available in Sumatra. In 2009, we switched sources to low-sulphur coal and significantly reduced the amount of SO_x emitted in 2010. The amount of SO_x was further reduced with a higher use of limestone as bedding material in the power boiler as limestone helps to remove the sulphur in the coal.

Recovering and recycling chemicals

Dissolving tanks are used to recover and recycle black liquor during the pulping cycle. Since 2008, we have sealed the dissolving tanks fully, ensuring that all gases produced as a result of the pulp and paper making process remain in the production system instead of being emitted. These gases are then recovered and burned in the recovery boiler where chemicals required for pulp production are recycled in the process.

Alternative sources of energy

Natural gas

In late 2010, APRIL Indonesia started using natural gas to fire the lime kilns, shifting away from the use of less cleaner burning fuels such as Marine Fuel Oils. By 2011, we expect a 100% shift to natural gas, bringing about a decrease in particulate, SO_x, TRS and CO₂ as seen in the downward trend of these emissions in 2010.

Renewable biomass sources

In 2010, we generated 87% of our energy from renewable biomass sources such as bark and black liquor. However, the downside of organic matter such as bark is its high nitrogen and ash content which resulted in an upward trend in particulate and NO_x levels.

Bio-fuels

The use of bio-fuel such as black liquor, bio-sludge, palm shell and methanol also reduces the amount of fossil fuel used.

The use of bio-fuel in the recovery boilers went up from 58% in 2008 to 70% in 2010. Bio-fuels have a low sulphur content and hence account for decreasing levels of TRS.

Investing in environmentally-responsible operations

Chloride removal plant

In 2009, we started work on a second chloride removal plant (CRP) with a capacity to handle 300 tonnes of boiler ash per day from the electrostatic precipitator (ESP) – one of the largest CRPs in the world. ESP is a collection device that removes particles from a flowing gas. In the process, almost 98% of the chloride from the ash is removed, reducing corrosion and improving function of the recovery boiler.

Recovery boiler

APRIL Indonesia takes pride in having completed one of the world's largest recovery boilers. The project began construction in 2007 and the new boiler commenced operations in 2009. The firing capacity for black liquor dry solids is 6,500 tonnes a day, which can produce 265 kg/sec of steam at 84 bar, at a temperature of 480°C. This new recovery boiler features four ESPs which help remove airborne particulate matter to minimise the emissions to atmosphere as evident in the downward trend in particulate levels in 2010.

Water consumption



Water is essential in the pulp and paper making process, from cooking the raw materials in pulp production, heating it to produce steam to run the turbines in energy generation, to waste treatment. Water is also used to carry the pulp slurry to the paper machine; to carry wastes and residues of the mill to the treatment plants where it is cleaned and discharged safely back into the environment; and to provide steam to remove 90% of the water from the wet paper sheets in the paper machine.

Our mill is located near the Kampar River. Daily, we extract 340,000 cubic metres (m³) of water, returning about 240,000 m³ of treated water to the

river, with the remainder being reused or evaporated. Under continuous improvement, water usage has decreased over the last 3 years. In 2010, we consumed about 38 m³ of water per tonne of production, a decrease of 11.5% from 2008. In 2008, one of the steps taken to lower water use was using TrumpletTM in the paper mill which reduces water consumption by more than 1,000 m³ per day. TrumpletTM retention aid mixing systems reduce the volume of heated clean water required for the production process. In doing so, approximately 1,075 kW of energy was saved per day, equivalent to the amount of energy used to heat up the water from 28°C to 50°C.

Effluent levels

We continue to make a concerted effort to reduce the level of effluents discharged as a result of our production processes by installing efficient water treatment systems within our mills to clean waste water. Effluents from our mills are treated extensively by tertiary decolouring. Our waste water treatment plants also ensure that the quality of the water discharged from our mills meets all national regulatory requirements.

Over 95% of contaminants are removed from discharged waste water to ensure that it is clean and safe for use further downstream. On a regular and continuous basis, we monitor water effluents from our mills to track levels of Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Absorbable Organic Halides (AOX) and Total Suspended Solids (TSS). These data from the last 3 years are shown below.

Effluent levels trended over the reporting period as related to increased organic load from the wood type supplied and as mitigated by improvements to the effluent treatment plant were installed.

AOX, produced as a result of chemical reaction with chlorine, dropped by 50% between 2008 and 2010 due to a lower usage of chlorine dioxide (ClO₂) for bleaching the pulp. Hydrogen peroxide (H₂O₂) and sodium hydroxide (NaOH) were used as replacements to bleach the delignified pulp.

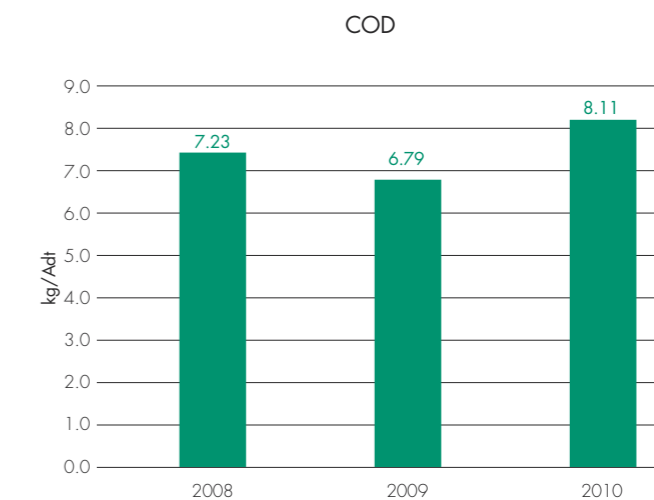
Steps to reduce effluents

A new effluent treatment plant (ETP) was installed in 2008 to support our pulp mill expansion and help reduce effluent levels. With an additional capacity of 120,000 m³, the new ETP increases the total effluent treatment capacity of the mill by 36.4%. The ETP features an integrated clarifier and aeration basins which marks APRIL Indonesia as the only pulp and paper mill in Indonesia to have invested in this advanced technology.

Effluent levels (2008 – 2010)

BOD	↓	8.5%
COD	↑	12.0%
TSS	↑	9.0%
AOX	↓	50.0%

Effluent levels



Solid waste levels

Solid waste generated at our mills is largely a byproduct of energy production and the pulp and paper making process and includes sludge, dregs and grit, lime mud, screen rejects and pin chips (wood). Our practices in solid waste management ensure that wherever possible, solid wastes are used productively to enhance the sustainability of our operations.

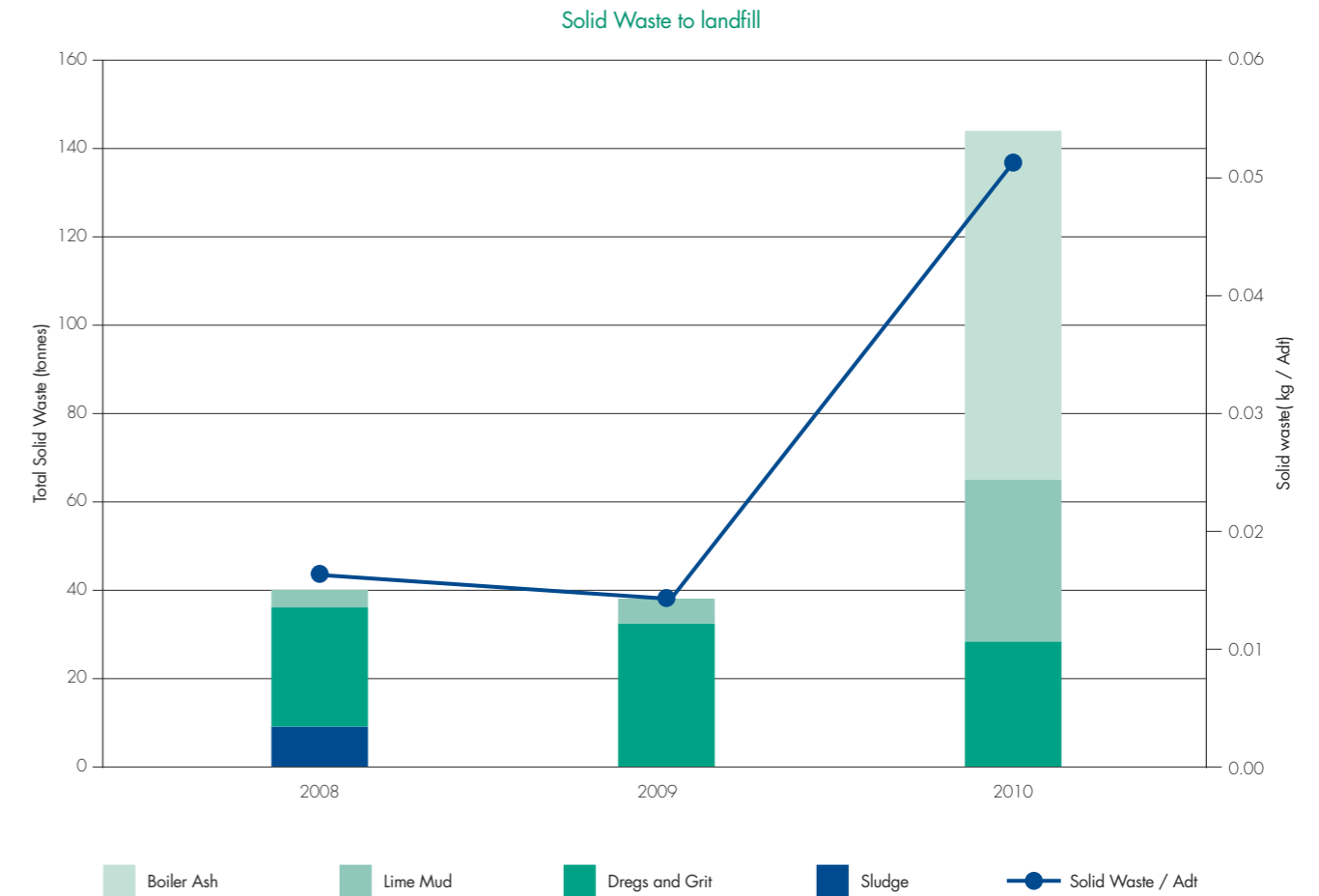
Sludge is composed of pulp fibres, fillers, pigments and dirt. Sludge is extracted and burnt in boilers to generate renewable energy. This is evident in 2009 where no sludge was sent to the landfill. Similarly, no pin chips were sent to the landfill since they are collected and cooked in our pin chip digester, adding to our overall pulp production.

Prior to 2010, boiler ash created through our energy production processes was mixed with lime mud for solidification and sent to the landfill. We had also conducted a number of trials that involved the reuse of boiler ash as compost material to enrich plantation soil or as material for road improvements, resulting in no boiler ash and lower amounts of lime mud sent to the landfill.

Unfortunately, these trials found that these reuses were not economically feasible and as a result, our solid wastes to landfill increased significantly in 2010. We are continuing efforts to identify ways to utilise this solid waste and in 2011, we plan to use some of the boiler ash for brick production.

We have a 14-hectare landfill within our mill complex in Kerinci. It replaced an older landfill which continues to undergo remediation to prepare it to be sealed. Remediation includes the installation of geo-textile to prevent leakage into the soil and underground water and contour levelling of the landfill site.

Some of the wastes resulting from our production processes are considered hazardous, such as used oils, air filters, batteries, mercury lamps and computer parts. We manage these hazardous wastes according to Standard Operating Procedures which comply with national government laws and regulations, as well as meeting international standards. These handling methods are also part of the training programmes offered in APRIL Learning Institute.



Energy efficiency

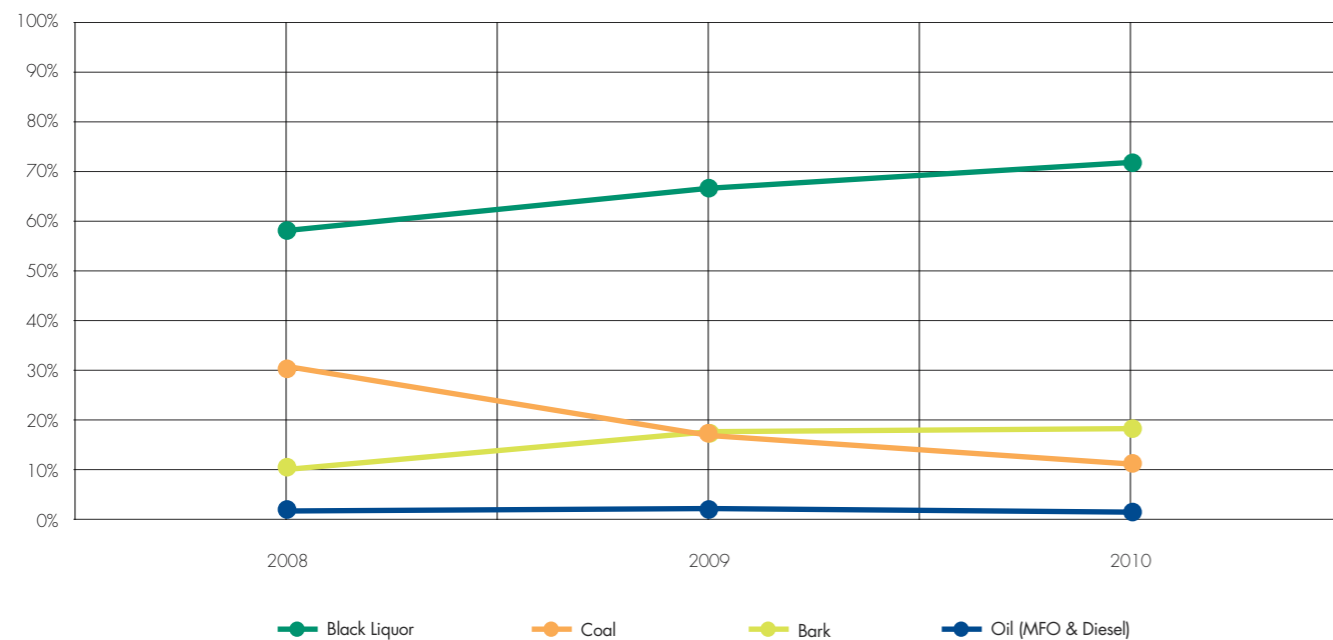
Energy efficiency is a priority for APRIL Indonesia. In 2010, our electricity usage per tonne of paper produced was at 0.687MW per hour, meeting our target of 0.7MW per hour and achieving an energy saving of 11.7% compared to 2007. We aim to further reduce the reliance on fossil fuels in 2011 by increasing the usage of bio-fuel and finding other sources of renewable energy. Additionally, our mill generates surplus energy that is supplied to the local electricity grid, contributing up to 8MW of electricity for the surrounding community.

In supplying our energy requirements during the past 3 years, we have increased our use of renewable biomass and decreased the use of coal and diesel. Our concerted effort to manage our energy production efficiently and sustainably includes conservation programmes for the use of power, steam and water, and two Clean Development Mechanism (CDM) projects to provide renewable energy.

At present, 87% of our energy is generated from renewable biomass sources such as bark and

black liquor. With that, we have reduced our consumption of coal significantly by 64% and diesel and marine fuel oils (MFO) by 67% for every tonne of pulp and paper produced over the last 3 years.

Energy generation by source



Case study: Clean Development Mechanism projects

Mindful of our role in reducing our carbon footprint, APRIL Indonesia aims to maximise the use of "green" energy such as biofuels. Our Indonesian operations have initiated two Clean Development Mechanism (CDM) projects that will reduce our greenhouse gas emissions. These projects include methanol recovery and a process to burn biosludge which traditionally goes to landfill.

APRIL Indonesia's CDM projects are estimated to reduce the amount of CO₂ emitted from our operations by 90,000 tonnes per annum, adding to global efforts in reducing greenhouse gases.

Bio-fuel methanol plant

APRIL Indonesia's methanol recovery process uses new technology to 'strip', condense and liquefy methane from the waste vapour created in the pulping processes. As a greenhouse gas, methane is 22 times more problematic than CO₂. The methanol recovery process recovers approximately 50 tonnes of liquid methanol per day. Liquefied methanol is used as a fuel and

offsets approximately 22.5 tonnes of the mill's heavy oil requirement per day in the lime kilns to burn the limestone to produce calcium carbonate for papermaking.

APRIL Indonesia invested about USD 2.3 million in this project which was operational in 2008 primarily to reduce the greenhouse gas emissions. Plans are being developed to increase the mill's methanol recovery capacity by 40 per cent to 70 tonnes per day. Methanol is a cleaner energy source contributing to a reduction of 24,000 tonnes of CO₂ per annum.

Bio-sludge project

APRIL Indonesia's bio-sludge project which was started in June 2009 recovers the sludge from the mill's effluent treatment plant and incinerates this in the chemical recovery boilers. This process reduces the amount of bio-sludge that would normally go to landfill. Bio-sludge, traditionally landfilled, decomposes and emits methane gas.

Responsible Forest Management

Optimising forest land use

Building community partnerships

Responsible peatland management

Best practice forestry

Forest fire management

Integrating high conservation values into our land-use planning

Forest certification

Conservation and biodiversity

Key highlights

160 million trees planted in 2010

76,053 hectares community livelihood plantations

278,721 hectares natural forest conservation areas

7.4% increase in fibre plantation growth rate per hectare since the establishment of our first plantings

Optimising forest land use

APRIL Indonesia believes that developing a thriving plantation-based business and contributing to the sustainable management of the environment are not mutually exclusive goals. Through responsible and active forest management, APRIL Indonesia pledges a long-term commitment to manage our forest resources sustainably; a challenge considering the trends of forest degradation, illegal logging, encroachment and expansion of agricultural land-use.

We have found innovative ways to increase our operating efficiency through responsible land use management and water management systems. For example, we have been able to improve our operations and reduce our carbon emissions through our "Mosaic Plantation Concept" (MPC) and responsible peatland management. Since 2006, we have spent more than USD 1.2 million on research to identify and develop appropriate land management practices for our peatland operations. APRIL Indonesia has also begun pioneering work to assess levels of greenhouse gases (GHG) in the forest lands it manages so that strategies to reduce GHG levels can be developed.

The Ministry of Forestry provides broad guidance on the allocation of land use for industrial forest plantation licenses that includes

- (1) industrial tree plantation +/- 70%,
- (2) infrastructure +/- 5%,
- (3) community livelihood plantation +/- 5%,
- (4) conservation +/- 10%, and
- (5) natural tree plantation +/- 10%.

APRIL Indonesia manages over 1.45 million hectares of forest land, including forest lands licensed to joint-venture supply partners. 19% of the land is conserved as natural forest and 25% is occupied by community enclaves, community livelihood plantations and essential operational infrastructure.

51% of the forest lands licensed to APRIL Indonesia are used to establish our fibre plantations where we cultivate a variety of fast-growing plantation trees that include Acacia, Eucalyptus and Melaleuca species.

At present, 65% of our current plantable area is established fibre plantation and we plan to complete the fibre plantation for this area within

the next 2 years. For the future, we want as much of our wood supply as possible to come from renewable fibre plantation trees. The clearing of degraded natural forest is an inherent step in developing renewable fibre plantation wood supply for the future expansion of our business. We will continue to assess our wood supply needs and ensure a responsible approach is taken to meeting that demand.

Committed to optimising our fibre plantation land, we ensure rapid re-planting within 8 weeks after completing a harvest.

In our peatland fibre plantations we have also developed "hydro-buffer" zones where water levels are raised in a combined zone of fibre plantation and natural tree plantation that exists between our fibre plantations and natural forest conservation areas to protect their health and biodiversity. The natural tree portion of the hydro-buffer zones, accounts for 5% of the total land use.

Managing this large and diverse land area requires balancing the complex social, environmental and economic values that each stakeholder places on the natural resources contained within the area. We have developed a diligent process that involves consistent engagement with many stakeholders including government, non-governmental organisations (NGOs) and the local communities to jointly identify issues, develop positive solutions and implement collaborative actions. We work with:

- National, provincial and local government authorities to receive licences and operational permits in compliance with all forestry and environmental regulations.
- Local communities to build mutually beneficial partnerships that empower the communities to generate income and provide basic needs such as clean water, education and community infrastructure.
- Leading organisations that promote sustainable forest management and supply chains, addressing the important forestry and social issues of our industry. These include Fire Management Actions Alliance under the Food and Agriculture Organisation of the United Nations, Forest People's Programme, High Conservation Value Resource Network, The Forests Dialogue, United Nations Global Compact, and World Business Council for Sustainable Development.

Sustainable plantation fibre supply

Our plantations are the most important component of our integrated operations and supply the essential raw material needed for our business. We aim to secure the land that will provide a sustainable supply of renewable plantation grown wood to our pulp and paper

manufacturing facilities. Our 3 sources of fibre supply are our own plantation concessions, community fibre farms and joint-venture supply partners. We commenced establishment of our own concessions in 1994. Community fibre farms were initiated in 1999 and joint-venture supply partners became active in 2003.

We demonstrate our commitment to the long-term management and productivity of the land within our concessions through aggressive planting and re-planting programmes. By maximising the yield from each planted hectare, we optimise the productivity of our land and ensure our plantations contribute to the management of carbon emissions.

From 2008 to 2010, we planted from 71,000 to 96,000 hectares of trees per year. On average over the past 3 years, 24% of the planted area was in first rotation, 53% was in second rotation whilst 23% was in third rotation. Since 2008, we have used a rotation length of 4 to 5 years, depending on species and soil type, enabling us to capture average annual wood production at its peak.

Our Tree Improvement Programme deploys high-yield seedlings from 3 central nurseries that, in combination with our satellite nurseries, have capacity to produce over 200 million seedlings per year. Through this programme, we have seen continued improvement during each rotation. Based on the mean annual growth rate of acacia species, we are now capable of growing 7.4% more wood per hectare per year than when we began our fibre plantation programme in 1994.

Building community partnerships

Community engagement is a critical responsibility of operating in a developing socio-economic context, but is also essential to the stability of our business. Our engagement programmes contribute directly to the development needs and objectives of local communities and Indonesia as a whole. We continuously adapt our community engagement approach to the specific needs and conditions within individual communities. We strive for broad support from within the communities where we operate following a consultative process as described and practised by APRIL Indonesia through our standard operating procedures.

We undertake intensive social audits and community consultation involving APRIL Indonesia, the community and third-parties. Through the audits and consultation, we identify concerns and needs of the community and commit to operating principles and development contributions that ensure APRIL Indonesia and the local community can grow together. Consultation takes place with representatives appointed by the communities themselves and is finalised through signed MOUs between APRIL Indonesia and those representatives. Reaching agreement may require several months of consultation. APRIL Indonesia does not start its plantation operations where a land use agreement does not yet exist.

Providing land and support for community livelihood plantations

As part of the allocation within our licensed concessions, APRIL Indonesia has allotted 76,053 hectares to develop community livelihood plantations in partnership with villages that are within or close to our concession boundaries.

Livelihood plantations provide communities with economic and social development opportunities. APRIL Indonesia establishes the livelihood plantations including the construction of roads, canals, and provision of seedlings and fertiliser. We also work hand-in-hand with the community by empowering them to develop village cooperatives to manage the growing agro-forestry business, and prepare them for the socio-cultural adaptations as their standard of living improves.

Before 2009, a majority of the land for livelihood plantations was developed and managed under the Primary Cooperative Credit Members programme which established oil palm plantations in partnership with the local villages. In 2009, after receiving additional concession licences and specific direction from the Riau Province Forestry Service, APRIL Indonesia is now only developing livelihood plantations with forest tree species such as rubber (*Hevea brasiliensis*)

and jaboron (*Anthocephalus cadamba*), a fast-growing durable wood used for plywood and furniture.

By the end of 2010, we have planted 555 hectares of rubber trees and 169 hectares of jaboron. APRIL Indonesia will hand over the management of these livelihood plantations to the village cooperatives once the plantations begin producing. We will remain an active partner providing technical advisory services and assistance. Proceeds from the harvest of jaboron and tapping of rubber trees will be distributed equally by the cooperative to all families in the participating villages.

Case study: Community partnership in Lubuk Jering

In September 2008, after two years of negotiation, APRIL Indonesia reached a mutual agreement with the indigenous community at Lubuk Jering village in Riau province. The agreement stipulated that APRIL Indonesia would develop 1,600 hectares of community plantations consisting of rubber, palm oil and other livelihood trees; pay compensation to the community for the crops and other structural improvements that already exist on the land; provide humanitarian financial compensation to displaced farmers; and contribute to community education and infrastructure development. This was cited by the United Nations High Commission for Human Rights as a case study for benefit-sharing and dispute resolution with the indigenous community¹. Despite the positive external acknowledgement, the sub-district government and newly elected village head rejected the agreement in November 2008. Negotiations with the new officials, though hampered by socio-political changes from recent migration to the area, are currently taking place and we are committed to finding a mutually accepted solution.

Case study: Community partnerships in the Teluk Meranti block

The Teluk Meranti block, consisting of three communities from Teluk Meranti, Teluk Binjai and Pulau Muda, has been a key focus area to develop community partnerships because of its location in the Kampar Peninsula, a 700,000-hectare peat swamp forest. In 2009, APRIL Indonesia received a licence to develop a protective "ring" consisting of 35,000 hectares of fibre plantations around a 250,000 hectare central core natural forest area. This core region could be secured as a potential carbon project under United Nations initiative on Reducing Emissions from Deforestation and Degradation (REDD+) in developing countries. Initially the community challenged APRIL Indonesia's plan to develop the land for Acacia plantations. After 14 months of negotiation, APRIL Indonesia and each of the community's representative teams reached individual and independent mutual agreement in mid-2010.

As part of the agreement, in Teluk Meranti village for example, we are establishing community livelihood plantations and village infrastructure, and will compensate the community for the crops and other structural improvements that exist on the land. Through our community livelihood plantation programmes, we have developed 150 hectares of rubber plantations in 2010 and will continue to move towards the ultimate goal of 2,300 hectares by 2012. We are confident that our collaboration with the community at Teluk Meranti, as well as Teluk Binjai and Pulau Muda, will strengthen trust, create economic stability and become another leading example of community partnership in Indonesia.

1. International Workshop on natural resource companies, indigenous peoples and human rights: setting a framework for consultation, benefit-sharing and dispute resolution, Moscow, 3 and 4 December 2008, United Nations High Commissioner for Human Rights: http://www2.ohchr.org/english/issues/indigenous/resource_companies.htm

Responsible peatland management

A majority of our plantations in Riau, Indonesia, are located on tropical peatland. Peat forms when the accumulation of vegetative matter is inhibited from decaying, especially in swampy conditions, over thousands of years. Undisturbed, peat may accumulate from 0.6 cm to 1.3 cm per year, is important for water storage and constitutes a large and highly concentrated carbon pool. When disturbed, peat releases carbon dioxide. Peat degradation results from deforestation, drainage and fire.

To manage a peatland fibre plantation responsibly, carbon emissions and fire must be mitigated by maintaining water at high levels near the peat surface. In 2007, APRIL Indonesia began a 3-year Science-Based Management Support Project (SBMSP) to enhance the understanding of hydrology, ecology and other parameters for responsible management of peatlands. This project was conducted in collaboration with experts from Deltares, CarboPEAT, ProForest, and the universities of Leicester (UK), Wageningen (Netherlands) and Helsinki (Finland). It led us to scientifically understand how to:

- Conserve lowland natural forest within fibre plantation development areas

- Maintain the hydrological function of the landscape
- Reduce CO₂ emissions from peatlands
- Maintain long-term productivity in fibre plantations

SBMSP insights have been integrated into a system we called "eco-hydro" management. We learned that peatlands must be planned and managed at the landscape level, leaving central peat domes and river basins intact and buffering them against drainage impacts. We are now using "hydro-buffers" between our fibre plantations and conservation areas. Through the buffer zones and efficient placement of water control structures in our plantations, we are able to maintain and improve water levels, thus minimising peat subsidence, fire and carbon emissions.

Prior to 2007, average water levels in the plantations were more than 120 cm below the peat surface. Today, we have improved plantation water levels and raised them to between 40 cm to 90 cm below the peat surface. By integrating natural forest "hydro-buffers" into our landscape planning, we now manage water in our

conservation forest to follow the natural seasonal changes that occur in the tropics. Effective water management reduces the rate of peat subsidence, reduces peat degradation which translates to low carbon emissions, and improves the productivity and longevity of the fibre plantations and natural forest conservation areas.

Monitoring carbon dioxide

APRIL Indonesia is actively monitoring carbon dioxide (CO₂) emissions from our peatland concessions as part of a broader effort to understand our carbon footprint. Emerging expertise and key results in this new field of research are shared with other leading research institutions. In 2010, APRIL Indonesia hosted visiting scientists from University of Tokyo and Hokkaido University for technical exchange on the monitoring of greenhouse gas (GHG) emissions from peat soils. Since 2008, Hokkaido University has been monitoring GHG emissions in our acacia fibre plantations as well as other land use types. They report that water table depth is a main factor controlling GHG emissions, and that acacia fibre plantation emits less GHG than cropland.

Best practice forestry

At APRIL Indonesia, best practice forestry management approaches are described in our Code of Best Practice. Operational procedures are defined by the Company's standard operating procedures (SOPs) for all aspects of our forestry operation. All employees and contractors involved in forestry operations undergo rigorous training in these standards. In the past 3 years, our best practice focus has included:

- Mechanising and automating our harvesting operations
- Reducing chemical use in our plantation management
- Maintaining our forest fire management effectiveness
- Integrating high conservation value (HCV) assessments into our land-use planning process



Mechanisation of harvesting operations to improve efficiency

Manual harvesting systems have been the traditional and primary method that we have used to harvest our wood supply. In 2009, APRIL Indonesia began focusing on the development of mechanised harvesting systems that will significantly reduce the requirement for manual labour in harvesting operations.

Benefits of mechanised harvesting are improved worker safety through reduction of exposure to hazardous activities; development of a highly skilled workforce to operate and support new machinery; increased consistency in quality of harvested wood; reduced harvesting time resulting in more rapid replanting; and higher wood yield and less waste per hectare.

In 2011, we will introduce mechanised harvesting systems to our forestry operations, including our joint venture partners. This mechanisation programme will continue until we reach our long-term goal to mechanise at least 75% of our harvesting capacity.

Reducing chemical use in our plantations

The establishment and maintenance of a fibre plantation involves the management of weeds to ensure survival and growth of the planted trees. The two most common herbicides in equatorial fibre plantation management are Glyphosate and Paraquat, with the former being more environmentally friendly.

APRIL Indonesia is focused on managing the impact of herbicides on the land and is

experimenting with smaller volume nozzles and constant flow valves to reduce application rates and improve chemical use efficiency. Our trials have shown that a 12% reduction in chemical use is possible with these equipment improvements. We are also experimenting with surfactants to reduce herbicide volume and to improve adhesion and penetration of the "active ingredient" to the target weeds. Finally, through field evaluations of competing weeds growth stage and composition, we are able to better prescribe treatment time and frequency, with the intent of reducing the total number of applications during the first year of plantation establishment. Through repeated trials, we anticipate these best practice innovations will prove operationally effective, cost efficient, and safer for the environment and our plantation staff, so that we can move towards full implementation.

Forest fire management

APRIL Indonesia has clear policies and has made specific investments to protect our concession areas from fires because fire management is an integral part of best management practices for fibre plantations. The threat to our plantations and conservation areas from fire is present at specific times of the year. Although our operations are located in a moist, tropical climate zone, the vegetation is susceptible to fire ignition during the two annual dry periods. "Slash and burn" practices are used by local farmers to clear unmanaged forest and shrub land for conversion to agricultural crops such as oil palm. These "slash-and-burn" methods are the primary cause of smoke and haze which periodically affects the Southeast Asian region. The frequency and damage caused by fires are directly related to the seasonal changes in rainfall and intensity of land-clearing activities.

Implementing the "No-Burn Policy"

APRIL Indonesia implemented a "No-Burn" policy in 1994. We use a combination of manual and mechanical methods for preparing our land for replanting that ensures we do not contribute to seasonal smoke and haze and are able to do tree planting every day of the year. Since 1999, the Integrated Farming System under our Community

Development Programme has taught village vegetable farmers natural mulching techniques that do not require fire use.

We also collaborate with local forestry and law enforcement authorities to educate communities on the illegality and environmental impacts of fire use, and the effects of smoke and haze on human health. In 2009, we initiated community-level teams known as "Community Cares about Fire" to reduce fire incidence and improve the response capabilities to unwanted fires.

Preparedness and response

To mitigate the threat of fires to our fibre plantations and conservation areas, our rapid-response fire-fighting teams are specifically trained and equipped to respond and control fires in the shortest possible time. We have a targeted goal to contain each fire to less than 10 hectares. In the past 3 years, we have achieved an 87% to 96% success rate in keeping fires to less than 10 hectares.

To anticipate the occurrence of threatening fires, we collect weather data to calculate daily fire danger rating and conduct regular ground and aerial patrols for early fire detection. To enhance

our capabilities we also monitor daily "hotspot" data from the National Oceanic and Atmospheric Administration (NOAA) satellite via the ASEAN Specialised Meteorological Service (ASMC) in Singapore. Measuring thermal energy, NOAA "hotspots" indicate a possible fire burning within a 1-square kilometre area. Based on 2008 and 2009 "hotspot" data, APRIL Indonesia managed lands had a lower "hotspot" occurrence than community lands outside and surrounding our fibre plantation boundary.

Reaching out through international forums

In addition to implementing effective fire management, APRIL Indonesia has promoted and shared its experience through international and regional forums. APRIL Indonesia is a founding member of the Fire Management Actions Alliance, coordinated by the Food and Agriculture Organisation (FAO) of the United Nations. It aims to stimulate improved fire management and reduce fire damages worldwide through promotion and implementation of the Fire Management Voluntary Guidelines: Principles and Strategic Actions. These provide an international framework for a holistic approach to fire management that balances social, cultural, environmental and economic dimensions. APRIL Indonesia was the first private plantation company to join the Alliance in 2007.

Additional outreach activities during this period include co-hosting a Southeast Asia workshop to develop national frameworks for fire management, and cooperation with the Singapore National Environmental Agency and Jambi provincial government to enhance their capacity to prevent and mitigate forest fires.

Results of APRIL Indonesia's Fire Management Programme

Description	2008	2009	2010
Number of Fires	133	224	147
Hectares Burnt	1,187	2,486	307
Average Fire Size (ha)	8.9	11.1	2
Fire Management Performance Rating (%)	96	87	94

Integrating high conservation values into our land-use planning



For APRIL Indonesia, responsible land-use planning begins before a plantation concession licence is awarded. Our land development specialists conduct preliminary evaluations of available concessions by assessing soil and land types for potential fibre plantation growth rates, access and wood transport distances, quality of existing vegetation, and social issues. This evaluation provides information for preliminary decisions on the viability of the concession. It is then followed by a land-use planning process that ensures and incorporates compliance with legal requirements, science-based practices and voluntary commitments.

Industrial fibre plantation concession development is guided by national government forestry regulations that stipulate the general allocation of land to be used for fibre, community livelihood and natural tree plantations, conservation forest and infrastructure. First, a macro-delineation occurs using available vegetation and environmental data to broadly identify each of these allocations within the concession. Next, a micro-delineation occurs by an independent third-party to differentiate areas to be maintained as natural forest from those that can be developed

into fibre plantations. This is based on specific legal criteria focusing on protecting sensitive soils, hydrological features, wildlife and cultural sites. These processes fulfil legal requirements for land-use plan development.

For the responsible development of peatlands, a science-based land use and water management plan is developed for the concession based on entire river basins – a landscape-level approach we called “eco-hydro” management. It identifies water management zones in planted areas, hydro-buffers and conservation areas in the deepest peat and natural forests.

As a voluntary commitment, we conduct High Conservation Value (HCV) assessments for each new concession area based on the *Toolkit for Identification of High Conservation Values in Indonesia (2008)*. These assessments identify and delineate exceptionally important biodiversity values, ecosystem services and social or cultural values and recommends management and monitoring activities to guarantee these values will be maintained and enhanced. We incorporate the findings of HCV Assessment into our land use planning process and ensure that our fibre plantation development is undertaken in a manner that will maintain the HCVs.

The HCV process often confirms the micro-delineation and “eco-hydro” planning that we have conducted. APRIL Indonesia finds added value in the HCV concept as a planning tool that takes the “precautionary approach” to land development by identifying and delineating additional values that may result in conserving more natural forests. The

guidance and recommendations from HCV experts enable our planners and managers to implement best practices and achieve sustainable wood production through a rational balance between environmental conservation, social concerns and economic development. The HCV approach in Indonesia acknowledges that one or more forms of active management can be undertaken to ensure the maintenance or enhancement of one or more high conservation values in an area.

As HCV assessment methodology and practice evolve, we have tried to keep pace with this change and understand that many of our stakeholders have genuine concerns about ensuring the proper application of HCV assessments where conversion of natural forests occurs. These concerns include acknowledgment of customary or legal rights of indigenous communities; science-based definitions and delineation of HCV forests or management areas; stakeholder consultation; land-use plan development; and quality control of HCV documents.

APRIL Indonesia has worked directly with leading HCV experts in Indonesia and through the Global HCV Resource Network to develop various approaches in applying the HCV process for a fibre plantation context in Indonesia. We continue our efforts to seek common interpretation and share knowledge by participating in regional and global HCV forums, developing internal capacities and engaging partners to meet the challenges of applying HCV process.

Case study: Bringing it all together – monitoring, reporting and verification

APRIL Indonesia received a licence to develop peatland fibre plantations on the Kampar Peninsula in June 2009. To address stakeholder concerns, the Ministry of Forestry appointed an independent and integrated team of specialists to evaluate APRIL Indonesia’s “eco-hydro” land-use planning and water management system in December 2010. This evaluation identified four primary potential areas of concern for peatland plantation development:

- Community preparedness for changes in social and cultural values as a result of plantation development

- Communities’ ability and opportunity to benefit economically from plantation development
- Managing the impacts of peat water drainage on carbon emissions and impacts on protected natural forests
- Ability to sustainably manage water levels to reduce the danger of fire

The integrated team developed 19 indicators to monitor the implementation of “eco-hydro” water management in our concession on the Kampar. The indicators that APRIL Indonesia will monitor are classified under 3 categories:

- Community social and economic development
- Environmental monitoring and protection
- Stakeholder participation

The Ministry’s team verified the progress achieved for implementing these monitoring procedures and the results were reported to the Minister of Forestry in early 2011. The team leader, Professor Dr. Budi Indra Setiawan from Bogor Agriculture University, anticipates that this programme has the potential to become the model monitoring programme for sustainable management of peat forest areas in Indonesia.

Indicators for monitoring sustainable management of peat forest areas on Kampar Peninsula

Community social and economic development

1. Values that support the improvement of prosperity, education and health through training and health screenings.
2. Economic improvement by developing community farmer groups with necessary infrastructure, equipment and resources, and developing community livelihood (rubber tree) plantations
3. Social improvement through access to formal education and improved nutrition and health
4. Promote local culture and eco-tourism

Environmental monitoring and protection

5. Measure rate of peat subsidence, close old drainage canals
6. Measure rate of carbon emissions
7. Measure rate of methane emissions
8. Measure rate of carbon sequestration
9. Monitor biodiversity using protected species lists
10. Measure water table depths based on land use
11. Measure soil moisture content and temperature in surface peat
12. Reduction of “hotspots” and fire occurrence in village and concession areas and develop community fire response teams

Stakeholder participation

13. Identify key stakeholders to achieve harmony and reduce conflict
14. Ensure involvement with key stakeholders
15. Disseminate information on “eco-hydro” management to other companies on the Kampar Peninsula
16. Apply APRIL Indonesia’s “eco-hydro” management to other companies on the Kampar Peninsula
17. Reduce contribution to national emissions levels
18. Increase educational infrastructure and training to develop human resources
19. Develop local contractors in plantation management and use local labour

Forest certification



We understand the need to provide our financial stakeholders, customers and other interested parties with assurance that an effective environmental management system is used and that our wood supply is legally harvested and free from controversial sources of wood.

APRIL Indonesia has set up a comprehensive wood legality system that is designed to verify and trace wood from our fibre plantations through to the mill site. This system prevents illegal wood from entering our supply and production chains.

Comprehensive training in standard operating procedures related to wood legality is also provided to our employees and contractors to ensure that harvesting, transporting and storage of wood in the supply chain meets the requirements for wood legality and traceability.

In 2007, we started a new department called the Integrated Management System (IMS), enabling APRIL Indonesia to better manage and monitor its ongoing compliance with national and international requirements. This system was developed by APRIL Indonesia to harmonise requirements between the certification standards. IMS effectively consolidates the various forest certification requirements into one comprehensive programme that enables APRIL Indonesia to achieve certification by independent assessment.

Existing certifications

We currently have a number of national and international certifications that provide evidence of our commitment to continuous improvement, wood legality and sustainability. APRIL Indonesia's manufacturing operations are certified by ISO 9001, ISO 14001 and OHSAS 18001. APRIL Indonesia's plantation forestry operations in Riau, are certified by ISO 14001:2004, OHSAS 18001:2007 and Lembaga Ekolabel Indonesia (LEI) for Sustainable Forest Plantation Management.

Recognising that our financial stakeholders and customers from various markets require different certifications for assurance of our product legality and sustainability, we continue to work closely with several auditing bodies to achieve and maintain these credentials.

Ministry of Forestry's Sustainable Production Forest Management and Timber Legality Verification

In October 2010, APRIL Indonesia's own concessions became the first industrial forest plantations in Indonesia to receive the Ministry of Forestry's Sustainable Production Forest Management and Timber Legality Verification (PHPL/SVLK) certification. This certification was decreed in June 2009 as a result of the Government of Indonesia's 2007 negotiations to enter into a Voluntary Partnership Agreement

(VPA) with the European Union (EU) to tackle the problem of illegal logging and improve market opportunities for Indonesian forest products in the US, EU and other consumer markets. This certification is in preparation for the EU's Forest Law Enforcement, Governance and Trade (FLEGT) licensing requirements set to become operational in the EU in March 2013. The PHPL/SVLK certification assures APRIL Indonesia's customers that its pulp and paper exported from Indonesia to the European Union is legal and conforms to sustainable forest management principles, criteria and indicators defined by Indonesia's laws and regulations on forestry, trade, and environment.

PEFC Certification

The Programme for Endorsement of Forest Certification (PEFC) is the world's largest forest certification system. PEFC allows national organisations (government) to set standards for sustainable forest management and to accredit auditing bodies. Following that, PEFC assesses an institution's conformity to that certification scheme. PEFC has not yet endorsed a sustainable forest management certification scheme in Indonesia, though PEFC Chain-of-Custody (CoC) certification is an available option for forestry companies operating in Indonesia.

In 2010, APRIL Indonesia received PEFC CoC certification for forest products produced by our Indonesian pulp and paper facilities, stored in

our European warehouses and sold by our global sales offices. The PEFC auditing body verified that all wood sources entering our Indonesian pulp and paper manufacturing facility are controlled material originating from plantation wood and avoid controversial wood sources entering the mill.

Forest Stewardship Council Certification

The Forest Stewardship Council (FSC) was initiated in 1994 and works to accredit auditing bodies based on international standards identified by FSC's *10 Principles and 56 Criteria* for sustainable forest management. The auditing bodies in turn assess forestry operations for compliance with these principles and criteria. This provides assurance that the purchased wood is legal and from sustainably managed non-controversial sources.

However, full compliance and certification to the FSC Forest Management Standard remains impractical for APRIL Indonesia because of an FSC criterion that states "Plantations established in areas converted from natural forest after November 1994 normally shall not qualify for certification". Nonetheless, APRIL Indonesia worked to align its operations with all other FSC forest management principles and criteria, taking steps which included:

- Clearly defining HCV forests in the Indonesian context for APRIL Indonesia operations;
- Reinforced monitoring of wood supply and suppliers; and,

- Enhanced processes for community relations, stakeholder consultation and engagement.

In December 2008, APRIL Indonesia received FSC Controlled Wood/Chain-of-Custody certification from Rainforest Alliance/SmartWood for our manufacturing facilities and a portion of our existing fibre plantation. However, in 2009, several complex technical concerns arose and the certification was suspended in April 2010.

The suspension primarily related to both organisations being unable to agree to a common understanding of definitions of High Conservation Value Forest and interpretation of a 2009 FSC policy introduced since our certification was awarded called the "Policy for the Association of Organisations with FSC". This relates to direct or indirect involvement in the significant conversion of forests to plantations, which is an essential step for APRIL Indonesia in our process of establishing renewable plantation fibre supplies in the developing country context of Indonesia.

Conservation and biodiversity

APRIL Indonesia manages over 278,721 hectares of natural forest conservation areas that contain HCVs. These natural forests within our concessions represent 19% of our total concession area and are an important contribution to maintaining Indonesia's unique biodiversity and natural resource heritage.

With the vast majority of our conservation areas located in Riau Province, we contribute an additional 35% to the existing natural forest area protected by the Indonesian government² in Riau.

APRIL Indonesia's "mosaic plantation concept" (MPC) contributes to protecting natural forests that contain a high level of biodiversity commonly found along streams, rivers and other hydrologic features. Our conservation forests are constantly monitored and patrolled to prevent and apprehend illegal loggers, animal poachers and forest encroachers. Our forest protection officers and security teams conduct both ground and aerial patrols to identify, quickly respond to and stop threats that lead to natural forest degradation.

Through our MPC plantation development, a rich conservation, plantation and social landscape are formed, providing significant biodiversity and wildlife security as compared with other land management practices occurring outside our concessions.

Some of the International Union for Conservation of Nature (IUCN) protected species of wildlife using our conservation and plantation areas include the Sumatran Tiger, White-Winged Wood Duck, certain Hornbill species, Tapir and the Sumatran Elephant.

To understand the environmental interactions that exist within planted and natural landscape, we manage and monitor the health and biodiversity of our natural forest conservation areas in compliance with legal requirements and report these findings twice a year to government authorities. These activities include:

- Establishing and monitoring permanent measurement plots to quantify biodiversity index
- Identifying and demarcating conservation forest boundaries
- Posting signboards and combating illegal logging
- Monitoring protected species of plants and animals
- Controlling threats that may cause environmental degradation

2. Strategic Executive Forestry Data, 2009, Ministry of Forestry, Indonesia



Our Responsibility to People

Enhancing employee satisfaction

Building talent through training and development

Creating a continuous improvement mindset

Ensuring health and safety in the workplace

Contributing through community development

Education

Integrated Farming System

Social infrastructure development

Healthcare

Social activities

Small and Medium Enterprise development

Key highlights

109% increase

in number of training participants from 2008 to 2010

44% increase

in number of training programmes provided from 2008 to 2010

69% Indonesian managers

increased representation of local executives from 65% in 2008 to 69% in 2010

56% improvement

in Lost Time Injury (LTI) cases for forestry operations from 2008 to 2010

Our responsibility to people



APRIL Indonesia practises social responsibility by providing our employees and the local communities in which we operate with the capabilities, environment and support to allow them to excel. We focus on providing an equitable and safe workplace that enhances employee satisfaction, develops talent through a comprehensive training programme, and fosters continuous improvement. At the same time, APRIL Indonesia recognises that the company's progress in sustainability is underpinned by our competent and dedicated employees.

Enhancing employee satisfaction



People are our most important asset as they are vital to our business performance and reputation. We acknowledge this through concrete steps to measure and improve our employee satisfaction with independent annual employee satisfaction surveys that measure a broad spectrum of indicators such as rewards and recognition, training and development.

The results have been encouraging with an overall employee satisfaction index ranging from 65% to 68% during the last 3 years, although we did experience challenges as a result of our restructuring activities after the 2008 global financial crisis.

The survey results provided good insights into employees' commitment levels and concerns. Working climate was rated highest whilst career development and promotion were rated lowest in the survey results. Insights from the survey are being used to develop next steps in building an engaged workforce. Some of these areas include:

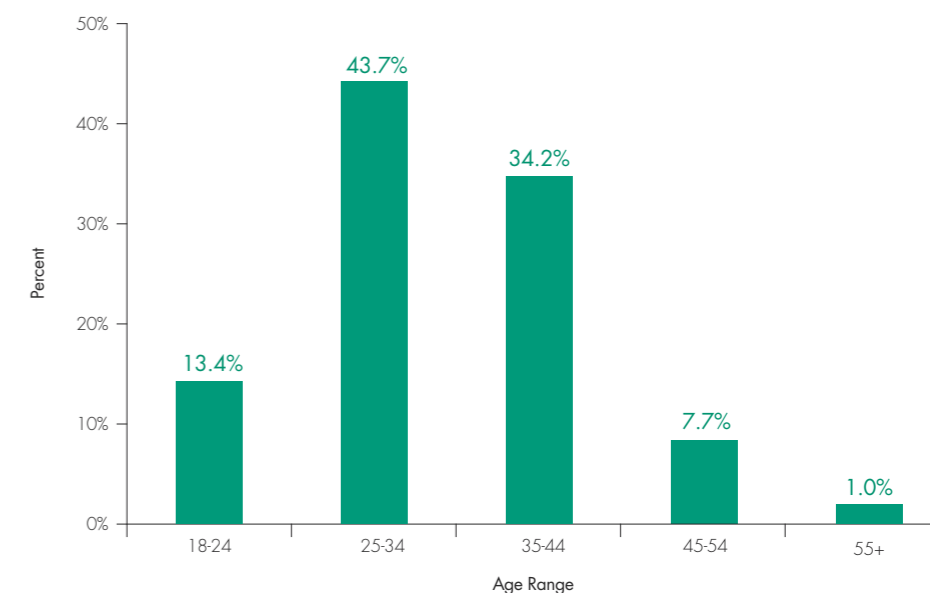
- Refining the Balanced Scorecard or Key Performance Indicator system for performance-based rewards system.
- Strengthening Human Resources Development Programme which encompasses career advancement, compensation, communication and coaching.
- Tailoring Training & Development Programme based on a competency ladder scheme and career development path.
- Improving internal communications system to promptly and regularly inform our employees and families, as well as contractors on all important issues .

Growing a diverse and inclusive workplace

At APRIL Indonesia, we recognise the value of a diverse workforce across different ages, genders and nationalities. We are proud of the fact that we employ people from at least 16 nationalities in our operations. In 2010, approximately 9% of our total workforce was female.

We are committed to developing our local staff across the region for leadership positions. This focus has resulted in more than 69% of management positions in the company being held by locals in 2010. As expatriate managers develop local staff and transfer knowledge we expect this percentage to increase further.

Direct Employee Age Distribution (2010)



Attracting and retaining talent

We are committed to providing employee benefits that comply with national laws and ensure the welfare and living standards of our staff. Our comprehensive benefits packages are fundamental to the retention of the best talent and includes:

Medical care	<ul style="list-style-type: none"> • Health insurance, medical clinics, and employee physical examination once every two years • Employee relief fund granted to employee/spouse/children suffering from a critical illness or accident hazard
Housing	<ul style="list-style-type: none"> • Housing accommodation or monthly housing allowance
Safety	<ul style="list-style-type: none"> • Safety induction briefing as part of the orientation programme • Personal Protective Equipment (hardhat, safety shoes, eye and hearing protection, etc.) • Regular emergency drills
Insurance	<ul style="list-style-type: none"> • Social security benefits such as retirement plan, group life and accidental insurance coverage
Schools	<ul style="list-style-type: none"> • Schools within the company premises with qualified teachers and subsidised school fees
Training	<ul style="list-style-type: none"> • Training certification as form of recognition such as Driving Licence Programme (DLP) certification
Awards and incentives	<ul style="list-style-type: none"> • Annual competition for continuous improvement initiatives
Service awards and gifts	<ul style="list-style-type: none"> • Recognition for long-service employees as well as special events of marriage, new baby and funeral of family members

Protecting employee rights

APRIL Indonesia strictly adheres to national labour laws and our own codes of practice to ensure appropriate employment practices are implemented, including strict rules against the use of child or forced labour.

APRIL Indonesia respects the individual and collective rights of our employees to join labour and trade unions, and maintains collective bargaining agreements with trade and labour unions. Currently, 67.8% of our employees are members of trade unions.

Per collective labour agreements in place, significant differences and disputes are first settled between the worker, who is also the union member, and the Company superior. If unresolved at this level, it will be elevated to deliberation and resolution by a bipartite body comprising members of the Company and the union. If this fails, the worker may pursue the grievance with the local government authority (Department of Labour) through the union for mediation and resolution, in accordance to existing labour law and regulations. Examples of labour issues include retrenchment, salary negotiation and payment of incentives.



Building talent through training and development

We are committed to the development of our employees at all levels, from identifying talent in young scholars to enhancing skills in senior management. We focus on continuous learning and providing our employees with the knowledge and career skills needed to further their advancement. All employees receive annual performance reviews based on qualitative indicators and balanced scorecard performance factors. In addition, all executive levels are evaluated against their respective key performance indicators. The regular appraisals determine opportunities for career progressions.

In 2005, we established the APRIL Learning Institute (ALI) in Kerinci, Riau province, as part of our commitment to build a sustainable pool of talented people. ALI's programmes are based on three key areas – customer focus, high performance and proactive teamwork. Following the successful establishment of ALI, the APRIL Asian-Agri Learning Institute (AAALI) for the forestry and plantation operations was established.

These 2 learning centres adopt holistic competency-based methodologies. We also use various structured programmes such as the Self-Development Programme, Management Development Programme and Executive Development Programmes for leadership training at all employee levels. Individual employee training needs are determined via the APRIL Assessment Centre which conducts pre-assessments of most employees to determine competency gaps. Individually tailored development programmes are then provided for employees through the performance review exercise.

Employees also benefit from external training which complements that of APRIL Indonesia's in-house institutes. For example, our employees are provided with occupational, health and safety (OHS) training where our safety department collaborates with relevant government entities and external training organisations to ensure full compliance with laws and regulations.

Training programmes

Our institutes provide a number of programmes catering to the different needs and levels of employees, including:

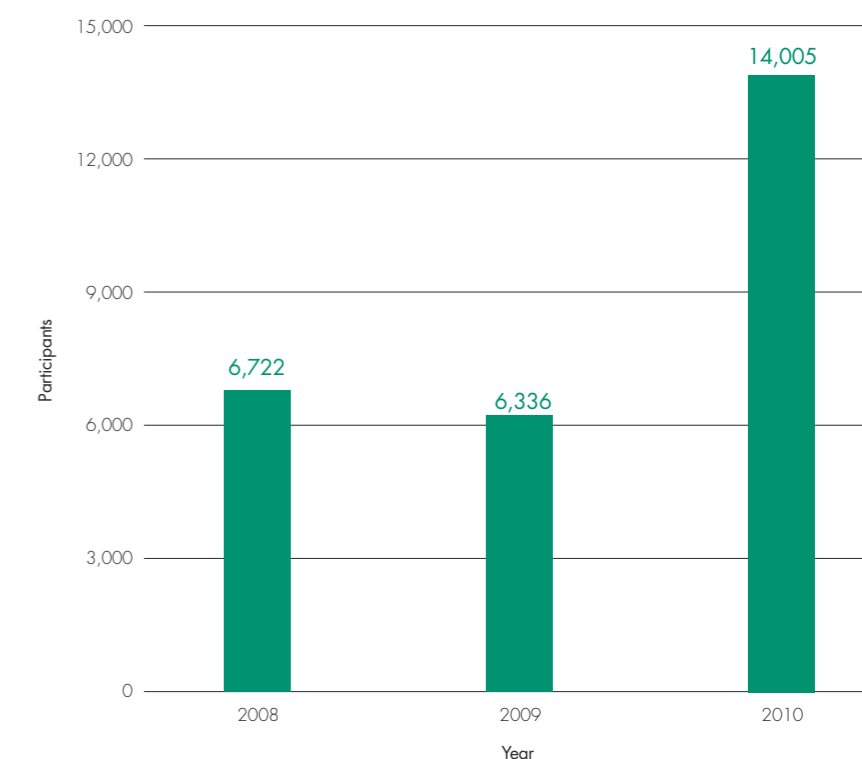
APRIL Citizen	Mandatory training for all employees in safety, work environment, company culture and continuous improvement in the work place.
APRIL Academy	Foundation, core, common service and specialisation programmes for new graduates to learn and grow with the company.
APRIL Expert	Focuses on specific technical and functional competencies.
APRIL Leader	Focuses on building organisational and business leadership competencies.
Fibre Talent Development	Focuses on fibre manpower technical and soft skill development, including retention and attraction schemes, and scholarship programmes for external talent.

Our focused efforts in training and development have increased the overall number of training participants almost three-fold in the past three years to over 25,000 participants. The increase is due to expanded operations in the fibre units to develop new acacia fibre plantation areas. In 2010 alone, more than 14,000 participants took part in over 1,100 trainings.

Sponsoring young talent

APRIL Indonesia recognises that development of young talent is essential for the future. We sponsor both employees and community members to upgrade their education in institutions or universities. To date, the programme has granted 35 scholarships to the Academy of Pulp and Paper Technology in Bandung, West Java – the only institution of higher learning in Indonesia that offers advanced training course in pulp and paper technology. There are also currently 19 employees on scholarships to complete their master's degrees at the Asian Institute of Technology in Thailand.

Number of Training Participants



Case study: Realising dreams through APRIL Indonesia's scholarship programme



Zulfikar, a 23-year-old sibling of an employee, was one of the recipients of the scholarship to the Academy of Pulp and Paper Technology (ATPK) for a period of three and a half years. The scholarship covers tuition fees, accommodation, food and transportation. In an interview, Zulfikar said, "I applied for this scholarship to ease the burden on my parents to pay for my college fees and because ATPK is the only pulp and paper college in Indonesia. The knowledge I gained from ATPK will help my career in the pulp and paper industry. I hope that others will continue to benefit from this scholarship programme as it helps develop the local community so they can compete effectively for jobs with others." Upon graduation in 2009, Zulfikar joined APRIL Indonesia as production engineer in the paper mill.

Creating a continuous improvement mindset

APRIL Indonesia regards continuous improvement as an essential business practice to enhance our economic and operational performance and to ensure the long-term sustainability of our business. APRIL Indonesia's strategy to sustain and maintain our competitiveness focuses on:

- Leveraging individual and business team innovation
- Motivating people to use company-wide standard frameworks and methods to maximise efficiencies
- Creating value-add in day-to-day activities through both incremental and breakthrough improvements

We implemented the APRIL Improvement Management System (AIMS) in 2005 as a comprehensive framework to guide and monitor continuous improvement activities. To create a continuous improvement mindset across the entire organisation, AIMS enables improvement ideas through:

- Suggestion system for simple improvement ideas by employees
- Small group activity for medium complexity initiatives by departments
- Task force project for complex programmes by cross-functional teams

We also set up a dedicated Business Continuous Improvement Department (BCID) to promote a continuous improvement mindset and facilitate implementation of all improvement projects and activities throughout the organisation. The BCID team also organises annual competitions between business units to select the "best-of-the-best" improvement projects and initiatives.

To raise our continuous improvement programme to the next level, we started to embrace Lean Six Sigma to complement our current AIMS methodology in December 2010. Lean Six Sigma is a well-known approach to achieving Operational Excellence that focuses on the elimination of waste, non-value-added activities and process variation along the process pipeline. This marked a significant step in our continuous improvement journey to support the organisation's goal to deliver breakthrough results.

The first roll-out of Lean Six Sigma Green Belt training was attended by 20 selected employees. We will conduct more Green Belt training in 2011 and 2012, and expect to have a few certified Black Belts by 2013.

Winners of 2010 Excellence Event

Every year, we organise the AIMS Excellence Event (AEE) where we celebrate successful innovations and continuous improvement ideas. The winning project for 2010 AEE was on reducing CO₂ emissions in peatland plantation areas.

Reducing CO₂ emissions in peatland plantation areas

The challenge

APRIL Indonesia began a collaborative Science-Based Management Support Project (SBMSP) in 2007 to enhance understanding of hydrology, ecology and parameters for sustainable management of peatlands. In November 2009, 8 APRIL employees from the Water Management team got together to build on SBMSP insights by identifying additional methods for maintaining appropriate water table levels in the peatland plantation areas. The water table is a measure of distance between peat surface and groundwater elevation and is important in preventing CO₂ emissions from peatland.

The approach

Using the Company's AIMS (APRIL Improvement Management System) methodology and tools, the team defined the challenge, identified opportunities for improvement, and designed and implemented improvements. Tools used by the team for the project included Ishikawa or fish-bone diagram, Pareto chart and Nominal Group Techniques (NGT).



Based on the team's analysis, the team considered the following:

- Contour variation on the peatland
- Need for main canals to be used for transportation
- Main causes of uncontrollable fluctuations in water table levels

Using these tools, the team jointly created a new Micro Zone Planning system and additional construction design of peat dams which they then implemented at a trial site.

The outcome

The trial showed impressive results and the initiatives developed by the team are now being implemented across a wider area in our concessions. The team is now working on their next goal of designing automatic water control gates at the water dams.

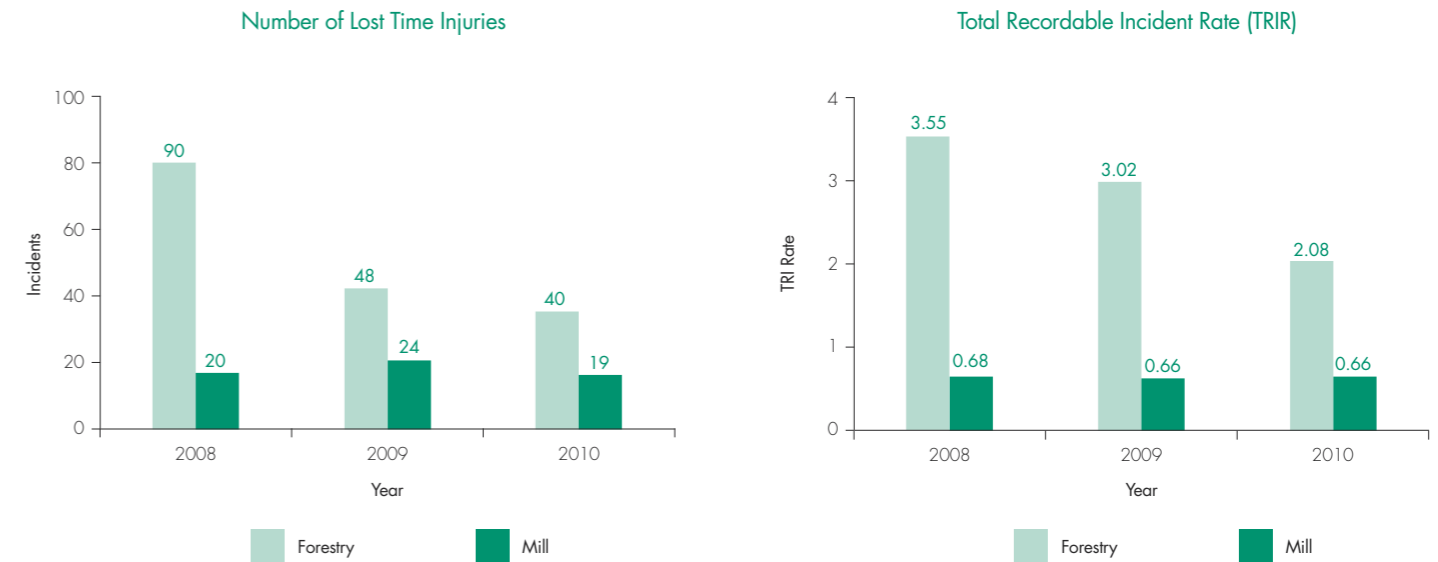
Ensuring health and safety in the workplace

To achieve occupational, health and safety (OHS) as well as economic objectives, we follow the Occupational Health and Safety Assessment Series (OHSAS) 18001 Standards and implement an Occupational Safety and Health Management System (OSHMS). Our plantation forestry and mill operations are certified under OHSAS 18001. We also follow the 5'S' Workplace Organisation Process to systematically achieve a safer, more efficient and productive operation.

Occupational safety

Despite this focus on diligent health and safety, sadly 11 of our contractors in forestry and mill operations lost their lives during the 3-year reporting period from 2008 to 2010. Analysis of these incidents showed that the fatalities were attributed to falling trees at harvesting, traffic accidents and non-conformance to safety standards. Forestry operations are a dynamic and widespread work environment where harvesting and plantation sub-contractors live and work in distant, isolated locations, with regular worker turnover. Mill operations have a more controlled environment where engineering and technical controls are monitored frequently. The loss of even one life is totally unacceptable to us and we have implemented a series of measures specific to the causes of these incidents to ensure the risk of them recurring is reduced.

One of the steps to improve safety in forest management is through mechanised harvesting where exposure to hazardous activities is reduced (Reference: *Forest Management, section on Best practice forestry*).



Note: "Total Recordable Incident Rate" (TRIR) is the standard industrial norm for measuring and comparing safety performance. TRIR statistic provides a useful and comparative measure of safety performance by reporting the average number of work-related injuries incurred by each 100 workers during a one-year period.

Occupational health

The common occupational diseases affecting our fibre workforce are upper respiratory tract infection and malaria. To mitigate the incident rates, medical care and close monitoring are complemented with an intensified campaign to promote better hygienic conditions and practices among our employees, family members and contractors.

We have initiated the development of “self-help” vegetable gardens in the town sites and fibre estate complexes to help improve nutrition among our employees, family members and contractors. The Company provides the essentials such as farming tools, seeds and fertilisers, and technical support.

Improvements to OHS management

Through our continuous improvement cycle, the following key actions have been undertaken under our OHS management programme to improve our processes:

- Train and brief all employees, new hires and contract workers on OHS principles and work procedures for their specific tasks.
- Develop and implement OHS inspection programmes to prevent and correct unsafe acts or conditions, such as safety observation programme, non-conformance reports and violation ticket.
- Develop emergency response simulation programme and implement with well-planned scenario, equipment, areas and time.
- Define systems to identify causes of work-related illness cases.
- Improve employee knowledge and awareness on OHS through instructional videos.
- Conduct monthly/quarterly meetings on OHS issues with top management, department heads and trade union members.
- Improve safety culture and consciousness by requiring co-workers to reach out to each other to stop unsafe behaviours and educate on potential hazards of these behaviours.

APRIL strives to be a responsible employer with workplace safety as its top priority. Our commitment to zero tolerance for unsafe behaviour has positively affected the quality of life for our employees and contractors. We have implemented more stringent preventive measures by employing a Hazard Identification, Risk Assessment and Determining Control (HIRADC) system in our OSHMS that covers hazard identification, estimation of probability of occurrence and consequences, risk categorisation, determination of sufficiency of existing plans and controls, and identification of requirements for equipment, training and controls.

APRIL Indonesia strives to be a responsible employer with workplace safety as its top priority. Our commitment to zero tolerance for unsafe behaviour has positively affected the quality of life for our employees and contractors. We have implemented more stringent preventive measures by employing a Hazard Identification, Risk Assessment and Determining Control (HIRADC) system in our OSHMS that will improve work planning, procedures and supervisory controls; worker training and awareness; and equipment requirements.

The HIRADC system has identified corrective and improvement actions in the following areas to prevent and reduce future accidents:

Area of improvement	Actions taken
Standard Operating Procedure (SOP)	<ul style="list-style-type: none"> - Additional supervision and monitoring to enforce safety guidelines. - Additional accident prevention requirements, such as boat operator’s permit and safety spot checks. - Impose work/contract suspension and penalties/fines as necessary. - Improve first aid, emergency medical treatment services and accident investigation process.
Training	<ul style="list-style-type: none"> - Conduct safety refresher training for all workers on a continuous basis. - Focus on vehicle operations and road/traffic safety. - Communicate safety information campaign. - Issue work permit to contractor only at completion of required training.
Quality control	<ul style="list-style-type: none"> - Improve work planning, job site assessment and load calculation. - Improve safety inspection procedures and techniques. - Install additional road warning signs posted at accident prone locations.
Communications	<ul style="list-style-type: none"> - Supervisors clearly communicate work instructions to every worker.
Physical capabilities	<ul style="list-style-type: none"> - Ensure all operators working on-site are in good physical condition.
Work direction	<ul style="list-style-type: none"> - Enforce Standards, Policies and Administrative Controls (SPAC).

Key highlights

2,797 scholarships

awarded to students for primary, secondary and university education

36,778 people

received free medical treatment across 116 villages

7,200 volunteers

mobilised for community social activity programmes

566 farmers

received training, start-up investment and on-going technical assistance

5,041 jobs created

in local communities through SME programmes

4,585 hectares

cultivated through the Integrated Farming System programme

Contributing through community development

We believe that local communities should share in APRIL Indonesia's success and growth. Our sustainability mission is for our business practices to support the social and economic aspirations of communities in which we operate by offering a variety of programmes that significantly contribute to community development.

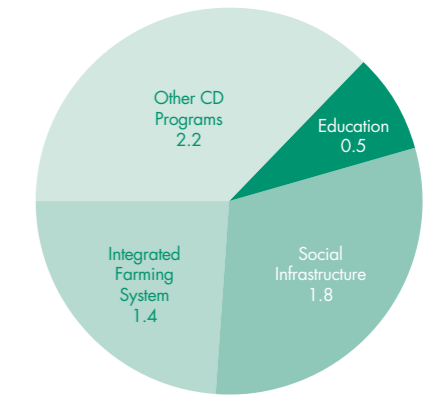
The majority of our operations are in areas of high poverty so APRIL Indonesia provides programmes that empower local communities and that are designed to have a multiplier effect. For example, Integrated Farming System (IFS) programme provides training to members of community farming groups who then pass on this knowledge to their wider communities. Small and Medium Enterprises are developed so that they can hire and train other individuals in the community.

We adopt a collaborative approach in working with a community, its leaders and the local government to identify their needs. Through continuous engagement with the communities where we operate, we jointly identify priority areas in:

- Education
- Integrated Farming System
- Social Infrastructure
- Other CD Programmes
 - Healthcare
 - Social Activities
 - Small and Medium Enterprise development

Over the last 3 years, APRIL Indonesia has invested approximately USD 5.9 million in various social empowerment programmes, yielding multiple positive outcomes. The chart beside provides a summary of total investments we have made over the past 3 years.

Community Development Investments (2008-2010), USD Million



Education

APRIL Indonesia regards support of local education as one of the key thrusts in our community development programme. Our education programme covers a multitude of initiatives including scholarship grants, teacher support programme and educational infrastructure. The scholarship programme is aimed at providing educational opportunities to economically disadvantaged students from communities within which APRIL Indonesia operates.

Key contributions to education:

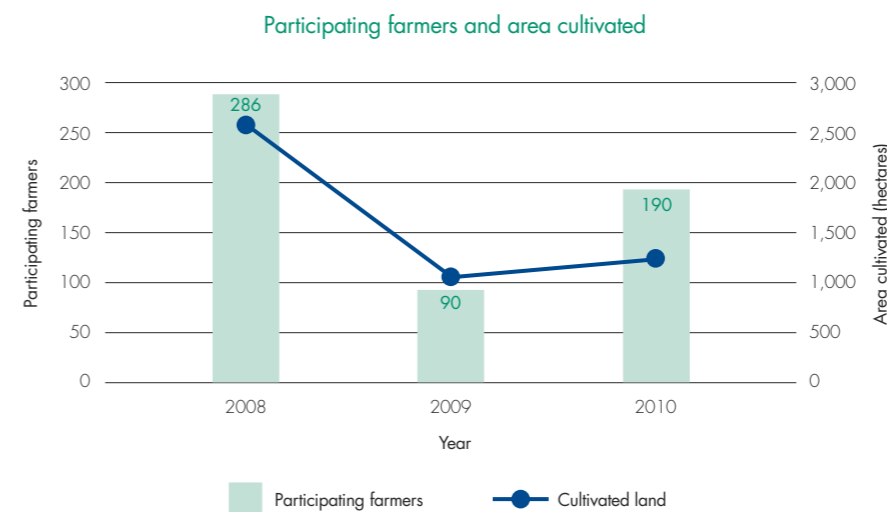
Scholarships	<ul style="list-style-type: none"> - Granted scholarships to 2,695 primary and secondary school students, and 102 university students since 2008. - Supported 23 pulp and paper technical institute students.
Grants & teacher training support	<ul style="list-style-type: none"> - Granted honorariums to 200 teachers in government schools in rural areas in 2008. - Supported teachers' training activities for approximately 150 teachers.
Educational infrastructure support	<ul style="list-style-type: none"> - Constructed and renovated 20 school buildings since 2008. - Provided 28 schools with furniture and equipment.

Integrated Farming System

The Integrated Farming System (IFS) is a key component of our community development strategy to improve the skills of community farmers and raise the income generating opportunities of community farmer groups. The IFS has three main focus areas:

- Train villagers in farming activities such as horticulture, vegetable farming, livestock rearing and husbandry, and freshwater aquaculture.
- Provide startup investments, tools and materials.
- Provide technical and managerial guidance through APRIL Indonesia's Community Development field officers.

We operate two training centres to deliver technical and practical knowledge to the local farmers. We also donated two additional training centres to the local district governments to share our comprehensive community development programme. Since its inception, the IFS programme has progressed from affecting only 170 hectares in 1999 to over 1,200 hectares of village farmland in 2010. In the past 3 years, 566 farmers received training and cultivated 4,845 hectares through our IFS programme and training centres.



Social infrastructure development

In many of the communities close to our operations, social infrastructure is limited or in need of repair. To create a meaningful and sustainable impact, we identify needs of individual communities and work with the leaders and local government to determine appropriate programmes. We aim to ensure that people in the communities have equitable access to facilities and opportunities. Our initiatives during the past 3 years represent a prioritised set of healthcare, educational, social and cultural infrastructure-related projects.

Social infrastructure development projects	2008 – 2010 (Number of units)
Places of worship and religious schools	21
Public schools	20
Family planning clinics	5
Drainage ditches	5
Electronic power generators	4
Multi-purpose community halls	3
Sports grounds	3
Village head office	2
Historical/cultural site	1

Case study: Preserving Pelalawan’s historical and cultural heritage



Istana Sayap Pelalawan is a palace located in Pelalawan Village near to our mill operations in Riau province. This palace was the throne of the historic kingdom of Pelalawan. As part of the community development programme, we contributed towards the restoration project for the palace. We worked in collaboration with the Pelalawan district government, Malay Culture Council of Pelalawan, community leaders and renowned culture and history experts.

Commenced in 2003, the reconstruction of the palace buildings was completed in 2007 at a cost of approximately USD 1.1 million. Since then, we have improved access roads and facilities surrounding the palace. On 19 June 2009, APRIL Indonesia officially presented the cultural icon to the Pelalawan District Government through Regent H Rustam Effendy. Istana Sayap Pelalawan is now serving as a monument of the rich cultural heritage of the Riau Malay people, and as a key tourism destination in Riau.

Healthcare

Healthcare is a key component of our community development initiatives as we reach out to remote and isolated villages, most of which are beyond the reach of government health service. We mobilise teams of doctors and medical staff and volunteer counterparts from the local government health agency to provide free medical services to community members. These include medical check-ups, basic medicine for common illnesses, immunisation, nutritional supplements to pregnant women and malnourished children and referrals and surgery for people with congenital birth abnormalities and cataract disease.

Over the last 3 years, we have directly provided free medical assistance to 36,778 individuals in 116 villages.

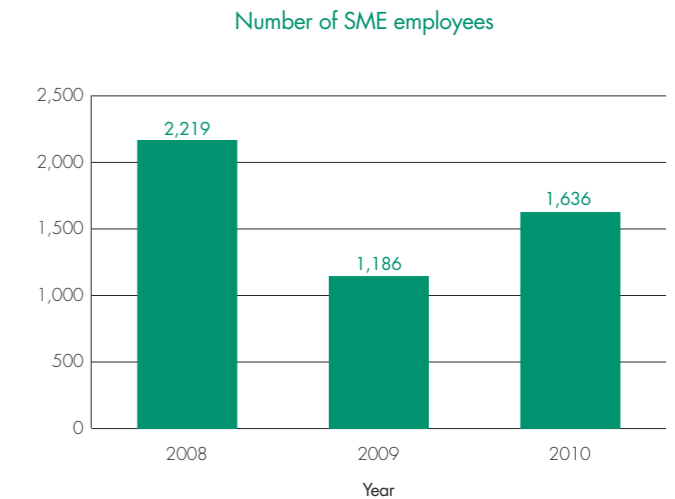
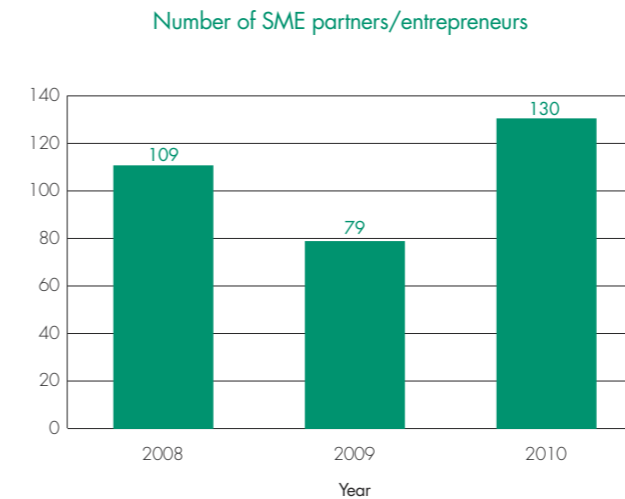
Social activities

APRIL Indonesia's community development extends beyond the traditional realm of economic assistance and aims to bring added benefits by partnering with communities through activities which can touch the hearts of individuals. We believe that it is crucial to strengthen social bonds between the company and community members by actively supporting volunteer work programmes and community religious and youth sports development programmes.

Programmes	Highlights and achievements
Volunteers for community programme	<ul style="list-style-type: none"> Initiated in 2009, volunteer groups of APRIL Indonesia employees and family members join villagers in cooperative social activities that include village clean-up, painting, drainage ditch cleaning, and tree planting. Since 2009, we have mobilised approximately 7,200 volunteers to 47 villages.
Religious and cultural support programme	<ul style="list-style-type: none"> Donations of religious equipment are made and training is provided for religious teachers. In the past 3 years approximately 100 places of worship and 75 teachers have benefited.
Youth sports development programme	<ul style="list-style-type: none"> Initiated in 2009, APRIL Indonesia invests in developing potential athletes from the Pelalawan district in Riau province for competing in local and national sports events that include badminton, football, tennis and karate. In the past three years we have invested approximately USD 110,000 to support 140 athletes in the programme.

Small and Medium Enterprise development

APRIL Indonesia launched the Small and Medium Enterprise (SME) development programme with the objective of providing aspiring entrepreneurs with technical and financial assistance to stimulate wealth and job creation. This programme supports a wide scope of businesses, including those directly related to our operations and those that are not. Examples of businesses closely connected to our operations are fibre plantation planting and maintenance teams, harvesting contractors and transport services. Non-related SMEs receive vocational training in livelihood skills such as tailoring, honey production, carpentry and other skills. APRIL Indonesia acts as a guarantor to these entrepreneurs and helps them receive funding for their businesses.¹ After organisational restructuring in 2009, we extended our support from 79 to 130 local SMEs. In turn, this helped to create 1,636 jobs employed directly by the SMEs in 2010.



Note: In 2009, the global economic crisis resulted in lower production level and lower business activities.

Appendix

Glossary

GRI Indicators

Bureau Veritas' Independent Assurance Statement

GLOSSARY

This glossary serves as an easy reference for the terms in this report.

Acacia crassicaarpa and Acacia mangium

Two species of Acacia, characterised by fast-growing and good pulping qualities. APRIL plants Acacia crassicaarpa on peatlands and Acacia mangium on dry, mineral soils.

ADT (Air Dry tonne)

Marketable pulp (air dried) which contains 10% water

Biodiversity

Total diversity or variation of life within a given ecosystem.

Bio-fuel

In contrast to fossil fuels, bio-fuel is based on raw material derived from living organisms and therefore is classified as a renewable source.

BOD

Biological oxygen demand. A measure of the amount of oxygen that bacteria will consume while decomposing biologically available organic matter. BOD is a measure of the degree of organic pollution in water. Also see "COD".

Carbon footprint

The carbon footprint of a product may be seen as a balance sheet of greenhouse gas emissions and removals (transfers to and from the atmosphere).

CDM

Clean Development Mechanism is an arrangement under the Kyoto Protocol allowing industrialised countries with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. CDM allows net global greenhouse gas emissions to be reduced at a much lower global cost by financing emissions reduction projects in developing countries where costs are lower than in industrialized countries. However, in recent years, criticism against the mechanism has increased.

COD

Chemical oxygen demand. COD does not differentiate between biologically available and inert organic matter, and is therefore a measure of the total quantity of oxygen required to oxidize all organic matter into carbon dioxide and water.

Eucalyptus

A large family of trees, common in Australia. Certain species, like the Eucalyptus pellita, are native to Indonesia. APRIL Indonesia is currently expanding its use of Eucalyptus on dry, mineral soils.

FAO

Food and Agriculture Organisation of the United Nations, headquartered in Rome, Italy.

TFD

Formed in 1999 as an outgrowth of ongoing dialogues by the World Bank, WBCSD and World Resources Institute, The Forests Dialogue (TFD) is a group of individuals from diverse interests and regions that are committed to the conservation and sustainable use of forests. TFD members work together in a spirit of teamwork, trust, and commitment to address obstacles to sustainable forest management through a constructive dialogue process among all key stakeholders. TFD dialogues are designed to build relationships and spur collaborative action on the highest priority issues facing the world's forests.

FSC

Forest Stewardship Council is an independent, non-governmental, not-for-profit organisation established to promote the responsible management of the world's forests.

FLEGT

Forest Law Enforcement, Governance and Trade is the European Unions effort to exclude illegal timber from markets, to improve the supply of legal timber and increase the demand for responsible wood products.

GRI

The Global Reporting Initiative (GRI) is a large multi-stakeholder network of thousands of experts, in dozens of countries worldwide, who participate in GRI's working groups and governance bodies. This organisation developed the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental and social performance.

Hectare (ha)

Metric unit of area that is equivalent to 10,000 square metres or 2.417 acres

HCVF

High Conservation Value Forests. HCVFs are defined as forests of outstanding and critical importance due to their environmental, socio-economic, biodiversity or landscape values.

Illegal logging / wood

Refers to trees that are cut from natural forests, private concessions and village land without legitimate government authorisation or permits. The term also includes wood obtained through bribery and wood acquired in violation of the conditions of the permit (For example, felling more than the authorised volume or cutting outside the permit area). Illegal logging is a global multi-billion dollar industry. APRIL Indonesia is actively combating illegal logging.

ISO

The International Organisation for Standardisation is a worldwide federation of national standards bodies, representing more than 140 countries. ISO is a non-governmental organisation established in 1947, to promote the development of standardisation and related activities globally. ISO is not a acronym but is actually derived from the Greek word "isos" meaning "equal". Hence, the term ISO ensures that the name remains the same, regardless of the country or language

ISO 9000:2000 Quality Management Systems

Comprises a series of documents (standards, guidelines and technical reports) that set out more specific standards for each areas such as auditing procedures, quality performance evaluation, quality improvement, quality in project management, training, techniques and statistical process control. However, these do not result in "certifications". ISO 9001:2000 is the standard used to assess an organisation's ability to meet customer and applicable regulatory requirements, thereby addressing customer satisfaction.

ISO 14001 Environmental Management Systems

This is the only standard within the ISO 14000 series against which an organisation's Environmental Management System (EMS) can be certified. ISO 14001 requires that an organisation's EMS provides a framework to identify and address the significant environmental aspects and related impacts of its activities, products and services. ISO 14001 requires compliance with all relevant legislation and a commitment to continual improvement of the organisation's EMS. However, the ISO standards do not set specific environmental performance criteria nor does it establish absolute requirements for environmental performance; these are defined by the organisation seeking certification to this standard.

IUCN

The International Union for Conservation of Nature, is the world's oldest and largest global environmental network—a democratic membership union with more than 1,000 government and NGO member organisations, and almost 11,000 volunteer scientists in more than 160 countries. The organisation helps the world find pragmatic solutions to our most pressing environment and development challenges. It supports scientific research, manages field projects all over the world and brings governments, non-government organisations, United Nations agencies, companies and local communities together to develop and implement policy, laws and best practice.

Kampar Peninsula

The Kampar Peninsula is situated in the province of Riau, on the east coast of central Sumatra in Indonesia. It is delimited by sea in the north and east, by Kampar River in the south and the Kutup River in the west. The 700,000 ha peninsula is covered by peat swamp forests – a special type of rainforest growing on an accumulating, water-logged peat soil up to 1.5 metres thick.

Kraft pulp

Pulp produced by the most widely used chemical pulping process – the Kraft process (also known as sulphate pulping process). The name of the process comes from the German word "kraft" meaning power or strength. This process is versatile, allowing most types of wood to be used as raw material. Unbleached kraft pulp is brown in colour, and its uses include brown sack paper and bags. For use as printing or writing papers, it needs to be bleached.

LEI

Lembaga Ekolabel Indonesia is the Indonesian Ecolabelling Institute, a non-profit constituent based organization that develops forest certification systems that promote just and sustainable forest resource management in Indonesia.

Mosaic Plantation Concept

Mosaic Plantation Concept describes APRIL Indonesia's commitment to balancing economic, social and environmental goals. Mosaic plantations are the combination of planted and natural forests that result from implementing Indonesian land use laws and voluntary best management practices. MPC ensures that no biological, ecosystem service, social or cultural values are compromised as a result of plantation development.

OHSAS 18001

An Occupational Health and Safety Assessment Series for health and safety management systems. It is intended to help organisations manage occupational health and safety risks.

Oil palm

A special variety of palm widely planted in South East Asia that produces a vegetable oil. This oil is used for cooking, food processing, lubrication and as fuel additive.

PEFC

Program for the Endorsement of Forest Certification is an international, non-governmental, non-profit organization dedicated to promoting sustainable forest management. PEFC is the world's largest certification system.

PROPER

Program Penilaian Kinerja Perusahaan or Program for Pollution Control, Evaluation, and Rating is the Government of Indonesia's National Environmental Impact Agency reporting initiative and regulatory tool to promote industrial compliance with pollution control regulations, to facilitate and enforce the adoption of practices contributing to "clean technology," and to ensure a better environmental management system.

Peatland

Also known a "wetlands". Peat is dead organic (vegetative) material that has accumulated over thousands of years due to a combination of permanent water saturation, low oxygen levels and high acidity. Peat consists of 90% water and 10% plant material. Peatlands vary widely because of regional and local differences in soils, topography, climate, hydrology, water chemistry, vegetation, and other factors, including human disturbance. Peatlands are found from the tundra to the tropics and on every continent except Antarctica.

Riau province

Riau province on the island of Sumatra, is 1 of 30 provinces in Indonesia. Riau is where APRIL Indonesia's pulp and paper mills are located. Riau's land area is 7,256,000 ha with a growing population consisting of over 5.5 million people (2010).

SFPI

Sustainable Forest Products Industry Working Group within the WBCSD, is defining industry standards and advocating for public policies that make best use of forestry sectors as agents for sustainable development.

Sumatra

The second largest island (473,481 sq km) in Indonesia, after Kalimantan. Riau province, where APRIL Indonesia's pulp and paper mills are located, is 1 of 8 provinces on Sumatra.

TSS

Total Suspended Solids. A measure of the solids in suspension in wastewater, effluent or water bodies.

TRS

Total Reduced Sulphur are compounds released from both natural and industrial sources that produce offensive odors, but not normally considered a health hazard.

UNGC

United National Global Compact consists of 10 principles covering human rights, fair labour, the environment and anti-corruption. The Compact, established in July 2000, seeks to promote responsible corporate citizenship by providing a framework for businesses to follow in response to the challenges of globalisation. The UNGC has been signed by more than 3,000 participants including 2,500 companies around the world, making it one of the largest voluntary corporate citizenship initiative.

WBCSD

World Business Council for Sustainable Development (WBCSD) is a CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development. Members are drawn from more than 35 countries and 20 major industrial sectors. WBCSD also benefits from a global network of about 55 national and regional business councils and regional partners.

GRI Indicators

GRI Indicator Code	GRI Indicator Description	Inside this report
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, etc	Sustainability Overview
EC3	Coverage of the organisation's defined benefit plan obligations.	Our Responsibility to People
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Our Responsibility to People
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Forest Management, Our Responsibility to People
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Sustainability Overview
EN1	Materials used by weight or volume.	Mill Environment
EN3	Direct energy consumption by primary energy source.	Mill Environment
EN5	Energy saved due to conservation and efficiency improvements.	Mill Environment
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Mill Environment
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Mill Environment
EN8	Total water withdrawal by source.	Mill Environment
EN9	Water sources significantly affected by withdrawal of water.	Mill Environment
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Forest Management
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Forest Management
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Forest Management
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Forest Management
EN16	Total direct and indirect greenhouse gas emissions by weight.	Mill Environment
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Mill Environment
EN19	Emissions of ozone-depleting substances by weight.	Mill Environment
EN20	NO, SO, and other significant air emissions by type and weight.	Mill Environment
EN21	Total water discharge by quality and destination.	Mill Environment
EN22	Total weight of waste by type and disposal method.	Mill Environment

GRI Indicator Code	GRI Indicator Description	Inside this report
LA1	Total workforce by employment type, employment contract, and region.	Our Responsibility to People
LA2	Total number and rate of employee turnover by age group, gender, and region.	Our Responsibility to People
LA3	Benefits provided to fulltime employees that are not provided to temporary or part-time employees, by major operations.	Our Responsibility to People
LA4	Percentage of employees covered by collective bargaining agreements.	Our Responsibility to People
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.	Our Responsibility to People
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	Our Responsibility to People
LA10	Average hours of training per year per employee by employee category.	Our Responsibility to People
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Our Responsibility to People
LA12	Percentage of employees receiving regular performance and career development reviews.	Our Responsibility to People
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Our Responsibility to People
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	Our Responsibility to People
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	Our Responsibility to People
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Our Responsibility to People

Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of APRIL Management Pte Ltd

Introduction

Bureau Veritas Singapore (Bureau Veritas) has been engaged to provide external assurance to the stakeholders of APRIL Management Pte Ltd ("APRIL") over the content of its 2010 Sustainability Report (the Report) of its Indonesia operation. The preparation of the Report is the sole responsibility of APRIL. Our responsibility is to provide assurance to stakeholders on the accuracy, reliability and objectivity of the information therein, and to express our overall opinion as per the scope of assurance.

Objectives of Assurance

The objectives were to:

1. Review and evaluate APRIL Indonesia's sustainability strategy and its reporting approach at Head Office level;
2. Review the integration and implementation of APRIL Indonesia's approach to sustainability across certain of its international operations;
3. Review underlying systems for sustainability governance, identification and management of issues, development of policies and performance metrics (such as data collection, compilation, review and consolidation methods); and
4. Verify performance data, factual information and activities in relation to sustainability undertaken by APRIL Indonesia over the reporting period January 1st 2008 to December 31st 2010.

Bureau Veritas recognises the need for a robust and transparent assurance process to ensure credibility, and to act as a tool to drive performance improvement in APRIL Indonesia's sustainability reporting and strategy. This is achieved through the methodology outlined below, and by providing an impartial commentary on the reporting process, proposing summary recommendations for further development within this statement where appropriate.

Methodology

To conduct the assurance we undertook the following:

- Interviews with senior managers at APRIL's head office in Singapore to build an understanding of sustainability strategy, the identification and management of key issues and risks to the company and its interaction with stakeholders;
- Interviews with operational managers at APRIL Indonesia's sites in Kerinci, Indonesia in order to assess the implementation of Sustainability commitments and the robustness and effectiveness of internal management systems, procedures and programmes;
- Site visits to see operational activities, and verify what is happening in practice at both plantations and pulp/paper mills;
- Verification of performance data and factual information contained within the Sustainability report through a process of interviews, document review, data sampling and interrogation of associated information on the APRIL intranet; and through discussion with independent consultants who have assisted APRIL in producing the Report.

We have reviewed the extent to which APRIL has adopted the GRI G3 Guidelines in its reporting.

Opinion

Based on our work, it is our opinion that the Report:

- Provides a fair and reasonable account of APRIL Indonesia's activities and sustainability related performance; and
- Contains sustainability related factual information and performance data that is deemed to be without significant error or bias, and therefore is considered to be reasonably accurate and reliable.

The report clearly communicates the key challenges and opportunities in relation to sustainability and demonstrates a thorough understanding of

the company's material issues, (although these are not always identified in a systematic way.) This is supported by details of how issues are being managed internally by APRIL Indonesia, and by performance data in areas such as Environment, Community Development and Employee Relations. The report has been developed and compiled in line with the GRI G3 Guidelines and reflects its main requirements in an understandable and balanced manner.

Observations and Recommendations

APRIL's approach to sustainability and associated reporting could be further improved by addressing the priority recommendations outlined below.

Increasing transparency and managing risk

It is evident that APRIL Indonesia has a good understanding of its key sustainability issues which are identified as: Mill Environmental Impacts (Emissions, Waste, Water, Energy); Social Impacts (Employees, Community Development); and Forestry Management.

Recommendation: the Report should contain more substantive information on performance in these key risk areas wherever possible. APRIL Indonesia should examine the applicability of improved monitoring processes, quantifiable targets and key performance indicators (KPIs) in these areas.

Increasing balance

APRIL Indonesia provides useful context and background for each of its key risks in relation to sustainability and there is careful explanation on the complexities of certain issues.

Recommendation: APRIL Indonesia's Sustainability Report could be strengthened by acknowledging controversies related to certain issues more clearly, and recognising the existence of opposing views among external stakeholders. Where possible, the Report could also include the independent viewpoints of external stakeholders in relation to such issues.

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined below in this independent assurance statement.

The assurance work was planned and carried out to provide reasonable, rather than absolute, assurance and we believe it provides a reasonable basis for our conclusions.

Limitations and Exclusions

Excluded from the scope of our work is information relating to:

- Activities outside the defined reporting period;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intention provided by APRIL);
- Financial data which is taken from APRIL's Annual Report and Accounts, audited by an external financial auditor.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report

Statement by Bureau Veritas of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 180 years history in providing independent assurance services, and an annual turnover in 2010 of £3.1 billion.

Our assurance team does not have any involvement in any other projects with APRIL other than this sustainability report assurance provision and there is considered to no conflict between any other services provided by Bureau Veritas and that of our assurance team.

Bureau Veritas has implemented a Code of Ethics across its business which is intended to ensure that all our staff maintains high ethical standards in their day to day business activities.

Competence: Our assurance team has extensive combined experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes in accordance with best practice.



Move Forward with Confidence

Singapore, April 2011



Sustain
Ability



APRIL Indonesia is committed to building a stronger business while acting responsibly toward our customers, our employees, the environment and the communities on which we depend. As part of our commitment, we are pleased to release our fifth Sustainability Report printed on our own PaperOne™ paper made from renewable plantation fibre using environmentally-friendly soy-based ink, making this document more easily recycled. The front and back covers are made from 100% recycled paper.

Your feedback will help us improve our future reporting, and we welcome your comments and opinions at SR2010feedback@aprilasia.com.

www.aprilasia.com

Signatory to the UN Global Compact
Member of the World Business Council for Sustainable Development