APRIL

2004 Sustainability Report

Moving Forward

2004 Sustainability Report

Contents

APRIL Invitation

APRIL (Asia Pacific Resources International Holdings Limited) is one of Indonesia's leading producers of fiber, pulp and paper with industrial operations in Riau Province, Central Sumatra; manufacturing and sales activities in China; and a Corporate Office in Singapore.

This is our second Sustainability Report, covering the period January 2003 up to June 2004. As with the first Report, it follows the framework outlined by the Global Reporting Initiative (GRI) and documents what we have done and are doing, to fulfill our social and environmental responsibilities.

We thank you for taking time to read this Report and give us feedback you may have. We welcome constructive dialogue and operate on an open door policy whereby interested people may visit our facilities and see how we operate.

We are not there yet, this is an ongoing process.
However, this process has also highlighted the need
for us to review our policies and practices to ensure that
our stated beliefs translate into daily working lives.

President's Statement

When we first started to discuss the importance of sustainability within APRIL, I found it meant different things to different people. To me it has always been founded on the triple bottom line of people, planet and profit. I believe the three are inseparable. In fact I believe our contribution to Indonesia's skills base, wealth and environmental sustainability are measures of our commitment. If we had created a mill complex with a capacity that vastly exceeded our ability to feed it, our irresponsibility would have been our ruin. If we had operated as an island rather than a member of the community this would also have led to failure. Instead we knew we should build our business through partnerships and that by creating viable environmental practices ourselves, we could also influence others.

Our path to the publication of a report on our progress, while being steady, has had setbacks, but has also seen us develop a great wealth of experience. I think in this, our second Sustainability Report, you will see that learning and experience starting to bear fruit. We continue to take advice from external experts and many aspects of our operations have been objectively reviewed and the outcomes reported here.

I should like to express my thanks to those individuals and organizations that took the time to read our last Report and pass their comments to us. The feedback from NGOs is published in this Report (see About This Report, page 7).

These insights have proved helpful in guiding our thinking as well as our approach to this second Report. I hope you will notice that we have included more data and we will update these statistics as we move forward. We have tried to present a more balanced picture and hope you will also feel we have not shied away from criticism. More information has been included on areas of concern such as the need

for conservation in the Tesso Nilo, our *Acacia* Chain of Custody System, the monitoring of our emissions and effluents, illegal logging and fire safety. We have provided more information on our research and development programs, and in particular on our moves to introduce more species diversity into our planting. We are working towards independent certification of our fiber plantation operations in 2005 and outlining the measures we are taking to get us there.

We are happy to talk to critics of our industry or of our own operations. I believe we have already shown that we are always endeavoring to improve, and to meet reasonable requests. During the past 18 months we have continued to hold discussions with NGOs and pressure groups whenever these have been possible, and our mill and plantations are open for inspection. We would always rather talk directly than receive criticism second hand.

I am appreciative of Yayasan Riau Mandiri (YRM) and WWF for agreeing to submit their views for inclusion in this Report and it is now our responsibility to respond to the points they have raised.

Comment has been made that while our first Report was dated 2002 it was actually published in 2003. This demands some explanation. First of all, it simply took us far longer than we expected to gather all the materials, write and produce the Report. But more importantly, during the preparation of the Report we identified that the shift in understanding that we required of our employees and contractors was far greater than we had previously supposed. A belief in the safety of privacy can be deeply ingrained, so a move to corporate transparency is bound to take time. I personally had to recognize that my commitment to sustainability was not necessarily going to result in rapid changes to work practices. We have had to be sensitive to our employees'

beliefs, and to give people time to realise that we mean what we say when we want to achieve real change. This is an ongoing process. However, it has also highlighted the need for us to review our policies and practices to ensure that our stated beliefs translate into daily working lives.

Embedding our commitment to sustainability will become even more important as we develop our plans to increase our capacity in China at Xinhui, Guangdong and Rizhao, Shandong. It is too early at this stage to give more details as plans have not been finalized and not all agreements are in place. But we are looking at expanding operations in China over the coming year or so. With these moves, we will also be expanding our footprint as an increasingly important player in the wood fiber market. We see this as a natural development given the profile of the industry and our location in an increasingly important economic region. As our plans firm up, we will make further public announcements.

I am proud of what we have achieved and of the individual contributions that have been made so far. As always, there is much more still to do. At APRIL we have the energy, enthusiasm and commitment to meet our objectives. Our commitment to sustainability remains. We intend to publish our next Report in 2006 to tell you how we are doing but, in the meanwhile, I welcome your comments and observations on both this Report and our operations.

A.J. Devanesan

1 About this Report

This, our second Sustainability Report, once again broadly follows the Global Reporting Initiative which continues to offer the most widely accepted framework for voluntary reporting of an organization's economic, environmental and social performance.

We stated in our first Report that we would seek to improve the collection of data over time. Practices continue to be established allowing, wherever possible, for both updated and new data to be included. Where external best practice measures and standards have been followed, these again have been indicated.

Although the GRI includes economic performance indicators, it has not been APRIL's custom, as a private company, to publicly disclose our financial results. The primary focus of this Report is, therefore, the Company's approach to our environmental and social responsibilities.

The Report is mainly concerned with APRIL's operations in Indonesia, where our manufacturing and fiber plantation operations are based and where we have significant contact with the community and environment.

Reporting on 2002 Commitments

Our last reporting period took us to the end of 2002. This Report therefore describes our actions in the context of environmental and social sustainability from the beginning of 2003 to the end of June 2004.

In our first Report we gave a number of specific undertakings regarding activities which had a direct bearing on our commitment to sustainability. Below is a summary of these undertakings and the progress we have made.

Riaufiber Operations

Commitment: To expand the number of tree species from those currently planted (*Acacia mangium* on mineral soils and *Acacia crassicarpa* on low-land sites). Specifically, to continue research into the use of *Eucalyptus*.
Action: Since 1999 we have been evaluating *Eucalyptus* hybrids for their genetic properties and the effectiveness of cloning. In 2004 we began a pilot growing program using a selection of the best of these *Eucalyptus* in order to improve our knowledge in the plantation management of this species. Further species such as *Acacia mangium* x *Acacia auriculiformis* and *Melaleuca* are being tested to determine the best seed sources, to further develop our management techniques and to understand their wood properties in pulp production.

For more information, see Environmental Performance page 21.

Commitment: To report on the follow-up audit of our fiber plantation management operations to be conducted in 2003 which, it was hoped, would serve as an indication of our readiness for forest certification by 2005.
Action: The internal assessment of our fiber plantation management practices was conducted by ProForest UK in December 2003 to identify any gaps which we needed to address to achieve full international sustainable forest management certification.

We are intending that our performance standards should comply with those set down by the Indonesian Ecolabel Institute (LEI).

For more information, see Environmental Performance page 21.

Commitment: To publish the results of the follow-up Wood Tracking Audit of our Wood Purchase Policy which was conducted by SGS Malaysia and completed too late for inclusion in our last Report.
Action: The findings of the Audit were published in our CSR Update (Q4, 2003). In this follow-up audit SGS confirmed the improvements they had suggested previously were now in operation and observed that APRIL had resolved the Corrective Action Requests (CARs) SGS had made. APRIL and Anugerah, APRIL's joint venture plantation and fiber supply partner, had demonstrated significant improvements in the procurement of raw material through establishing partnerships with external suppliers (HTR or Community Fiber Farms and other concession owners). A contract with one supplier was cancelled after that supplier was found not to be in compliance with fiber supply requirements.

Three new, minor CARs were raised by SGS who recommended that the company:

- strengthen its initial assessment of protected areas
- improve monitoring of suppliers' progress with respect to the IPK (wood harvesting permit) and delivery to the mill
- improve decision making concerning the acceptance or rejection of a supplier

We are now in full compliance with these three new CARs.

For more information, see Environmental Performance page 21.

Conservation

Commitment: To continue to work with WWF and the Government to help to find a viable solution which would allow the coexistence of people and elephants in Tesso Nilo.
Action: We have developed an *Acacia* buffer zone up to 500m deep on sections of our access road that runs through Tesso Nilo and along those parts of the boundary that we control to protect the elephants and discourage illegal loggers. Elephants have been observed to dislike *Acacia* and will therefore be discouraged from venturing onto the road. A further plan to establish a belt of *Acacia* to a depth of several kilometers which would run around the full perimeter of the forest can only be established through joint ventures with other concession owners and is still being finalized. The feasibility of turning Tesso Nilo into a national park is a matter of ongoing discussion between national and local governments, WWF, and other affected concession owners. We are strongly supportive of this proposal.

For more information see Environment - Conservation page 33.

Manufacturing Operations

Commitment: To install continuous emission monitoring equipment in our mill complex by the last quarter of 2003.
Action: We have completed the installation of all 13 units at various monitoring points, 11 of which are now functioning properly. The two units at the Bleaching Plant need further calibration to suit the high moisture level in the gas stacks. We are hopeful that final calibrations can be undertaken without delay, allowing all the equipment to be fully operational by the end of 2004.

Commitment: To continue negotiations with government authorities on solid waste disposal and the potential use of certain wastes as a form of fertilizer and other uses for land application.
Action: We have secured licenses to construct a permanent landfill site for mill residues and to pilot the use of boiler ash and sludge from effluent as a fertilizer and soil pH ameliorant.

For more information see Environmental Performance page 21.

Involvement With The Community

Commitment: To open a fourth training center for local farmers
Action: A fourth training center has been opened in Langkai, Siak.

For more information see Involvement With The Community page 49.

Commitment: To involve an independent third party to audit the land dispute resolution process.
Action: This was conducted by ProForest in December 2003 who submitted their report in February 2004. The audit focused on two main areas:
- procedures and processes established by APRIL
- documentation of the land claim resolution process

The report identified the strengths and weaknesses of our land dispute resolution procedures and highlighted areas where improvements were needed.

For more information see Involvement With The Community page 49.

Listening to and Understanding our Stakeholders

It is our practice to hold ongoing or occasional discussions with our stakeholders based upon need, identified by either side. With some stakeholders this has been carried out in a very structured manner, for example through formal surveys. With others we have been less prescriptive in our approach to such communication because many stakeholders have volunteered their views. However, we are reviewing whether we should try to engage in more structured, proactive dialogue with more stakeholders.

Below we identify our key stakeholder groups and indicate the way we have listened and responded to each other during the past 18 months.

Employees	Annual survey (see page 66) regular meetings, consultations, and formal collective bargaining agreements (CBA) discussions with employee trade union
Contractors	One-on-one discussions
Local communities	Discussion groups and local committees
Local government	Proactive and reactive face-to-face meetings
National government	Proactive and reactive face-to-face meetings with political and official representatives from relevant ministries; site visits by government officials
Customers	Face-to-face meetings; joint meetings with NGOs when requested; site visits; provision of communication materials
Academic institutions	Commissioned and non-commissioned expert assessments
Non-governmental organizations	Proactive or reactive face-to-face meetings as appropriate
Financial Institutions/ investors	Site visits; briefings; face-to-face meetings
Media	Site visits; interviews; briefings

Additionally, a range of different groups and individuals regularly visit our operations through our 'open door' policy.

Figures Used in This Report

All figures used in this Report are accurate as at 30 June, 2004 unless otherwise specifically indicated. These figures may vary from earlier published data due to variances in data collection as more accurate information became available.

Report Verification

Once again, Bureau Veritas, an international specialist in corporate social responsibility accountability, and QHSE (quality, health, safety and environmental) management has provided the assurance over the information in this Report. Their Independent Assurance Report can be found on page 76. APRIL has no significant commercial or other relationship with Bureau Veritas than the provision of third party assurance services.

For more information about Bureau Veritas please go to www.bureauveritas.com

It is our practice to hold ongoing or occasional discussions with our stakeholders, of all types, based upon need, identified by either side.

Stakeholder Feedback

Since the publication of our first Report, we commissioned an outside consultant to seek the views of a range of NGO representatives concerning what they believe we should include in this Report (suggestions), and those things that we must cover. This was carried out as part of a series of meetings with local and international NGOs in Indonesia, Europe and North America.

Suggestions ("should include")	Our Comment and Response
At a glance section which summarizes key data, facts and issues, possibly on a double-page spread	• Main sections have been prefaced with key facts and recent developments • Since the publication of our first Report, the issues we have addressed have moved from being more general in nature, to more specific. We therefore prefer to give more space rather than less to these issues and our actions
Verification of data by "interested" third parties (i.e. NGOs) and not just Bureau Veritas	• We believe that Bureau Veritas is an independent third party and as such serves the interests of external stakeholders • BV's remit would include the checking of specific issues raised by NGOs, if requested • Reports provided by third parties, cited in the Report, may be viewed at our offices in Kerinci with prior notification (commercially confidential information information will not be included). Please contact us for details
Easier and more prominent access on the APRIL website with an interactive "chatroom" forum enabling NGOs to post their comments and feedback	• We admit that our website is not as sophisticated as many. • It is our intention to expand its capacity in the future but in the meanwhile we would urge anyone wishing to express a view to contact us • People and organizations are obviously free to talk to each other in whatever forum they choose, to make those views public, and to contact us individually or collectively
More detailed information about stakeholder concerns	• We welcome direct contact with stakeholders • Where we have had discussions or other communication, issues raised are covered directly or indirectly in this Report • WWF and Yayasan Riau Mandiri were independently interviewed for this Report, see pages 35 and 44, respectively
A more "balanced picture" with details of criticisms and demands of key NGOs commensurate to the amount of good news (e.g. Ramsi's Story)	• Where NGOs and others have expressed criticism of our activities, these have been included in this Report • We have sought to introduce more balance, particularly in relation to land disputes, see page 57 • While we and our critics share a commitment to social and environmental sustainability, we recognize that we have differing approaches to achieving these objectives and thus will probably always differ to a certain extent in the way in which we conduct our business
Detailed information about environmental protection, haze management processes, etc, together with consultant relationships and how much the Company spends on these activities	• We believe this information is included in the Environment section of this Report, see page 21 • We do not divulge the value of individual contracts be they with consultants or any other supplier
Employee statistics – age bands, gender breakdown, percentage of local staff, number of expatriate personnel, wages, benefits, etc	• We have included employee statistics in the section Our People • The results of the William Mercer Remuneration Survey are also included in this section • We do not divulge information of a financial nature that might be of value to our competitors
More statistics in general and less photographs	• We invite suggestions as to the additional statistics readers would like to see • If we have a process for the collation of that data, or believe it would be valuable to implement such a process, the relevant statistics will be included in the next Report • We do not believe the last Report was unbalanced in its photographic content because we felt it important to give all readers a picture of our operations. However, we have sought to make this Report more overtly factual and less glossy and pictorial

Strong Requests ("must include")	Our Comments and Response
Clearer information about overall corporate structure, shareholding, etc	• APRIL is a private company and part of a Group that is also privately owned • It is therefore the choice of the shareholders not to divulge information they consider to be private
Detailed financial information, particularly data related to fiber costs, sales, margins, etc	• As a private company we are in the position of not having to divulge information which could be of commercial interest to our competitors
Comprehensive wood sourcing information including names of main suppliers and locations of concession areas logged and planned for logging	• We do identify our main supplier groups and our Timber Tracking Survey makes it possible for us to capture this information • Our process has been audited by SGS and the results can be found on page 28
Information about APRIL's relationships with the military as well as local and federal government	• We have no relationship with the Indonesian armed forces and do not rely on the local police for the security of our personnel and operations • We have included information on issues which have been discussed at local or national government level
Details of how APRIL managers check that environmental and social standards are actually met	• It is our practice to commission third party organizations to undertake checks and balances on our behalf • Where this has been done, reference is made in this Report and the findings provided
Specific environmental and social performance targets with transparent information as to where goals have failed to be achieved	• Our Balanced Scorecard methodology is a set of comprehensive performance measures that provides the framework for strategic measurement and management. Under the Balanced Scorecard approach specific targets are set covering non-financial performance. This triple-bottom line approach balances financial targets with social and environmental key performance indicators • We also believe this Report gives an honest picture of our successes and failures, e.g. in how we report that we have not fully met our commitment for continuous monitoring of some emissions
An "uncensored" list of the major expectations and demands of the NGOs and local communities	• We believe these are reflected in our Report to the extent that they have been made known to us • Taking on board the ProForest's audit of our land disputes resolution process, we have published in this Report their findings and recommendations • We have included this list of demands regarding the Report
Information and commentary about the legal "paradoxes" – where APRIL faces dilemmas in meeting both national and local legal requirements	• In Indonesia it is recognized that the legal jurisdictions of provincial and national law often overlap, as they do in many countries which have a federal system (e.g. the USA) • APRIL complies with Indonesian government regulations
Explicit and updated information of APRIL's policies regarding legal compliance	• We comply with Indonesian regulations in relation to the management of our operations • Where applicable, we also seek to comply with external codes and standards. Where this is the case, the relevant information has been included in this Report
Verified, detailed data with names and numbers of illegal fiber refusals at the mill gate	• Illegal wood is rejected and therefore the data not entered into our timber tracking reports • While we do not document the actual number of trucks that are turned down at the gate because we do not make spot purchases, we do keep a record of requests for contracts from possible suppliers who do not meet our criteria for fiber supply

2 Corporate Profile

Our vision is to be one of the largest, best managed, most profitable and sustainable pulp and paper companies in the world, and be a preferred supplier to our customers and the preferred company to our people.

APRIL (Asia Pacific Resources International Holdings Limited) is one of Indonesia's leading producers of fiber, pulp and paper with forestry and mill operations in Riau Province, central Sumatra. The APRIL Group also has manufacturing and sales operations in China. Its corporate office is in Singapore. It is a privately held company primarily owned through family trusts associated with Mr Sukanto Tanoto, Chairman and Chief Executive Officer.

APRIL Group

The APRIL Group comprises:

- PT Riau Andalan Pulp & Paper (Riaupulp) which operates a pulp mill with a design capacity of 2 million tonnes per year on a 1,750 hectare site near Pangkalan Kerinci in Riau Province in Central Sumatra, Indonesia. APRIL has a 98.5% share of Riaupulp. Riaupulp began commercial operations in early 1995. It now runs one of the largest pulp mills in the world. Our fiber supply comes primarily from government-granted concessions in Riau that are being developed into sustainable industrial fiber plantations.

- PT Riau Andalan Kertas (Riaupaper) which operates a 350,000 tonnes per year uncoated wood-free paper machine. Riaupaper is owned 99.8% by a subsidiary of APRIL Fine Paper, which is 100% owned by APRIL.

- Asia Pacific Enterprises Ltd (APEL) and APRIL Fine Paper Trading Ltd (AFPT), both 100% owned by APRIL, market the Group's pulp products and paper products, respectively.

- Other subsidiaries include a stationery manufacturing plant in Suzhou near Shanghai in China and a base in Guangdong to support our sales operation and expansion opportunities. We are looking to expand our operations in China, although plans have not yet been finalized.

Board of Directors

Sukanto Tanoto, Chairman
A. J. Devanesan
Dr. Per R. Haugen
Ian W. Spence
Professor Albert Widjaja

Corporate Governance

We believe our commitment to conduct our business in an environmentally and socially responsible manner, with independent verification of our practices, will differentiate us from our competitors. However, we also recognize that this commitment carries with it a greater need for sustainable practices to become integral to the culture of the company.

As part of this recognition we will be reviewing our approach to corporate governance to ensure that our policies and practices are embedded at both corporate and individual levels. This activity will be overseen by the President and Chief Operating Officer, A.J. Devanesan, supported by the Executive Management team, who determines overall business strategy.

Financial governance will remain the remit of the Audit Committee which is responsible to the Board of Directors. APRIL's financial statements are produced and audited annually, and included in the Annual Report available to shareholders.

Our Open Door Policy

We operate on an open door policy and welcome visitors to observe our operations in action. Our initiatives include mill and fiber plantation visits, dialogue programs, and presentations to a range of interest groups. In 2003 to end June 2004, we received over 100 visits from customers, local and foreign governments, schools and academic institutions, banks and financial/trade missions, competitors, media and non-government organizations (NGOs).

On 28 May 2004, Indonesian President Megawati Soekarnoputri met with local farmers at our Community Development Training Center.

NGOs who have been received and shown our mill and fiber plantation operations include representatives from the World Bank, Asian Development Bank, SwedWatch, Robin Wood and WWF among others.

We also hold Interactive Dialogue jointly with TVRI Riau. The Interactive Dialogue program consists of a series of monthly talk shows held in the APRIL Mill Complex in Pangkalan Kerinci in which prominent Indonesian speakers discuss national and local political, economic, social, and cultural issues. These are organized by our Public Relations Department and Community Affairs Department in collaboration with various social, civic and religious associations. The audience includes APRIL managers and employees and interested members of the surrounding communities. The one-and-a-half hour discussion is usually aired on local TV through TVRI Riau.

If you would like to take a look at our operations in Kerinci, be it the mill, our plantations and nursery, or our community development centers, please get in touch. You can find the relevant information in Contact Us at the back of this Report.

Our Markets

Market Overview

Despite the relatively weak demand for paper in most parts of the world, strong demand in Asia led to an overall growth in the global pulp market of 2.9% in 2003. China accounted for more than 35% of the total increase in demand for bleached chemical market pulp as many new non-integrated paper and paperboard mills came on-line.

A number of factors influenced industry performance in 2003 – gradual global economic recovery and an increase in pulp supply in anticipation of a bullish demand in Asia. Rising freight costs, a shortage of woodchip supply from North America, and a weak dollar led to a price recovery in pulp.

However, operating conditions in the industry remain challenging with stiffer competition from Latin America as new pulp capacity comes on stream.

Our Products

In 2003 the mill produced 1,784,191 tonnes of Bleached Hardwood Kraft pulp. About 221,555 tonnes in slurry form and 7,679 tonnes in dried form were delivered to our paper mill.

The cut-size segment remains our core paper business focus. We produced 318,405 tonnes in 2003, of which 51% was cut-size, 31% reel, and the rest offset/folio. Noting a shifting preference for high-whiteness paper, we quickly upgraded our paper whiteness from 150 CIE to 155 CIE (CIE being the most commonly used method for measuring paper whiteness).

Production by Paper Type (tonnes)		
Type	2003	Jan-June 2004
Roll	99,840	54,040
Folio	56,723	29,757
Cut-size	161,842	88,890

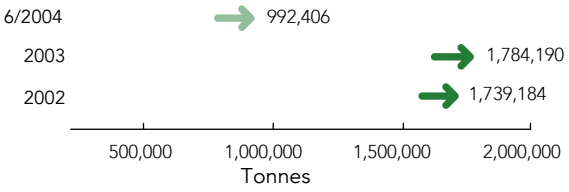
A number of our customers have requested that the product they purchase from us be manufactured from a sustainable source. We have been able to provide this assurance through the implementation of our *Acacia* Chain-of-Custody System (see Environment – Fiber Plantation Management page 29 for more information). By the year 2009 we will have sufficient *Acacia* from our own and our partners' fiber plantations to produce 2 million tonnes of pulp which is the production capacity of our mill.

Review of our Markets

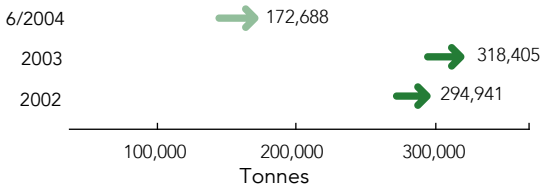
The Asia Pacific region remains our largest market for both pulp and paper products with Europe a major market for paper. In 2003 sales were particularly strengthened by an increase in orders from Japan of almost 90%.

We have also developed our presence in China. As well as the ownership of a paper converting plant in Suzhou, last year we set up APRIL Fine Paper (Guangdong) Pte Ltd in Guangzhou to strengthen our sales network in the mainland, as well as to support our expansion projects. In 2003 we also established a sales office in Australia, a growing market for APRIL, and ventured into new markets within Europe, South East Asia, India and the Middle East.

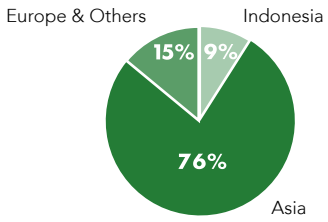
Pulp Produced



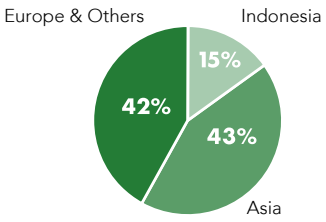
Paper Produced



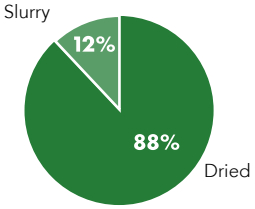
Pulp Sales Distribution



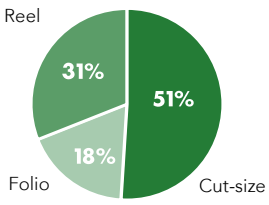
Paper Sales Distribution



Pulp Mix



Paper Mix



Company Milestones

Year	Event	Corporate	Mill	Fiber Plantation	Community
1993	Large-scale plantation development begins			•	
1994	Asia Pacific Resources International Holdings Limited (APRIL) is formed	•			
1994	First pulp produced		•		
1995	Commercial production begins		•		
1998	Community development committee set up				•
1999	Introduction of Integrated Farming System (IFS)				•
1999	Commissioned the Institut Pertanian Bogor to conduct an internal study of the biodiversity of our concessions. Results were used to identify and set aside conservation areas				
1999	Phase One begins for the design and management of Corridors for Biodiversity Conservation in Large Plantation Landscapes with the Center for International Forestry Research (CIFOR)			•	
2000	Development of Criteria & Indicators for Sustainable Forest Management of Industrial Tree Plantations and Code of Forest Practice with the Center for International Forestry Research (CIFOR)			•	
2000	Establishment of economic development program to assist small and medium local enterprises (SMEs)				•
2001	Completion of Pulp Line 2, bringing capacity to 2 million tonnes per year		•		
2002	All of APRIL's fiber estates receive ISO 14001 from SGS Yarsely International Certification Services			•	
2002	Pulp and paper mills receive ISO 14001 from SGS		•		
2002	Some 1,300 families from more than 70 villages are involved in the Integrated Farming System program				•
2002	Moratorium on further road building and *Acacia* planting in the Tesso Nilo area and collaboration with WWF to prevent illegal logging from the Tesso Nilo			•	
2003	Publication of the 2002 Sustainability Report	•	•	•	•
2003	APRIL holds its 10th anniversary celebration inviting customers and suppliers and representatives from the banking and diplomatic communities	•			
2003	Ibrahim Hasan, VP for Corporate Affairs, presents a paper on Balancing Growth and Environmental Sustainability at the Hitachi Young Leaders Initiative in Bangkok	•			
2003	APRIL Fine Paper (Guangdong) Pte Ltd set up in Guangzhou to support operations in China	•			
2003	Fourth Integrated Farming System training center completed				•
2003	2nd Timber Tracking Audit completed			•	
2003	Third Forest Management and Land Dispute Resolution Procedures Audit completed			•	•
2003	Second Community Health Survey completed		•	•	•
2003	New market outlets established in Europe, SE Asia, India and Middle East	•			
2004	Presentation by AJ Devanesan, President and COO, at Asian Paper Symposium in Singapore.	•			
2004	*Acacia* Chain-of-Custody System audit completed		•	•	
2004	Pilot growing using Eucalypt species begins			•	
2004	Canesio Munoz, General Manager, Environmental & Social Affairs, addresses a special forum on illegal logging at Chatham House, UK, as the sole private sector speaker			•	
2004	Series of meetings held with NGOs to obtain their thoughts on APRIL's operations and the 2002 Report	•	•	•	•

3 Environmental Performance

We believe that our operations contribute to the country's wealth and renewable raw material for industrial growth by the development of degraded forest land into productive, fast growing fiber plantations. We only operate in areas that have been designated by the Government for fiber plantation development.

Fiber Plantation Management

Our forest concessions, granted by the Indonesian government, run for a period of 35 years (to approximately 2030) plus one eight-year rotation. Although large-scale fiber plantation development is a condition of the grant, from the beginning we chose to adopt a policy of sustainable fiber plantation management which encompasses concerns about environmental and conservation impacts, as well as the commercial requirements of reforestation.

The plantable areas within our concessions include scrubland and degraded or marginal forest. While plantation development is in progress we continue to use mixed hardwood (MHW) from land cleared for development into fiber plantations, and from partners who have their own harvestable fiber.

Key Facts

- APRIL's fiber plantations are located in Riau Province, central Sumatra.
- Government land concession areas granted to APRIL, for a period of 35 years plus one rotation, total 330,000 hectares of which 167,610 hectares are suitable for fiber plantations.
- Following land clearance or harvesting, replanting most commonly features Acacia species which grow to 25 meters in seven years.
- Average plantation growth rate is 30 cubic meters per hectare per year
- At a seven-year rotation this provides an average fiber yield of 210 cubic meters per hectare.
- When incorporated with fiber supplied by our joint ventures and community fiber farms (HTR), reforestation will supply 9 million cubic meters of plantation fiber per annum on a sustainable basis by 2009.

Recent Developments

- In 2003 we resurveyed, remapped and reclassified the land use in all our concession areas resulting in more accurate and reliable information of our forest concession areas. This resulted in validated and adjusted areal figures and descriptions of our concessions. The same process has been completed on community fiber farms (HTR) and will be expanded to cover JV/JO areas by the end of 2004.
- As a result of more accurate surveying and additional areas set aside for communities and conservation purposes, the effective plantable areas within our concessions have been revised (see page 24)
- A planned JV/JO deal involving 20,698 hectares with PT Perawang Sukses Perkasa Industri (PSPI) fell through. This loss in planted area is made up for by faster development in HTR.
- In 2004 we expanded a pilot growing program using a selection of Eucalyptus (see page 23).
- Trials have been established to test for resistance to pests and diseases (see page 25).
- Fast growing Acacia plantations are being established in lowland areas (see page 23).
- Two large production nurseries are being developed, one of which, the Pelalawan Nursery, was completed in 2003 (see page 25); the second, in Baserah, will be completed in 2004 and each will have an annual production capacity of 50 million seedlings.
- Acacia debarking is done in the fiber estates - to minimize waste at the mill site while conserving valuable nutrients at the forest floor.
- The May 2003 independent Wood Tracking Audit indicates effective implementation of our Wood Purchase Policy; some minor Corrective Action Requests (CARs) were issued (see page 29).
- Our Acacia Chain of Custody System was audited in April 2004 (see page 29).
- In December 2003 we asked ProForest, a UK-based independent sustainability assessor, to undertake a gap analysis of our operations. Their remit covered fiber plantation management and our land dispute resolution process.

Achieving Sustainable Fiber Supply

For administrative purposes, we divide our concession areas into eight (reclassified from 10) fiber estates. An initial mapping of these areas identified the proportion of land that could be replanted. Through ongoing work involving detailed surveys of each fiber estate, the plantable area reported in 2002 has been revised from 192,000 hectares to 167,610 hectares. An area comparison by administrative fiber estate is shown on the following page. Our joint ventures with concession owners and

community fiber farms (HTR) will help enable us to fully sustain our fiber supply.

Planting for the Future

Our concession areas are not uniform in topography or soil type. In order to derive the greatest possible yield we have an extensive program of research and development. All planting is done manually and, unlike many other crops, can take place as soon as land has been cleared or trees harvested.

Sustaining long-term yield over successive rotations is achievable through a combination of good plantation management, including leaving the slash and debris on site after harvesting for future mineral cycling and minimizing site disturbances during harvesting to reduce compaction and erosion. In our program of research and development we are currently working to ensure we achieve appropriate soil nutrient levels, to improve our pest and disease management and to identify the most viable species for every soil type. This research is already directly benefiting our nursery and plantation development.

Genetic Deployment

In 2003 we established a Genetic Deployment Department to serve as a link between operations and R&D in the monitoring, controlling, and managing of the deployment of genetic materials in our plantations. We also formed a Genetic Deployment Committee chaired by the Vice President – Riaufiber, and composed of heads/representatives of the R&D, Genetic Deployment, Planning, and Fiber Plantation Departments.

While *Acacia mangium* and *Acacia crassicarpa* have become the primary species in our fiber plantation program - *Acacia mangium* on mineral soils and *Acacia crassicarpa* on low-land sites - we are now researching and testing secondary species to provide both potentially good growth and fiber properties in order to increase diversity. On mineral soils, since 1999, we have been evaluating *Eucalyptus* hybrids as well as *Acacia* hybrids (*A. mangium x A. auriculiformis*) for their genetic properties and the effectiveness of cloning.

Sustainable Fiber Plantation Road Map

Sustainability Component	Strategy	Action
Fiber plantation development:		
• **Land base expansions and MHW bridging fiber**	Development of degraded forest and scrublands into high quality fiber plantations	Company, joint-venture and community fiber plantation programs
• **Plantation capacity**	Create 350,000 ha fiber plantations to achieve 100% plantation fiber supply	Over 200,000 ha already planted; continue expanding plantations by 40,000 ha/ year
• **Research and development**	Maximize sustainable fiber per ha to increase MAI by 20% in second rotation	Tree improvement, nurseries, soil management and nutrition, pest and disease control
• **Delivery systems**	Develop world-class systems to deliver fiber at a competitive and sustainable price	Focus on benchmark harvesting and transport systems
Social	Support and invest in local communities to secure relations and fiber resources	Employment, community fiber farms, integrated farming system, community development programs
Environment	Exceed legal requirements and meet international benchmark standards for environmental management and conservation	Minimize environmental impact; maintain and conserve biodiversity by setting aside minimum 20% of concession areas
Certification	Progress to sustainable forest management certification	Achieve Indonesian Ecolabelling (LEI) and international forest management certification

APRIL's Concession and Plantations

Administrative Fiber Estates	Total Concession Area	Reported in 2002		2003 - end June 2004	
		Total Effective Plantable Area	Net Plantation Area	Total Effective Plantable Area	Net Plantation Area
Logas	**42,735**	19,132	13,658	14,783	13,208
Tesso	**36,250**	23,437	22,341	23,543	22,444
Langgam	**10,100**	4,912	4,211	3,693	3,422
Cerenti	**40,260**	23,344	19,154	19,652	18,100
Baserah	**21,195**	16,995	15,588	19,061	16,637
Ukui	**19,300**	14,715	12,453	13,922	12,749
Mandau	**23,000**	18,985	1,519	14,422	5,147
Pelalawan	**79,300**	61,228	16,403	55,731	44,529
Other Licensed Areas					
Rantau Baru	**12,000**				
Lubuk Sakat	**12,250**				
Pontianai	**5,410**	2,803		2,803	
Siak Kecil	**19,750**				
Access Road/ Corridor	**8,450**	6,200	2,158		1,903
Total	**330,000**	**191,751**	**107,485**	**167,610**	**137,139**

Note: Of the almost 192,000 hec
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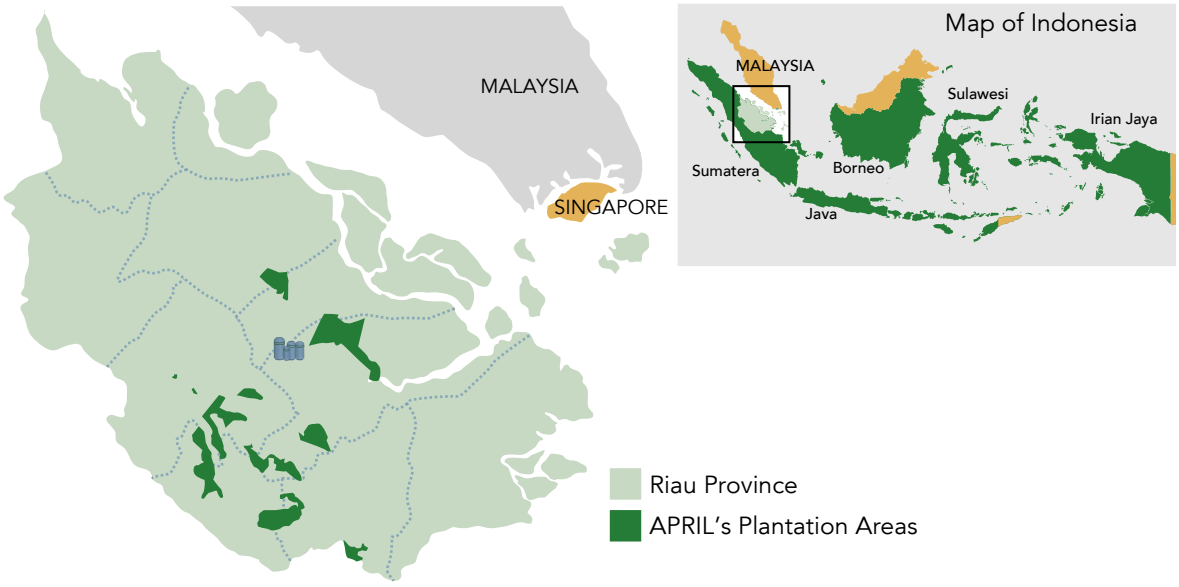

In 2004, we began a pilot-planting program using a selection of the best of *Eucalyptus* clones in order to improve our knowledge in the plantation management of this species. Other species such as *Acacia* hybrids and *Melaleuca* are also being intensively tested to determine the best planting material sources, to further develop our management techniques, and to understand their fiber properties in pulp production. *Acacia mangium*, *Eucalyptus pellita* and *Melaleuca* are native to Indonesia.

We have received criticism from certain interest groups for planting non-native species and monoculture. In our research we are mindful of the need to retain a level of biodiversity but have to balance this against our commercial requirements. We are seeking to introduce greater diversity within and among species that will adapt readily to the habitat and will help native biodiversity.

Pest & Disease Research

Our trees are subject to a variety of pests and diseases as are all other plants. We are therefore working to develop new, as well as improving existing, methods for the early diagnosis and treatment of root rot and other serious diseases. We are also researching the use of integrated pest management practices to reduce pest and disease losses by means of biological, chemical, genetic resistance and cultural practice controls.

Additionally, trees are being collected and propagated to test for their resistance to *Cercospora*, a fungus that causes leaf blight. Trials have also been established to try and find a species and genotype tolerant to *Ganoderma*, another fungus that causes root rot disease, as well as developing biological control agents such as *Trichoderma*, a fungus that can mitigate the effects of harmful fungi, and *mycorrhizae*, organisms that promote higher plant resistance by helping enhance the availability and absorption of nutrients.

Soils and Soil Fertility

The soils found in our concession areas are being surveyed and classified according to the USDA Soil Taxonomy System. Once classified, the soils are being mapped to ensure that land use is optimized. The research into different species is also being used to establish which will thrive best on each soil type. Through regular monitoring of nutrient levels, further nutrients can be added to ensure that plantations are always at their optimum.

Nursery Research and Development

We currently have seven nurseries based within our various administrative fiber estates with a combined production capacity of 99 million seedlings and rooted cuttings per annum. Our strategy is to consolidate these into two large production nurseries with a total capacity of 100 million seedlings each year.

Planned and Actual Seedling Production

		APRIL	JV/JO*	HTR**	Total
2003	Planned Area to be Planted (ha)	27,075	14,000	7,000	48,075
	Actual Area Planted (ha)	33,654	11,210	7,242	52,106
	Planned Seedling Production	41,966,250	22,414,000	12,124,562	76,504,812
	Actual Seedling Production	52,515,394	19,998,640	13,187,682	85,701,716
2004	Planned Area to be Planted (ha)	17,927	35,320	10,751	63,998
	Actual Area Planted (ha), as at June	9,877	7,081	4,782	21,740
	Planned Seedling Production	26,286,360	51,789,716	15,764,191	93,840,267
	Actual Seedling Production, as at June	15,962,124	14,562,145	7,612,425	38,136,694

* Joint Ventures/Joint Operations
** Hutan Tanaman Rakyat (Community Fiber Farms)

The first of these nurseries has been completed. This seedling nursery is located in our Pelalawan Fiber Estate and has an annual production capacity of 50 million seedlings. This nursery has an automated production line capable of sowing up to 800 seeds a minute. Plant growth is optimized through the use of an integrated fertigation system which allows simultaneous water and fertilizer application. Seedlings are also grown in an improved side-slit tube container which ensures that high quality planting material is dispatched to the field.

There are two methods we can use to produce plants for reforestation – seedlings, as described above, and cuttings through vegetative propagation. A cutting is a shoot taken from a plant which then develops its own root system. The original plant from which this shoot is taken is called a "mother plant" or "hedge plant." Typically hedge plants are no more than one to two years old and are no taller than 30cm. By continually taking shoots for cutting production, the hedge plant is encouraged to produce many new shoots. Such a hedge plant is said to be "juvenile." The more juvenile the hedge plant, the better the chance that the shoot will develop its own root system. Hedge plants are usually grown in a more controlled environment so that shoot production is maximized.

Reduction in Rotation Length

The average plantation growth rate is 30 cubic meters per hectare per year.

At a seven-year rotation the average plantation yield is 210 cubic meters per hectare. We are still working towards the reduction in rotation period. The observed Mean Annual Increment (MAI) at age 6 years is high but we need to further test the fiber density and ultimately, fiber yield.

Harvesting

Harvesting is by low impact extraction methods that minimize soil disturbance. The forest residues are used as tracks for skidders and forwarders to reduce soil compaction. The breakdown of these residues into pieces render them to be spread evenly, return nutrients to the soil and minimize erosion. In 2002 we developed a new benchmarking operation (BMO) to cover our practice of debarking the harvested *Acacia* logs in the field. This results in minimal wastage and increased wood fiber utilization. We believe this practice will lead to 20% more available fiber because less will be lost compared with debarking in the mill.

Harvested logs are stored at the plantation for eight weeks or more to allow a natural reduction in moisture content to occur. This results in less transport cost as we pay for less weight at the same quantity delivered.

New Benchmark Operation

Plantation harvesting was carried out wholly by Contractors in 2003-2004 who worked to our new BMO for *Acacia* harvesting. The scope of the Harvesting BMO Contract consists of:

- Micro-planning
- Underbrushing
- Felling
- Debarking
- Stacking
- Extraction of pulp logs to roadside
- 8 weeks drying in the field

The vast majority of our harvesting is done manually, using chainsaws.

In 2004 we also experimented with mechanized harvesting. This involves the use of a machine which can do the felling, debarking, bucking, and in-field stacking of *Acacia* logs. It can finish one hectare in one day, or at the current contractor productivity and turn-over rates, equivalent to the work of roughly 350 men. However, manual harvesting continues to be our primary means of harvesting. From the start of harvesting to completion of planting, the time frame (target) is 90 days.

In 2003-2004, harvesting operations were conducted in two areas:

- APRIL and Joint Venture concession lands cleared for development into Acacia plantations. Harvested fiber was mixed hardwood (MHW). After harvesting, the land was planted to Acacia. Harvesting was mainly manual.
- Mature Acacia plantations (APRIL, JV/JO, HTR). Harvested fiber was Acacia. After harvesting, the land was again planted to Acacia. Harvesting was mainly manual.

Pulpwood transport was handled through a joint operation with:

- PT PEC-Tech Services Indonesia (PTSI, a private contractor) using double-carriage trailer "road trains" (each carriage measuring 12 m long and 3-4 m wide) that can carry as much as 130 cubic meters in a single trip.
- Other Transport Contractors using a single trailer (12 m long and 2.5 m wide) log haulers, carrying loads of 60 cubic meters per trip and/or conventional log haulers (trucks with 2 axles, 8 m long) that can load up to 30 cubic meters in one trip.

Logs were aged/dried at roadsides and landings after harvesting. In all but one *Acacia*-producing fiber estate, mid-way log depots have been established where pulp logs can be stored for "surge capacity." Each depot can maintain an inventory of one week or about 15,000 cubic meters.

Fiber Log Transportation		
Operator	Method	Total logs hauled (approximate)
Joint operation with PTSI	road trains	50 %
Contractors	single trailer haulers	10 %
Contractors	conventional log haulers	40 %

In order to transport harvested fiber we also build and maintain access roads which can also be used by the local community. In 2003 to end June 2004 we added 122 km of new roads.

Our Partners in Sustainability

In order for our mill complex to operate efficiently and achieve essential commercial targets, we have an annual requirement for 9 million cubic meters of harvestable fiber, equivalent to 2 million tonnes of pulp. To fully sustain our requirements, we draw upon additional sources supplied through our joint ventures with concession owners and community fiber farms (HTR).

Plantation and Harvesting Operations

Quality control in plantation and harvesting operations is achieved by :

- Enforcing our fiber plantation management practices by monitoring techniques used by contractors to ensure they meet our own and independently determined criteria for best practice
- Enforcing our Wood Purchase Policy to prevent the entry of illegal logs to the mill
- The separation, throughout the process, of *Acacia* fiber and MHW through the implementation of the Acacia Chain of Custody System

Sources of Fiber						
Entity	**Ownership**	**Area in hectares**				
		Licensed	**Minimum Plantable Area**	**Planted as at 12/2002**	**Planted as at 12/2003**	**Planted as at 06/2004**
APRIL	**Licensed concession**	330,000	167,609	107,485	131,053	137,139
Community Fiber Farms	**Communities**	20,000	20,000	3,207	9,237	13,325
Joint Ventures	**Licensed concession of other companies**	250,000	162,391	43,853*	49,890	60,386
Total		**600,000**	**350,000**	**154,545**	**190,180**	**210,850**

*A joint venture negotiation fell through which resulted in a reduction in the earlier-reported figure of 64,551 ha.

Projected Fiber Source Distribution 2009 – 1st Year Fiber Plantation Sustainability	
Plantation Source	**Approx. %**
APRIL	55 – 60
Joint Ventures	25 – 30
Community Fiber Farms	10 – 20

Fiber Plantation Management

Our fiber plantation management operations have been regularly monitored by Société Générale de Surveillance (SGS) Forestry (UK) since 1998. The criteria and indicators they developed for us were based upon the generally applicable requirements of organizations, including those of the Forest Stewardship Council (FSC).

We are intending that our performance standards should comply with those set down by LEI, Lembaga Ekolabel Indonesia (the Indonesian Ecolabel Institute).

In December 2003 we commissioned ProForest to undertake an internal assessment of our fiber plantation practices to evaluate progress towards forest certification.

The aim of the assessment was to identify any gaps which we needed to act on in order to achieve full international sustainable fiber plantation management certification.

As a result of the audit, ProForest has recommended that we take a number of steps to improve our planning and processes. We are currently reviewing those steps and considering various approaches in order to ascertain the best means of continuing our move towards fiber plantation management certification.

Updates on our progress will be published, as appropriate, in our CSR Update newsletter.

As part of our continuing program towards international fiber plantation management certification, we are also inviting SGS in July 2004 to conduct a scoping visit which will form the basis of a contract for a certification support program.

Wood Tracking and the Prevention of Illegal Logging

We maintain our drive against illegal logging with the firm implementation of our fiber purchase policy on all wood used as raw material in our mills.

In addition to harvesting fiber from our own concession areas, we also purchase from our joint venture partners (JV/JO) and community fiber farms (HTR). A further source of fiber is from community land which is being developed into palm oil plantation or other agricultural use. From 2002 to 2003 we reduced the proportion of our requirements sourced in this way from 22% to less than 5%, and to less than 1% in the first half of 2004. It is primarily from this source that there can be an abuse of both legal requirements and our own procedures in that trees are felled without the appropriate permissions having been obtained. Even for this group we cannot compromise our standards and only accept fiber that carries a valid harvesting permit and a transport document both issued by the government. Any questionable wood is rejected.

We purchase fiber from community land primarily for social reasons - we know that refusal to do so would be met with local opposition. While we understand that those on community land have to make a living, we try to encourage their participation in our Community Development Program (see page 49) in order to develop new skills and sources of income.

APRIL Wood Purchase Policy

APRIL is committed to complying with applicable legal regulations on all wood purchases used as raw materials for its pulp and paper mills.

To implement this commitment we will:

- Be the leader in our industry and community by ensuring that wood being supplied to the mill has the required license or permit issued by the government authorities concerned.
- Take necessary measures to ensure that wood is properly checked and verified as to legitimate source and origin before deliveries are made.
- Ensure that wood coming from illegal sources shall be automatically rejected before the weighbridge.
- Expect that all our suppliers and contractors comply with all licensing requirements and the relevant rules and regulations on the cutting, transport or delivery of wood raw materials to the mill.
- Provide that suppliers identified as violating the relevant legal requirements and the provisions of the Policy shall be immediately warned and blacklisted for repeated violations.
- Stop purchasing from suppliers that disregard applicable licensing and regulatory requirements
- Ensure that all our employees responsible for the procurement, purchase, and acceptance of wood delivered to or used as raw materials for the pulp and paper mill are properly informed and trained to enforce the provisions of this Wood Purchase Policy.
- Disciplinary action including termination may take place for those staff found violating the Policy.

In May 2003, SGS Malaysia conducted a follow-up to their October 2002 Wood Tracking Audit. The 2002 Audit, with WWF Indonesia as observers, had shown that no undocumented wood had entered APRIL's system. However, some weaknesses in the wood purchase system were discovered which required our procedures to be strengthened. The recommended changes, Corrective Action Requests (CARs), were implemented and the follow-up audit held in May 2003 checked their effectiveness.

In this follow-up audit, SGS confirmed that the improvements were in operation and observed that we had taken action to address the Corrective Action Requests (CARs). Both we and Anugerah, our joint venture partner, had demonstrated significant improvements in the procurement of raw material through establishing partnerships (HTR) with external suppliers. A contract was cancelled with one supplier found not to be in compliance.

However, three new CARs were raised by SGS:
CAR – 008 Minor. Implementation of the procedures is inadequate to verify progress of the operation with respect to the harvest plan. Inadequate systems to monitor/record volume extracted and transported from various locations and compare it with volume delivered to the mill (Delik Permai & Rimba Mutiara Permai)

Explanation and Response: It was found that the supplier had failed properly to identify the source of all their wood and as a consequence their contract was cancelled. Please also see our response to CAR 010 below.

CAR – 009 Minor. Observed inconsistencies in the identification of protected areas and implementation of operations.

Explanation and Response: The area referred to was the Sei Kebaru Acacia plantations where a riparian strip (a conservation area) on the ground was not indicated as such on the map. This CAR has since been fully addressed. APRIL does not accept wood coming from conservation areas.

CAR – 010 Minor. System is not consistently updated in respect to IPK numbers and their expiry date at the QC section where material is received (Delik Permai). The online system along with Anugerah monitoring is not robust enough to ensure volume of material received is in accordance to the records of volumes delivered.

Explanation and Response: This CAR has since been fully addressed – volume deliveries from the field are matched with volume delivered to the mill, and this process is captured by the on-line system. Improvements and refinements in the updating process have enabled concerned staff to decide promptly whether to accept or reject wood delivery. All wood delivery contracts must be fully endorsed by our Environment Department prior to management approval.

Illegal logging in Indonesia occurs in a number of ways:	
Logging without a permit	Trees are extracted openly by small-scale chainsaw gangs and large-scale, well organized operations using heavy equipment.
Smallholder farming	Forest land is cleared for agriculture without the required permit and the timber sold on the black market.
Excessive logging of forest concessions	Over-cutting of trees from forest concessions meant for selective logging.
Misuse of logging licenses	Trees are cut from areas other than the designated cutting blocks.
Illegal logging not only involves the theft of trees from government forests but also from company-owned operations, including APRIL's own.	

Acacia Chain-of-Custody System

Many companies with concern for the environment wish to know that the paper they use in their businesses comes from a plantation source. A number of our customers have therefore requested independent assurance that the paper they buy from us is made from plantation fiber.

Providing this assurance requires us to be able to distinguish Acacia wood from mixed hardwood at every stage in the process. We therefore introduced

Acacia v MHW

- *Acacia* pulp, due to such qualities as high ratio of fibers to weight, lower coarseness and shorter fiber length, excellent optical properties and smooth surface, gives superb printability without the need for a high degree of refinement. Its homogenous and uniform fiber also provides a very high level of cleanliness, improves the visual impact of paper, and its coating and printing quality.

- Mixed Hardwood pulp provides a higher bulk compared with other pulp which allows the paper maker to reduce the basis weight. This lowers fiber cost while maintaining the caliper requirements. An open sheet structure improves the drainage and drying, allowing the paper maker to increase the refining to achieve desired strength. The resulting paper quality matches that achieved using *Acacia* pulp.

our Chain-of-Custody (CoC) System, which allows *Acacia* wood to be identified and segregated from mixed hardwood (MHW) at any point in the plantation-to-mill production chain. The *Acacia* CoC System is consistent with our Wood Purchase Policy and is part of the overall Wood Tracking system which was established to prevent illegal wood from entering our supply chain.

To confirm the CoC System's effectiveness, we commissioned SGS to conduct an audit in April 2004 to:

- Verify that we had a CoC system for segregating *Acacia* from other fiber materials during harvesting, delivery, receiving, processing and product finishing
- Evaluate and confirm that controls existed at all critical control points within the CoC System to allow production and clear identification of *Acacia* products that are sold to customers.

The audit established that a comprehensive system existed which was effectively preventing *Acacia* and MHW from being mixed at any stage from the forest, through the mill to the final product. SGS also found that traceability from end product to origin was possible and that an online system had been implemented allowing for the immediate rejection of materials with the wrong identification or documentation.

However, SGS also recommended that we should:

- Integrate and formalize the standard operating procedures (SOPs) for the CoC System
- Include a clear, functional organizational chart as part of SOP
- Strengthen the System to allow continuous traceability of materials to a harvesting compartment (block) both at the depot and at the laydown/stockpile area
- Include a CoC System statement in the sales documentation
- Maintain summary records to be made available at every surveillance point on raw materials received, raw materials issued to production, and products manufactured.
- Adopt a system to avoid storing both *Acacia* and mix hardwood in the same stockpile area

These recommended changes are being implemented during 2004.

Prevention of Forest Fires and Haze

In an area where there can be no rainfall for two weeks or more, the fire danger is high. Fires are not always accidental. Many local people use clearance fires each year on land being prepared for agricultural or other use and these always give rise to haze until the rains return. We believe that, although the proportion of fiber we buy from community land is small, this nonetheless plays a part in preventing fires and haze.

We have taken steps towards OHSAS 18001 Certification by early 2005. The Occupational Health and Safety Administration System pre-assessment audit by SGS will be started in July 2004. Additionally, our proposed APRIL Fiber Social, Environmental, Health and Safety Policy incorporates our "No Burn" practice which is already promoted through our membership in the Haze Prevention Group.

We take the prevention of fire and haze seriously and have introduced a series of measures, including our fire management system, which enables us to

respond to fires quickly and efficiently. Within our concessions, the average area burned has been reduced to less than 5 hectares (see table below). In 2003 we hired a Fire, Health and Safety Manager to make our systems and practices even more efficient.

Causes of Fire

We are well aware that any spark or ember can easily ignite the peat or *Acacia* slash and, if undetected, with a strong wind, cause a fire to spread rapidly.

The causes of fires on our concession land include:

- Workers who throw cigarette butts which are still burning to the ground.
- Escaped cooking fires due to strong wind and the failure to extinguish them prior to leaving their camp for working - this has been caused by our own contractors, from illegal logging camps, and while people are fishing in canals.
- Arson, usually as a result of delayed or disputed payments to workers by contractors.
- Occasionally, heavy machinery engines that are not cleaned of dust and debris or sparks from exhausts.
- "Spot fires" from masyarakat (community) land-clearing activities that occur adjacent to our concession or on land claims within our concession boundary.

Fire Organization

Our organization for fire response and safety comprises:

1 Fire, Health and Safety Manager
1 Fire/Safety Superintendent
3 Head Office Fire/Safety Officers
3 – 8 Fire/Safety people (50 total) in each of our 8 fiber estates

Each fiber estate has identified 10-20 people from the fiber estate office who are designated to be the response team, Team Inti or Core Team, to assist Fire/Safety when needed. Shields, our security partner, also provides Emergency Response Teams (usually 10-15 people) to assist with fire suppression when needed, using firefighting equipment we provide. Shields Security Patrols in our fiber estates also detect, report and attack fires during their normal work routine.

Our plantation contractor workers assist with fire suppression by spraying water using our equipment and the contractor's heavy equipment (i.e. excavators, skidders, bull dozers) can be used to build fire breaks.

Fire Fighting Equipment

In August 2003, we took receipt of the following specialized forest firefighting equipment:

39	Mark-3 pumps
14	Mini-striker pumps
29	Floto pumps
28 km	quick-connect hoses
252	nozzles
200	19 - liter backpack pumps
12	6,000 - liter collapsible water tanks

In 2004 we also acquired an airboat, which has significantly improved movement in the Pelalawan lowlands and is proving to be an effective tool in our rapid response to fires. The 8m x 3m boat can transport up to 12 people plus three complete pump kits, hose, and other firefighting supplies. It can safely travel in open canals or rivers at an effective speed of 35-40 km/hr, almost halving the response time for Fire & Safety Teams to arrive at the scene of fires reported by fiber estate staff or contractors.

Summary of Forest and Land Fires

	2002	2003	June 2004	**Total**
Number of Fires	66	76	58	**200**
Hectares Burned	307	605	58	**970**
Planted hectares burned	110	277	36	**423**
Unplanted hectares burned	197	328	22	**547**
Average Fire Size (ha)	4.65	7.96	1.00	**4.85**

The Fire & Safety Airboat can be used for:

- Emergency medical response and search and rescue
- Rapid response to forest and land fires
- Fire and Illegal logging patrols
- Forest management reconnaissance
- Other project work

Fire Fighting Training

A Basic Firefighter training course takes place approximately four times per year in each fiber estate with Fire/Safety staff and Team Inti members. Fire Behavior, Crew Boss and Incident Command System Training are conducted once per year for Fire and Safety Staff. Our Community Based Fire Management Program is being jointly developed by the Community Development Department and Fire/Safety Department.

Our fiber plantation operations managers are also encouraged to remind their fiber estate staff and contractors to:

- Completely extinguish cigarettes before disposing of them and of the no smoking rule in harvest slash areas
- Clean heavy equipment of dust and debris and ensure fire extinguishers are available on heavy equipment
- Install spark arrestors on chainsaws and mufflers
- Report fires to the Fire and Safety Department or to Shields, our security partner, and take immediate action on all uncontrolled fires
- Fully support their Fire and Safety staff by providing 4 wheel drive vehicles for patrol and fire response, to contract water trucks and personnel to support the fire suppression effort, and to provide the appropriate incentive pay to all Fire and Safety staff and Emergency Response Teams

In 2003, the Fire/Safety Department, in some cases, as a member representative of the Haze Prevention Group, attended several local, national and international fire management meetings including:

- Riau Province Governor's meeting on Current Fire Emergency – Pekanbaru, Indonesia – June 2003
- Third International Wildland Fire Conference – Sydney, Australia – October 2003
- Wetlands International/ASEAN Peatlands Management Initiative – Bogor, Indonesia – October 2003
- CIFOR Fire in Peatlands, Problems and Solutions – Palembang, Indonesia – December 2003
- CIFOR Fire Management Strategies in Peatland, Lessons Learned – Jakarta, Indonesia – December 2003

In May 2004, Fire/Safety attended the Integrated Forest Fire Management Conference in East Kalimantan, Indonesia. We have also recently provided a one-month "on-the-job" training experience for 6 Dinas Kehutanan (Indonesian Ministry of Forestry) forest guards from the IFFM project in Samarinda, East Kalimantan.

Feedback

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Environment – Conservation

At APRIL we recognize that we operate in a part of the world with many unique characteristics and that this brings with it a responsibility to conserve as well as to develop our operations in an environmentally sustainable way. We have just started training our personnel to strengthen our monitoring system for conservation activities in order to go beyond compliance with our licensing requirements.

Key Facts

Our present conservation strategy sets aside at least 20% (more than 60,000 hectares) of our concession areas for the following conservation purposes:

- Riparian buffer zones and steep slopes
- Biodiversity sites or Kawasan Pelestarian Plasma Nutfah (KPPN)
- Indigenous plant species of local utilitarian or commercial significance
- Wildlife corridors to enable seasonal or excursionary wildlife migration between biodiversity areas and other natural habitats
- Sites with significant cultural, religious and/or community value

Conservation Areas		
Category	**Area, in hectares**	
	2002	2003-2004
Cultural Areas	12	30
Wildlife Buffer Area	10,459	16,513
Biodiversity/ Germplasm Area	1,315	5,263
Riparian Zone & Special Interest Area	36,867	39,078
Total	**48,653**	**60,884***

* Includes hot spring area and corridor in Tesso Nilo

Recent Developments

- A conservation study was completed in 2003 in one JV area and remaining undeveloped areas of the Pelalawan fiber estate.
- Taskforce formed involving APRIL, national and local governments, and WWF to fight illegal logging in Tesso Nilo.
- Support for calls to obtain National Park designation for Tesso Nilo and planting of an Acacia "belt" surrounding the proposed National Park.
- Support for WWF human-elephant conflict mitigation project in Tesso Nilo area.

Protection of Tesso Nilo

The Tesso Nilo forest is largely bounded by our concession areas. A survey conducted by the Lembaga Ilmu Pengetahuan Indonesia (LIPI) cites that Tesso Nilo, located near Pekanbaru in Riau Province, has the highest species diversity index (9.11) in Sumatra. This figure is almost twice the index of Leuser National Park in North Sumatra, which is at 4.76. Tesso Nilo has been found to have up to 218 species of plants in plots of only 200 sq. metres, giving it a greater biodiversity than any other area in the world.

Tesso Nilo is home to 114 different types of birds or 29% of the total bird species in Sumatra, 34 species of mammals or 16.4% of the total, and 50 species of fish or 18% of the current varieties. The area also serves as a sanctuary for protected animals, such as the Sumatran Elephant (*elephants maximus sumatranus*), Sumatran Tiger (*Panthera tigris sumatrae*), Tapir (*Tapirus indicus*), Owa (*Hylobates agilis*), Honey Bear (*Helarctos malayanus*), and Sinyulong Crocodile (*Tomistoma schlegelii*). Moreover, the LIPI's survey reports 82 types of medicinal vegetation found in the area.

In 2001 WWF, the conservation organization, identified 34 logging groups operating in Tesso Nilo of whom a large number were operating illegally. Of all the timber harvested, 60% was earmarked as chip wood for pulp mills. The WWF understandably focused its Tesso Nilo campaign on the pulp industry.

Biodiversity Conservation Initiatives in Tesso Nilo

In 2002 we agreed to WWF's proposal that we should institute a moratorium on a proposed second access road through Tesso Nilo (running east to west) and replace it with a road adjacent to Tesso Nilo (running north to south). We also closed an existing road used by illegal loggers. Additionally, we were able to commit

not to purchase third party wood from the proposed Tesso Nilo National Park. This combination of the Wood Purchase Policy, the Wood Tracking Audit, and the measures agreed with WWF led to a decline in third party wood suppliers from 16 to one within 19 months, confirming our commitment to support the multi-stakeholder fight against illegal logging in Tesso Nilo.

In November 2003 we signed a Memorandum of Understanding (MOU) with WWF, the Pelalawan Government and the Natural Resource Conservation Agency (BKSDA) of the Ministry of Forestry to form a Task Force to combat illegal logging by establishing a number of checkpoints and undertaking patrols. We have been implementing these controls since by assigning 20 forest guards to man the checkpoints and conduct patrols, by building two new checkpoints, and by cutting off the access road and adjoining tracks used by illegal loggers.

However, we have no legal authority to enforce measures against the illegal loggers and can only record and monitor log haulers crossing the checkpoints. We need the participation of the other parties to the MOU in order to ensure that our agreed measures are effective.

Protecting Elephants

There are many villages on the edge of Tesso Nilo whose inhabitants see the forest as a means of earning a living. They object to any activity that might prevent them from doing so and that includes the damage they believe is inflicted by elephants (see map below). However, the Sumatran elephant is an endangered species and needs protection.

We have developed an *Acacia* buffer zone up to 500m deep along sections of our access road which run through Tesso Nilo, and along those parts of the boundary that we control, to protect the elephants and discourage illegal loggers. Elephants have been observed to dislike *Acacia* and will therefore be discouraged from venturing onto the road. A further plan to establish a belt of *Acacia* to a depth of several kilometers which would run around the full perimeter of the forest can only be established through joint ventures with other concession owners and is still being finalized.

The Ministry of Forestry issued on July 11, 2004 a decree reclassifying an area about 30,000 hectares of a portion of Tesso Nilo from a Production Forest into a National Park. This area was previously under license to PT Inhutani IV (a state-owned forest company).

Pelalawan Peatlands

Our concession lands include 79,300 hectares in Pelalawan, much of it covering areas of degraded lowland forest on peat. In 2003 we commissioned the Faculty of Forestry at the Agricultural Institute of Bogor to conduct a biodiversity study of the area. This study helped to identify a number of areas that they advised should be set aside from planting. In response, we designated 19,695 hectares for conservation purposes, 24.8% of the Pelalawan concession. These conservation areas now, among other functions, serve as wildlife corridors, providing connectivity to the adjoining wildlife reserve and the forests in the Kampar-Siak Peninsula.

Feedback

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Case Study **WWF**
Global NGO

The following article is based upon an interview conducted by an independent writer with Nazir Foead, Director, Species Program, WWF Indonesia on Thursday, 12 August 2004. APRIL did not have sight of the following text until it had been formally approved by WWF. APRIL's response is given on page 37.

In 2000, through its program to save the Sumatran elephant, WWF began to concentrate its interests in Riau Province, an area in Sumatra which contains extensive lowland forests, the elephants' natural habitat. WWF quickly found that the lowland forest was also attracting an increasing number of investment on plantation development. The establishment of these plantations was forcing the elephants to live in ever smaller areas. Their foraging would bring them into direct conflict with the plantation owners or farmers whose reaction was, in a desperate situation, to kill the elephants to protect their homes and crops. WWF suggested to the Government that the areas of the lowland forest be designated as elephant habitat and properly protected. Following a survey of Riau lowland forests, Tesso Nilo was identified as presenting the best option.

All of APRIL's concessions are in Riau and they include a large proportion of land around Tesso Nilo where, in 2001, they began logging parts of the Tesso Nilo core forest. "APRIL's actions were very worrying to us. We'd been speaking to them since 2000 about our conservation plans for Tesso Nilo and were discouraged with their actions so we decided to highlight their action by placing the story on CNN," said Nazir Foead. After that APRIL agreed to hold talks with WWF which led, in 2002, to their signing a moratorium on cutting in Tesso Nilo. "This was a very good response and since then APRIL has put real effort into protecting Tesso Nilo. But we have real concerns about their actions in other areas of lowland forest where we think they have a long way to go to become a sustainable company."

WWF has equal concerns for both the ecological and cultural elements of areas which are identified as containing High Conservation Value Forest (HCVF). APRIL has agreed that it will consider undertaking an assessment of its forest concessions but WWF believes it should introduce a moratorium on cutting until this assessment has been completed. "We don't know whether they have begun their assessment or when it will be finalized, or even whether APRIL will publish and abide by the results. Of all the concessions, we believe they have already converted roughly half to plantation. In about half of what is left it is highly likely there is natural forest containing these values, in particular, the Danau Besar landscape, which contains unique biodiversity."

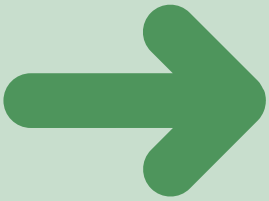
"APRIL's mills have been built to a capacity which requires them to use natural forest. We believe they could still run their mill effectively if they decreased production to a level that would require only degraded forest and wood from their plantations. As their plantations develop giving a greater supply of Acacia, they could increase production. But we are concerned that they will continue to run their operations at the expense of healthy natural forest in order to maintain their profits. APRIL's own projection is saying that they can only fully feed their mill with plantation timber after 2009."

"Generally we find APRIL to be very honest and not wanting to mislead. They've put real efforts into Tesso Nilo which has not been easy with the resistance they've faced from illegal loggers. We also respect them for not trying to pass responsibility for their action on Tesso Nilo to WWF which they could easily have done, thus, taking full responsibility to deal with the illegal loggers directly."

"They've also put considerable work into improving measures to avoid illegal wood entering their mill. They've had three audits done of this process and have made the changes recommended, although we haven't seen the results of the third audit yet. We trust they will respond to the recommendation positively as they did in the previous audits. Furthermore, their Acacia chain of custody seems to be working too. However, they should also publish a timeline for their assessment of HCVF areas."

Nazir Foead, also touched upon the social issues that APRIL faces. "We recognize it's not easy to deal with the land claims, for example, and know that many opportunists have tried to benefit from the situation. While APRIL has tried to resolve these conflicts, they need to be more transparent so that people can see that each claim is being dealt with in a fair manner. There's a huge difference in size between an individual or a village and a large company with lots of lawyers. APRIL needs to involve a third party observer to help ensure the process is fair. They've been slow on this issue."

More information on WWF Indonesia's campaigns can be found at www.wwf.or.id



APRIL's Response

APRIL is actively involved in biodiversity conservation initiatives and in protecting the elephants in Tesso Nilo, in co-operation with WWF. We will continue to support efforts by WWF to have sections of Tesso Nilo turned into a national park to protect indigenous flora and fauna. For further details of our plans and current initiatives, please refer to Environment-Conservation on page 33.

We share WWF's concerns over sustainability in the lowland areas. In 2003 we commissioned the Faculty of Forestry at the Agricultural Institute of Bogor to conduct a biodiversity study of our lowland concessions in Pelalawan. This study helped to identify a number of areas that they advised should be set aside from planting. In response, we designated 19,695 hectares for conservation purposes, 24.8% of the Pelalawan concession. We have also just started training our personnel to strengthen our monitoring system for conservation activities which will enable us to exceed compliance with our licensing requirements.

We are mindful of the need to retain a level of biodiversity but have to balance this against our commercial requirements. We are seeking to introduce greater diversity within and among species that will adapt readily to the habitat and will help native biodiversity. For more information on our fiber plantation management, please refer to page 21.

We keep firm our commitment to achieve sustainability by 2009 through sound fiber plantation management. We will continue to work towards LEI certification (Lembaga Ekolabel Indonesia/Indonesian Ecolabel Institute) in 2005 and undertake to regularly report on our progress towards achieving this.

Our land claim resolution procedures were examined by a third party, ProForest UK, to ensure that we resolve these disputes in a legitimate, peaceful and fair manner. The details of their findings and recommendations can be found in Involvement With The Community on page 49. In response to their recommendations, we will work towards maintaining areas that have received positive feedback and review corrective measures on areas that need improvement. We remain committed to the fair resolution of all legitimate land disputes and will continue to talk with independent third parties to obtain advice and assistance on resolving these issues.

Environment – Manufacturing Operations

Our pulp and paper mills are located in a 1,750 hectare manufacturing complex within our concession areas in Riau Province, central Sumatra. The complex is adjacent to the town of Pangkalan Kerinci.

Key Facts

- All the energy required by the complex and the neighbouring town, Pangkalan Kerinci, comes from a power plant owned by Riau Prima Energi, an affiliate company, that has a design capacity of 435 megawatts and steam generation capacity of 2,543 tonnes per hour.
- Approximately 97% of total energy produced comes from bio-fuels which are bi-products of the production process – black liquor, wood bark and rejected wood chips.
- The pulp mill, with one of the single biggest production lines in the world, has a rated capacity of 2 million tonnes per year and began commercial production in early 1995.
- The paper mill, with one of the world's fastest paper machines, is designed with a maximum speed of 1,500 meters per minute producing around 350,000 tonnes of office paper a year.
- One jumbo paper roll can hold a maximum 60 tonnes of paper.
- The pulp and paper mills use the most advanced technology and processes and both have been awarded ISO 9001-2000 certification for their quality management systems.
- The power plant, pulp and paper mills have ISO 14001 certification for their environmental management systems.
- Effluents and emissions are tested regularly to ensure they are within the required limits.
- Throughout the production process we apply a 5 R approach – reduce, recover, reuse, recycle, replace.

Recent Developments

- Our continuous emission monitoring equipment has been installed. While the operation of some of this equipment has been delayed, we are expecting it to be fully operational by the end of 2004 (see page 40).
- A study by the National University of Singapore (NUS) established that effluent water from the mill complex discharged into the Kampar River has no adverse health impact on villagers living upstream and downstream (see page 46).
- Licenses were granted for the construction of a permanent landfill site for mill residues and to pilot the use of boiler ash and sludge from effluent as a fertilizer and soil pH ameliorant (see page 47).
- Corrective measures (SUPERs) required by the Environmental Impact Management Agency (BAPEDAL) at Provincial level were fulfilled (see page 40).

	Paper Production in tonnes			
	Roll	**Folio**	**Cut Size**	**Total**
2003	99,840	56,723	161,842	318,405
As at 6/2004	54,040	29,758	88,890	172,688

Steam Generation (tonnes)			
	Capacity (tonnes/hour)	**Actual 2003**	**Actual As of June 2004**
Power Boiler 1	201.6	1,668,450	765,468
Power Boiler 2	468.0	2,866,377	1,407,265
Recovery Boiler 1	624.6	3,896,777	2,049,652
Recovery Boiler 2	624.6	4,160,996	2,168,339
Recovery Boiler 3	624.6	4,141,672	2,097,970
Total	**2,543.4**	**16,734,272**	**8,488,694**

Average Bleaching Chemical Consumption* (kg/ADt pulp)			
Chemical	2002	2003	Jan-Jun 04
O_2	30	22.7	18.22**
ClO_2	46	43.4	46.69
H_2O_2***	2.5	1.0	0.57
NaOH	16	15.8	19.29

ADt – air-dry tonnes
*Based on average yearly performance
**The Oxygen Plant was not operational in April – May 2004 resulting in lower oxygen usage and consequently, in higher consumption of bleaching chemicals. Higher usage of bleaching chemicals would, in turn, result in higher COD in the water effluent.
***H_2O_2 is the substitute of ClO_2 and is only used when we have insufficient ClO_2

Pulp and Paper Production

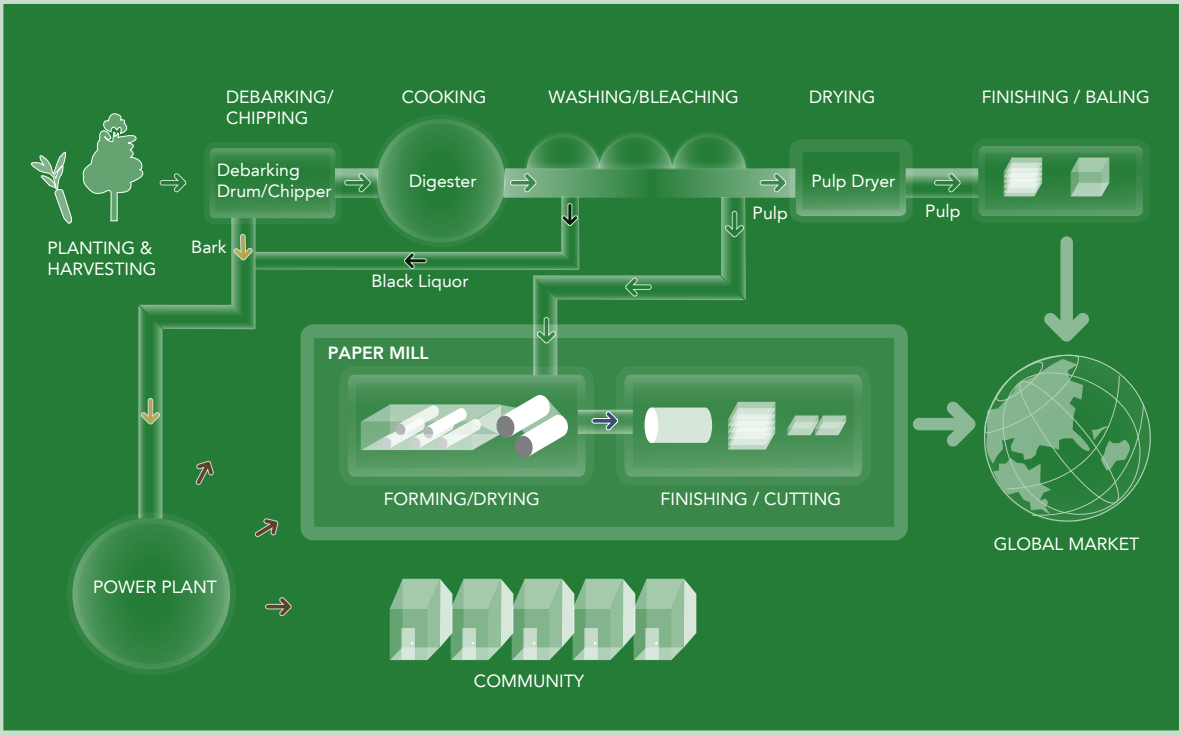
We use the Elemental Chlorine Free (ECF) process to produce bleached hardwood kraft pulp. This is a closed loop system that delivers strong fiber, high yield and good chemical recovery.

The harvested logs are cut into small wood chips which are fed into digesters where chemicals are added and the mixture is cooked to release the lignin, the natural glue that bonds wood fiber. The resulting pulp is then washed to remove the chemicals and lignin which are collectively known as black liquor which is itself processed to recover pulping chemicals.

- The residue black liquor becomes a bio-fuel for the power plant, while 97% of the chemicals are recovered and re-used in the digesters. Meanwhile, the pulp undergoes further processing, culminating with bleaching to remove the dark colour and residual lignin. The resulting product is whiter, more resistant and absorbent. After bleaching, the pulp is dried, finished, baled and shipped to customers where it is used to make office paper, coated paper, tissue and other paper products.

Alternatively, the pulp is transferred to our paper mill which uses an alkaline process:

- One mill line is currently in operation
- Pulp is spread onto moving wires where water is drained from above and below to produce an even sided paper. The semi-dry sheet is run through heated drying cylinders to evaporate the remaining water.
- Once dried, the sheet of paper passes between heated rolls to ensure uniform thickness and surface smoothness, with regular quality checks. Each jumbo roll can hold a maximum of 60 tonnes of paper which can be cut into smaller rolls, wrapped and either supplied to customers or converted into folio sheets or office paper.



Fuel Usage (%)			
Fuel Type	2002	2003	As of June 2004
Black liquor	73.7	70.8	73.2
Bark, woodchip reject	21.6	24.0	23.1
Coal	3.8	2.8	2.4
Oil	0.9	2.4	1.3

We have been using as high as 95% bio-fuel (wood lignin, bark) which results in lower levels of CO_2 generation as compared with using coal or oil.

Average CO_2 generated from fossil fuel		
	tonnes/annum	tonnes/month
2002	252,673	21,056
2003	280,922	23,410
As of June 2004	97,361*	16,227*

*The recent increase in the proportion of bio-fuels used resulted in a decline in CO_2 levels.

Cooking Chemicals

The percentages of cooking chemicals that were recovered and converted back into white liquor for reuse in the digesters can be seen in the table below. The "Normal" recovery rate in the pulp manufacturing industry is 95% (in terms of chemical concentration).

Recovered and converted cooking chemicals (%)	
2002	97.0
2003	95.0
As of June 2004	96.5

Environmental Management

All emissions and effluents produced by the mill's operations are measured against external standards and monitored regularly. At least once a year the Environmental Impact Management Agency at Provincial level, the Badan Pengendalian Dampak Lingkungan (BAPEDAL) undertakes surprise visits or visits at short notice to all mill sites. This program, which falls under the umbrella of the Ministry of Environment, has the acronym SUPER (Surat Pernyataan) or letter of intent. Following the visit by the team, the necessary corrective measures required are specified. This will be followed at a later date by a further surprise visit. In April 2004, the Riau Province BAPEDAL Head issued a letter confirming that we had fulfilled our SUPER 2003 commitments. Only 13 of the 20 companies that submitted SUPERs received a BAPEDAL letter. Failure to fulfil SUPER commitments may result in suspension of operations or closure of the company.

In 2003 Satisfactory Compliance, termed a Blue Rating, was also gained in the similar, but national PROPER (Program Penilaian Peringkat Kinerja Perusahaan) awards conducted by the Indonesian Ministry of Environment.

Air Emissions

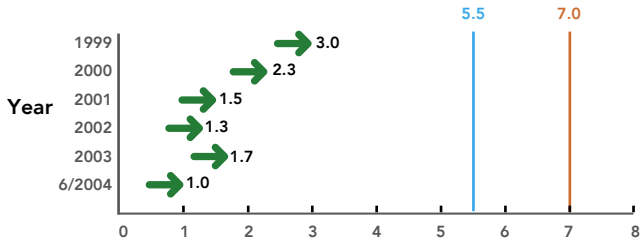
In our last Sustainability Report 2002 we announced that we would be installing continuous emissions monitoring equipment.

Those installed in 2003 are:

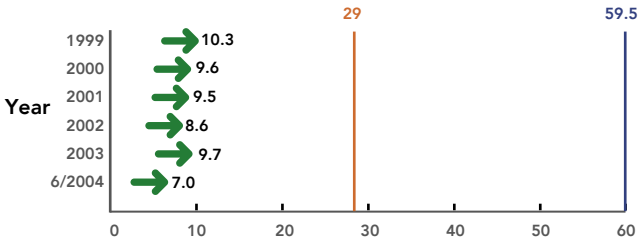
Power Boiler	2
Recovery Boiler	3
Dissolving Tank	3
Lime Kiln	2
Digester	1
Bleaching Plant	2

Eleven of the 13 units are now fully functional, while the 2 units at the Bleaching Plant have yet to run normally because of the high moisture level in the gas stack. All 13 units are targeted to be fully operational before end of 2004.

BOD_5



COD



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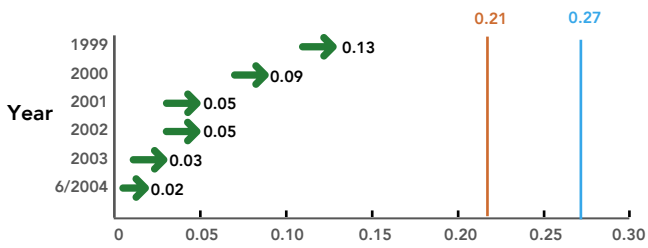
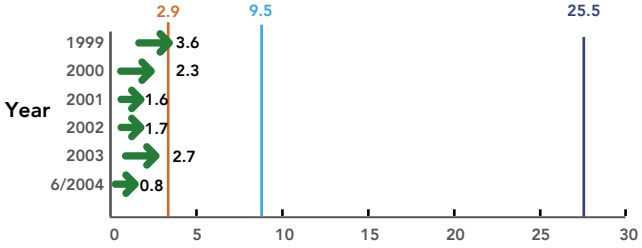
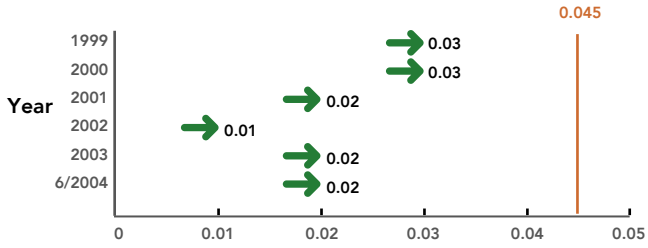


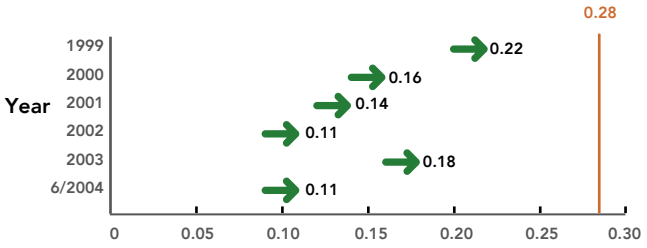
TSS



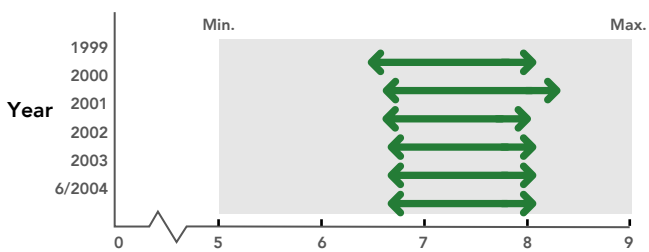
Total P (Phosphorus)



Total N (Nitrogen)



pH Values



Legend:

- Indonesian Standard
- Sweden Standard
- US-New Mills Standard
- APRIL's Performance
- All Standards

Our emissions are within levels specified by the Indonesian Government and verified every three months by PT SUCOFINDO (one of the world's leading, independent certification companies and an associate of SGS Geneva). SUCOFINDO use their own equipment to undertake spot checks to ensure that we are within the required standards. Their independent verification also provides an assurance that not only is the mill operating within acceptable limits, but that our own monitoring equipment and practices are also accurate.

Water Quality

We continue to monitor daily the levels of BOD, COD, TSS and pH in the water being discharged into the Kampar River, where the mill is located. All levels are well within those required by Indonesian law and the US Cluster Rules. On a weekly basis we also monitor the total phosphorous and total nitrogen discharged and compare our performance with the specifications of Nordic Swan. Our monitoring and testing procedures are included in our ISO 9001-2000 quality assurance system.

The water intake facility is located 4.5km upstream from the mill and is about 3km upstream of the mill waste discharge point. Part of the water that goes to the mill is treated. The treatment consists of:

- Chlorination – to kill harmful organisms
- Clarification – to make the water clearer
- Filtration – to remove solid particles

The treated water goes to two destinations – Townsite (staff housing, hotel, etc) and Mill. Mill water goes into 3 users – cooling system, process system, and demineralization plant (at the chemical plant). The untreated water (about 80,000 m^3 per day) is used in the wood yard (for cleaning logs), road cleaning and watering, Pelalawan Nursery, batching plant, and since January 2004, for fire hydrants.

In 2003, when we were upgrading (including asphalting) the Kerinci Main Road, the residents complained about the excessive dust. To mitigate the air condition, we repeatedly sprayed untreated water using specialized water tankers. This resulted in higher water consumption during the year.

Water Consumption			
	2002	2003	Jan-June 2004
Water from Kampar River (m3)	115,681,223	122,614,664	58,812,175
Process Water (m3/ADT) for Riaupulp including Demin water in Chemical plant	48	52.5	47.3
Townsite Domestic (KIK) consumption (m3/day)	12,442*	12,442*	16,151

Process water is expressed in m^3/Adt because it is a measure of mill operational efficiency. The normal amount of water used to produce one air-dry tonne (Adt) of pulp is 45-50 m^3/Adt. Water for the mill complex is taken from the Kampar River.

*I□

Water Use in Pulp Production in m^3, 2003- June 2004		
	2003 (Average)	As at 6/ 2004 (Average)
Process water * m3/Adt	52.5	47.3
Water from Kampar River m3/Adt**	68.7	63.8
Domestic Consumption m3/day (town site)	12,442.0	16,151.0

* Includes de-mineralized water in Chemical Plant
** Includes cooling water and cleaning water in log handling

Water Intake Facility		
	2003	As at 6/ 2004
Installed Capacity	432,000 m^3/day	432,000 m^3/day
Actual (Average) Water Intake	335,931 m^3/day	323,144 m^3/day
No. of Pumps	8 motor-driven 1 diesel driven	8 motor-driven 1 diesel driven
Capacity Per Pump	695 liters/sec Head – 40 m RPM – 1,490 Pump – 400 kw	695 liters/sec Head – 40 m RPM – 1,490 Pump – 400 kw
Installed Chlorination Capacity	680 kg/day (Maximum)	1,360 kg/day* (Maximum)
Actual (Average) Chlorination System	368 kg/day	237 kg/day
Distance of Facility to Mill	4.5 km	
Water Intake Location	3 km upstream from mill effluent discharge canal	
Distance of Facility to Mill	4.5 km	
Water Intake Location	3 km upstream from mill effluent discharge canal	

*An additional line for chlorination has been installed.

The Kampar River

The Kampar river is the primary drainage system nearest to APRIL's mill location. It drains a watershed area of 2,186,000 ha and flows into the Straits of Malacca at a rate of between 1,500 and 1,750 m^3/sec. The Kampar is an old river flowing in a meandering form with sediment deposition along river banks. Its source is a mountain approximately 150km west of Pekanbaru, the provincial capital. The total length of the river is 413.5km with an average width of 143m and depth of 7.7m.

Waste water from the mill is discharged after treatment into the Kampar river via an effluent discharge channel.

APRIL has been monitoring the daily levels of BOD, COD, TSS and pH in the waste water being discharged to ensure that we are within the parameters required by Indonesian law and the US Cluster Rule for new mills. We also monitor on a weekly basis the Total Phosphorus and Total Nitrogen discharged and compare our performance with the specifications of Nordic Swan. In all cases we are within the specifications (see page 41).

Monitoring Schedule and Agencies					
Institutions	**Waste Water**		**Air Emissions**	**Ambient Air & Noise**	**Solid Wastes**
	Effluent Canal	Kampar River			
APRIL	Daily – Effluent Canal		Daily		Daily, both old and new landfills
	Weekly – Storm Water				
SUCOFINDO/ Labkes*	Quarterly	Quarterly	Quarterly (Only SUCOFINDO)	Quarterly	Quarterly
YRM		Quarterly			
UNRI	Every 6 months	Every 6 months			

*Health Laboratory, a Riau Province government environmental monitoring agency

Case Study **Yayasan Riau Mandiri (YRM)** Local NGO

An interview, by an independent writer, was conducted with Ribut Susanto of Yayasan Riau Mandiri on Saturday, 7th August 2004, at YRM's office in Pekanbaru. APRIL did not have sight of the following text until it had been formally approved by YRM. APRIL's response is given on the next page.

Yayasan Riau Mandiri (YRM), a leading non-governmental organization based in Pekanbaru, Riau, Sumatra has a particular interest in the environmental and social impacts of commercial forestry operations in the province. Since 1990, YRM has been engaged in advocacy, concerning the pulp and paper mills in Riau, and since 1994 has been in contact with APRIL when they were invited by APRIL Management to a discussion with other NGOs and student nature lovers' clubs in Riau. YRM has been monitoring the water quality of Kampar River in the vicinity of APRIL mill since 2000.

To Ribut Susanto, a senior member of YRM, for trust to be established among government, business companies, and NGOs, there must be open and honest communication. He feels this is not an easy task and requires some changes in mindsets among the involved parties. Many environmental activists have a deeply rooted negative mindset about companies who are known for their lack of concern for the environment and society.

As an example, SGS, which was commissioned by APRIL to conduct a wood tracking audit, may not be aware of the real situation in Indonesia where verifying solely against documents is definitely not sufficient. This is because, as observed in the field, while documents may be genuine, the actual source of the harvested wood is often not specific. Further, many forestry companies in Riau who possess legal wood harvesting permits actually operate beyond their licensed areas. It is regrettable that still many companies in Riau play "cat-and-mouse" with forestry authorities.

"We are certain that documents used by illegal loggers had been taken as valid by staff of APRIL. We also suspect that the auditors are being taken by APRIL to certain sites only for the company's own benefit because, as far as I know, SGS never involves other stakeholders, such as those coming from the academic or scientific sectors or NGOs, in the audit to give their comments before any certification is issued.

YRM had also recommended that public health monitoring be conducted continuously for all people living in the vicinity of the mill. APRIL positively responded to our recommendation. However, we have yet to receive information on exactly how the waste produced by the mill affects the lives of the people. Secondly, we had recommended construction of wells along the sides of the Kampar River to provide clean water to residents. Sadly, to this day, the wells have not been that useful to the people. We still do not know why the people do not make full use of the wells. The poor water quality could be one of the reasons.

We have a Memorandum of Understanding with APRIL that specifies where we can collect samples to assess water quality of the Kampar River. But we are also concerned that the canal dug by the company in its plantation area near Zamrud is used to smuggle logs without being noticed by authorities, as it is too difficult for APRIL to watch it closely. We had asked permission to ourselves monitor the area but there has not been any feedback so far.

This is the essence of YRM's concern. Our principal interest is to ensure that the environment around the mill can be monitored continuously. Thus YRM wants to share its monitoring findings with other parties to get their opinion for the sake of better public health and environment. As a participant in an active NGO network in Riau, we have ways of passing on information when formal routes are not open to us.

We undertake river quality monitoring every two months, and to be more objective, we send split samples and the results of our analysis to APRIL. We discuss with APRIL our findings and insights aimed at ensuring a better environment. The only barrier we face when bringing out our ideas is the language. I wish language would not hinder any communication. It would be appropriate for APRIL to provide a translator during future discussions."

At the close of the interview, Mr Susanto was keen to stress YRM's determination to maintain its independent voice. "We want to have a positive relationship with all parties to keep our forests green and provide a healthy environment. We are glad to have this opportunity to express our views and hope that by making these forceful comments there will be a positive outcome for all of us."

You can contact YRM at riaumandiri@pkb.dnet.net.id

APRIL's Response

It is APRIL's practice to hold ongoing or occasional discussions with our stakeholders, based upon need, identified by either side. With NGOs, including YRM, we adopt proactive or reactive face-to-face meetings as appropriate. We share with our critics a commitment to social and environmental sustainability, albeit with differing approaches at times.

Since 2000, YRM has been conducting independent river water quality monitoring with the results submitted to APRIL for discussion. While our cooperation with YRM specifically covers this monitoring work, we appreciate that it also expressed interest in our wood tracking activities.

In the fight against illegal logging, APRIL is determined to stamp out this practice with the firm implementation of our Wood Purchase Policy on all wood used as raw material in our mills. With the Wood Purchase Policy and Wood Tracking System in place, we ensure that any wood coming from illegal sources is automatically rejected. This system has been independently verified by SGS Malaysia, with WWF Indonesia as observers, in October 2002, in May 2003, and again in July 2004. The auditors not only verified pertinent documents but also inspected field operations in sites they themselves selected. Where they found specific need for corrective or improvement action, we instituted the recommended measure, the satisfactory fulfillment of which was itself subject to subsequent audit. These audits are undertaken annually.

Addressing the issue of health conditions of communities along the Kampar River, we asked the National University of Singapore (NUS) Center for Environmental and Occupational Health Research to conduct independent health studies in the villages. In the health survey done in July-September 2003, NUS found that there was no adverse impact of the river water quality on community health. The rates of skin disorders were low, and the water quality parameters were within acceptable limits. The same findings were obtained in a similar NUS study in 1999. The Finnish Environmental Research Group (MFG Finland) also investigated on any possible river environmental impact of the mill in 1999, and again in 2001. In both studies, MFG Finland found levels of pollutants lower than Finnish or Nordic mills, and that the risk for humans being in contact with the Kampar River water or biota may be considered practically negligible or non-existent. We will continue initiating independent health monitoring among the communities in the vicinity of our mill.

Regarding language issues, we are happy to give an undertaking to have people with appropriate translation skills in future meetings.

We have also utilized independent third parties to undertake monitoring. These include the University of Riau, SUCOFINDO and Yayasan Riau Mandiri (Riau Mandiri Foundation). The University of Riau (UNRI), for instance, has made some recommendations on our water discharge and monitoring practices, summarized as follows:

- Improve the waste water cooling system to lower the temperature of waste water that is discharged into Kampar River.
- Continue regular cleaning of the Mill Effluent Canal to raise DO levels.
- Consider establishing additional monitoring points
- Improve the waste water aeration system before release into Effluent Canal to increase DO.
- Lower the levels of suspended particles (TSS) in the Effluent Canal.
- Continue the use of elemental chlorine free (ECF) process to prevent the production of organic halogen compounds (AOX).
- Conduct socio-economic studies in the communities around the Mill Complex and especially along, and in the vicinity of, Kampar River, to assess changes in perceptions and expectations of the villagers.
- Help promote community awareness or education on the proper use of Kampar River, especially with respect to MCK (mandi, cuci, kakus) or literally, bathing, washing, and defecating practices.

Our Response

- We will continue to use the ECF process in pulp manufacture.
- We are intensifying the routine inspection and cleaning of the mill waste water canal.
- We will continue regular monitoring of both waste water and river water with UNRI (for water biology), YRM for river quality and with NUS Singapore (for riverine community health issues).
- We will continue conducting third party audits/ assessments of our Environmental Management System (Mill).
- We will discuss additional monitoring points with the relevant organizations.

Community Health Study

We have had an ongoing concern to ensure that our operations have no adverse health implications for those who use the river water in various daily activities. Taking three villages located up and downstream from the mill (Sering and Pelalawan are 8km and 25km downstream from the mill, Rantau Baru is 45km upstream), we have built a picture of community health issues. In 1999 and 2000 independent studies by a Finnish research group and the National University of Singapore (NUS) found that mill effluents were not the cause of skin conditions among villagers. Last year we commissioned a follow-up study from NUS to:

- Focus on the relationship of river quality to skin conditions of villagers living in downstream and upstream areas along the river, and the respiratory health of three villages, using the same methodology as that used in the 1999 survey.
- To find out if there could have been some resultant changes in the Kampar River water quality due to an increase in pulp mill production from 450,000 tonnes per year to 1.3 million tonnes per year in September 2000

The key results of the NUS Study were that:

- The rates of skin disease, including dermatitis, in all three villages were low (<5%) and were not higher than in 1999.
- The water quality parameters were still within acceptable limits despite the increased mill production.
- There was no dose-response relationship between the distance of the village from the mill and the rate of dermatitis. This means that river water pollution is unlikely to contribute to increased rates of dermatitis.
- As in 1999, the villagers' daily practices of bathing, swimming, and washing clothes in the river were similar across the three villages.

We will continue these periodic studies with NUS and address any concerns they express as they arise.

Mill Occupational Health and Safety

Our Mill Health and Safety Management System is intended to be audited for OHSAS 18001 Certification in 2005. We target to achieve Certification during the same year.

Management of Mill Residues

The mill produces approximately 1,500 tonnes of sludge per day. This is why our solid waste management initiative is integral to our commitment to cleaner production in which we apply the 5 R approach – reduce, recover, reuse, recycle, replace.

Screen rejects (i.e. coarse fibers) can be used as filler material in the manufacture of corrugating medium (which is a component of board paper) as well as other second-grade paper. Our Procurement Department has signed a contract to sell screen rejects to PT Daya Guna Engineering in April this year, for this purpose.

Our original landfill has been going through a Landfill Remediation Program under government authority (KEP No. 04/Bapedal/1995):

Phase 1 – Remediation of Section A of the Old Landfill: Started in October 2003 and is expected to be completed in September 2004. The main activities include:

a. Installation of geotextile at leachate drainage
b. Layering leachate drainage with gravel
c. Laying of pvc pipe in the leachate drainage

Solid wastes currently generated by the Mill will be used for contour leveling (Phase 2) of the Old Landfill Site.

Phase 2 – Remediation of Section B of the Old Landfill: Expected to be completed in July 2005.

Phase 3 – Remediation of Section C of the Old Landfill. Expected to be completed in April 2006.

In our 2002 Report, we announced that we had requested a government license for the design and construction of a permanent waste landfill site beside the mill complex. The Ministry of Environment approved our improved design and plan in 2003. Under local government authority (KEP No. 04/ Bapedal/1995 Category III), construction started in December 2003 and is expected to be completed in 2004. Development will involve:

a. Construction of embankment – completed
b. Excavation
c. Construction of bore holes for groundwater monitoring
d. Installation of leachate collection pipe and leak detection pipe
e. Commissioning by end 2004

We will receive the operational license following the completion of construction.

We are also conducting pilot projects concerned with recycling and reusing the mill's solid wastes. These initiatives will not only mean cost benefits but also considerably reduce the rate of landfill deposition. In a joint project with BBPK (Balai Besar Pulp dan Kertas) and BPT (Balai Penelitian Tanah – Pusat Penelitian dan Pengembangan Tanah dan Agroklimat) in Bogor we are testing the use of sludge as compost material to fertilize our *Acacia* plantations in mineral soils. In a further joint project with the same institutions, we are testing the use of boiler fly ash as a soil ameliorant (pH adjuster) in our fiber plantations in the low lands.

Feedback

We operate on an open door policy and welcome visitors to observe our operations in action. We also invite comments from all readers of this Report. If you would like to make a comment, to receive more information or to visit our operations, do contact us. Please go to Contact Us at the back of the Report for details.

4 Involvement With The Community

Sustainability is as much about establishing a thriving social infrastructure as it is caring for the environment. As a leading economic force within Riau Province, and the major employer in Pangkalan Kerinci, we readily accept our responsibility to be not just a good corporate citizen, but to foster an economically viable community. Our Community Development program provides participants with practical knowledge and livelihood skills. We also support local schools, cultural and religious activities, and provide medical facilities and advice.

Our vision is to establish an independent and self-reliant community through harmonious partnerships among the surrounding villages, towns, educational institutions, local government and non-governmental organizations.

Key Facts

- In the 10 years APRIL has been operating in Riau, Pangkalan Kerinci, the local town, has grown from 200 households to an estimated population of up to 52,992* officially.

*Based on the information obtained from Kecamatan (Sub-District Office) Monthly Report May, 2004 (Document No : 114/470/Pem/2004, Jun 14, 2004).

- Our Integrated Farming System (IFS) aims to create economically self-reliant communities and provide an alternative source of income to illegal logging.
- Our Community Fiber Farm Program (HTR) provides an income for village communities for up to six rotations and can help to reduce illegal logging.
- Vocational training courses are offered in practical skills such as carpentry, dressmaking, hairdressing, food production and pallet making.
- Under the Small and Medium-sized Enterprise Program (SME), we enable those wanting to establish their own businesses to obtain financial assistance through local banks, provide tools and equipment to support the start-up effort, and help identify defined market opportunities.
- As well as the construction of new school buildings, we offer scholarships and teaching grants.
- Our mobile medical services carry out immunization, offer nutritional and general health advice, and provide a community ambulance service to take patients to hospital.
- Health education is conducted in co-ordination with local medical and education authorities.
- With land disputes a continuing issue, our claims resolution process is independently audited to ensure we are acting in a fair and honest manner.

Recent Developments

- In May 2004 President Megawati Soekarnoputri presented the Ministry of Forestry's Community Development Award to APRIL for its Community Fiber Farm Program. (see page 55)
- The audit of our land dispute resolution process conducted by ProForest in late 2003 confirmed that we are committed to resolving land issues through the use of a clearly defined process and that there is no evidence of the use of coercion or intimidation at any point. It also revealed that we could be doing a better job on resolving conflicts and made recommendations for improvements. (see page 57)
- Community perception surveys by Taylor Nelson Sofres and the University of Riau (Coastal and Aquatic Resources Research Center) in early 2004 found that 80% to 95% of the residents in villages around APRIL operations in Riau hold the Company in positive regard.
- A fourth training center was opened in Langkai, Siak.

Integrated Farming System Program			
	2002	2003	As at 6/2004
No of Trainees	515	538	169
No of Participating Villages*	71	72	73
No of Cattle Distributed	646	402	202
Cultivated Land (hectares)*	359	569	649
No of Fish Distributed	46,535	102,500	103,650

* Cumulative figures

Beneficiaries of the Community Development Program			
	2002	2003	As at 6/2004
Participants in the ongoing IFS Program*	1,106	1,493	2,055
Beneficiaries of the Social Infrastructure Program	9,476	10,650	7,046
Entrepreneurs in the ongoing SMEs Program*	22	53	53

* Cumulative figures

Estimate of economic impact	
APRIL employees - 4,300 x average family of 4*	17,200
APRIL contractor workers - 20,000 x average family of 4	80,000
Total number of people who derive livelihood directly from APRIL	97,200

* Based on Pelalawan Dalam Angka Tahun 2000 (Document No.: Katalog BPS.1401.14.04

Case Study
Alexander Bulolo
Contractor Worker

Alexander Bulolo, 33 years old, moved south from North Sumatra. Following a variety of jobs, including stints as an electrician and a university lecturer, he became a supervisor with CV Hamparan Hijau Sejahtera, one of APRIL's major contractors in its Pelalawan Nursery.

CV Hamparan Hijau Sejahtera ("green and promised land") is a private company that specializes in nursery seedling production, harvesting operations, and plantation development. Based in Kerinci, it has a workforce of over 1,000 and has been contracted by APRIL since 2002.

His responsibilities rapidly increased on his promotion to the post of Supervisor of his company's operations at the Pelalawan Nursery. In this role Alexander oversees two teams, each with a foreman and 15 workers.

Providing Skills

The establishment of our operations in Kerinci triggered unprecedented immigration into the area by people understandably searching for a better life. We believe that the number of people whose livelihoods are a direct result of our activities is some 97,200. However, unemployment, resulting from an over-supply of labor exacerbated by a lack of skills, quickly became a major cause of social deprivation. We cannot fully solve these problems but our community development initiatives are acknowledged as playing a valuable role in helping to alleviate them. We provide a range of opportunities, from community support with our Integrated Farming System (IFS) and Community Fiber Farm Program, to help for individuals with vocational training and assistance to those wishing to establish Small and Medium Sized Enterprises (SME).

Integrated Farming System

Our Integrated Farming System (IFS), in operation since 1999, is a program involving villages rather than individual trainees to stimulate community development. In 2003 we opened our fourth training center in Langkai, Siak District where courses in horticulture and livestock rearing, freshwater fish farming, composting and waste recycling, and food processing are offered. Our other centers are in Pangkalan Kerinci, Pelalawan District; Jake in Kuantan Singingi District; and Pasir Jaya, Rokan Hulu District.

As well as the initial training, the farmers are given cattle and/or fish, fertilizer, seed and pesticides. Once their initial training has been completed, our Field Officers provide ongoing support and advice. Between 2003 and June 2004 we trained a total of 707 farmers from 73 villages and distributed some 200 cattle and over 100,000 fish spawn. Each participating village aims to build its cattle numbers each year through breeding within the herd. As part of the IFS program, the first calf goes to another beneficiary but the second and successive calves may be retained by the breeder. Similarly the fish farms already established are also concentrating on their breeding programs in order to become self-sustaining.

The area covered by our Integrated Farming System is not confined to our concession areas, but more to our sphere of influence within the region.

Case Study **Gabung Makmur Village** IFS Partner

Gabung Makmur village was one of the transmigration centers developed by the Government in 1995 as part of its resettlement program. Situated some 4km north west of APRIL's mill complex, it has a population of 400 families. The original families (approximately 90% of the village's population) were each given two hectares to convert to palm plantation as a source of income. However, after deducting production and other costs, an average of Rp300,000 remained after each harvesting period. Little wonder that the villagers sought other forms of income such as fishing or even illegal logging.

There is no central source of electricity although groups of families often pool funds to buy their own generator. Their public water well stopped working some years ago due to lack of maintenance and so most villagers have built their own wells with some grouping together to install water pumps. With a lack of funding from local government, APRIL has stepped in to maintain the road and the bridge which are key access routes for the village. Nearly 80% travel by motorcycle, although a few have bought vans or other vehicles.

Only primary education is offered in the village through four schools. The largest is government-run, one is for pre-school children, and the other two are religious schools. Older children must go to Pangkalan Kerinci or Desa Simpang Jaya Perak to pursue their secondary schooling, although for many families the cost is prohibitive. APRIL has provided a school building, funding and equipment to one of the religious schools, but the villagers hope that the company might be able to do more to allow a higher proportion of their children to go onto secondary education.

The village was provided with a medical facility (a polyclinic) by the government when it was established and this is now operated by the village administration, supported by local government. APRIL supplies medicines and a medical team who, with local government doctors, provides annual check-ups, immunizations and performs circumcisions.

Gabung Makmur boasts two mosques, one of which was renovated by APRIL in 2000. The village hall is central to every community. It is where village officials run their administration and social activities are held. The residents have established a range of sports facilities, including badminton courts, a football field, and three volleyball courts. They also have 20 small stores, 2 small restaurants, 2 motor workshops and a number of cottage industries.

In addition to their oil palm co-operative, they have established a community farm co-operative with 71 members who are participants in APRIL's IFS program.

Although some have complained about pollution from the mill affecting their fruit trees, vegetable gardens and goats, they think these conditions have improved. In general, the villagers believe that APRIL's presence has been good for their community; they just want to be assured of a better future for their families.

Participants in the APRIL Integrated Farming System (IFS) Program (as at end June 2004)		
District/Capital City	**No. of Vilages**	**No. of Farmers**
Pelalawan	23	632
Siak	16	636
Kampar	6	141
Kuantan Singingi	17	422
Rokan Hulu	7	168
Pekanbaru	4	56
Total	**73**	**2,055**

Vocational Training

We offer a range of vocational training that would be hard to find in any single college. Our courses cover subjects from beauty care, hairdressing, silk screening and embroidery to carpentry, driving, automotive engineering, furniture making, welding, electronics and many more.

Small and Medium-sized Enterprise Program

Since 2000 our Small and Medium-sized Enterprise (SME) Program has been helping new generations of entrepreneurs get started. Our co-operation with four major Indonesian banks - PT Bank Negara Indonesia (BNI), Bank Bumiputera, Bank Rakyat Indonesia (BRI), and Bank Danamon - to provide loans to local businesses participating in our SME program, has enabled several hundred concerns to become established. These businesses not only market their skills and services to the community but also find ready customers in APRIL and among its employees.

In 2003 the SME program created more than 740 jobs and achieved revenue turnover of approximately US$ 5.8 million.

Vocational Courses				
	2000	2001	2002	2003
Dressmaking (Basic & Advance)	-	16	20	32
Hairdressing & beauty care (salon)	-	-	16	24
Carpentry	-	-	19	8
Pallet making	26	-	-	-
Driving	-	18	16	-
Automotive/Mechanic	47	-	17	66
Chainsaw operation	46	-	-	-
Furniture making	-	-	16	11
Electronics	-	-	19	14
Food & beverage processing	-	18	18	11
Carving	-	-	12	5
Cooperative management training	-	-	24	-
Silk screening	-	-	14	11
Dynamo	-	-	14	7
Total	**119**	**52**	**205**	**189**

Note: There has been no Vocational Training in January-June 2004. Our concern is to provide support to those who have already been through the program in order to ensure as many as possible succeed in their chosen vocation. Depending upon their progress and the availability of our team to help others, we may take on new entrants in 2005.

	2002		2003		As at end June 2004	
	Partners	Projects	Partners	Projects	Partners	Projects
Construction	21	78	18	23	2	2
Procurement	88	450	98	100	31	32
Cleaning Services	11	14	5	5	5	6
Pallet making	7	7	7	7	7	7
Hauling	5	5	12	12	6	6
Manual logging	2	2	10	15	8	11
Manpower supply	2	2	6	6	11	11
Employee bus service	1	1	1	1	1	1
Planting & plantation maintenance			6	6	3	3
Landscaping					1	1
Others			3	3	2	2

Case Study **Maskur Sodik**
Farmer

The father of four sons and two daughters, 43-year old Maskur Sodik was originally from Yogjakarta in central Java. He arrived in Riau 12 years ago armed with no more than his hopes and his farming skills, but soon learned that the soil in the region was not suitable for arable farming. Despite this setback, he found ways to cultivate watermelon but then saw two tonnes go to waste through his lack of marketing experience. At this point Maskur signed up for the 15-day IFS training course with APRIL.

In addition to gaining knowledge of land cultivation and crop rotation, Maskur also learned about rearing cattle. After graduating from the course, to get started, APRIL gave him two calves, cattle-feed and medicines. An innovator, Maskur set about experimenting with the feed composition, merging what he had learned about animal feed in Java with the training from the IFS classes. He formulated a new feed concentrate that earned his 300-kg cattle both admiration and the highest bids in the village cattle auction.

When the Community Development (CD) Department learned of Maskur's improved cattle feed, they encouraged him to go into production and helped by providing a grinding machine. Proceeds from the sale of the cattle-feed enabled him to hire staff. Up till the recent surge in corn prices, Maskur sold over 1.5 tonnes a month and his income supported his children's education, including his eldest son's legal studies at a leading university in Yogjakarta.

Inspired by his initial success, Maskur is continuing to improve his products. In collaboration with the CD Department, he is working to extend the feed's shelf life beyond three months and, again, will be sharing his formula with other farmers, believing that the village will only flourish if they work collectively.

Maskur is also looking into eel-breeding and has ideas for more efficient land cultivation to drive faster plant rotation. Again, he intends to share his findings with other farmers, and to present his proposals to the CD Department to seek financial support. Recently, the CD Department appointed Maskur one of its team. For APRIL, success would be turning Maskur from an exception into an example of typical achievement.

Community Fiber Farm Program

Both the IFS and SME programs have contributed to our Community Fiber Farm Program which establishes community fiber farms (HTR) in communities where farmers, provided with the skills and equipment, create their own *Acacia* plantations. The harvested wood contributes each year to our fiber requirements and the villagers have a 40% share in production on dry lands and 30% share on lowlands. The scheme runs for up to six rotations, approximately 40 years. By becoming partners to our operations, we also seek to use the skills of traditional loggers who, lacking the necessary licenses and approvals, might otherwise be driven into illegal logging.

In May 2004 President Megawati Soekarnoputri addressed a meeting in Pangkalan Kerinci attended by 5,000 people at which she presented APRIL with a Community Development Award from the Ministry of Forestry. The Ministry was particularly impressed with our Community Fiber Farm Program. In her speech, President Megawati emphasized the importance of corporate citizenship and cited our Community Development program as a positive model of sustainable development in action. She encouraged other companies to emulate this model.

For more information on Community Fiber Farms and illegal logging please see the Environment – Fiber Plantation Management page 51.

Providing Social Infrastructure Support

The development of Pangkalan Kerinci has been facilitated by a ready supply of power. As a bi-product of the energy generated for the mill, we are able to supply 2MW of electricity to PLN, the state electric company, at a subsidized rate to provide the needs of the growing population of Pangkalan Kerinci.

Strengthening a sense of community is also important for the stability of village life. Our Community Development Program includes provision for the construction or renovation of a village hall where this is deemed appropriate.

In 2003 we also installed street lighting in Jalan Lintas Timur in Kerinci and repaired 10km of road. We funded the construction of the replica of the Palace of Sayap Pelalawan, the former Malay sultanate of Pelalawan, to promote the preservation of the historical and cultural heritage of this once well-known and influential sultanate. We continue to play our role in supporting the cultural and religious life of many villages. For example, in 2003 to June 2004 we distributed 62 items of sports equipment, renovated or built 43 places of worship or theological schools, and gave financial support to 30 individuals who made the pilgrimage to Mecca.

We also finished the construction in April 2004 of a potable water supply facility for Sering Village, about 3km downstream from the Mill waste water discharge point. The water is pumped from the Kampar River and treated (at our cost until December 2004) before storage and distribution to the village users.

Religious & Cultural Affairs Support	**2003**	**Jan-June 2004**
Construction/Renovation of Places of Worship or Theological Schools	26	17
Tools & Equipment Supplied for Religious Services	11	1
Donations for Pilgrimages to Mecca	14	16
Construction/Renovation of Historical Sites	3	2
Sports Equipment Distributed	53	9

Since our last Report we have seen a considerable increase in the number of schools requesting and being granted donations to help defray special projects or other operational costs. Raising the level of education generally will be crucial to the long-term development of this area which is why we make grants available for both students and teachers. Since the program started in 1999, we have granted honoraria to 1,107 teachers in rural schools in 6 districts.

Case Study **Ises**
Vocational Trainee

Ises had always dreamed of running her own beauty salon. Shortly after leaving High School an APRIL Field Officer came to her village offering opportunities for vocational training. She was selected to join the one-month course at Mekar Beauty Salon in Pekanbaru. Ises knew this was where her future lay and so, to increase her experience, at her own expense, she undertook an additional two weeks' training in Teluk Kuantan, the capital of Kuantan Singingi Regency.

Together with her older sister, Ises started offering simple treatments to villagers by operating out of her sister's home using make-up kits, cosmetics and a hair cream bath steamer donated by APRIL. After three months Ises had a small wooden room built next to the house and, 18 months later, she finally had her own beauty salon. The building cost her Rp4.5 million and she also invested in beauty products worth Rp700,000.

Ises now earns Rp1.5 million a month, enough to buy the products she needs – and to shop in Pekanbaru, as well as help her parents.

Ises Putri Salon, the only beauty salon in Petai Village, attracts 5-10 customers daily and two to four wedding service packages monthly. She has also stimulated interest among other young women in the village to learn about hairdressing and make-up skills. Her first trainee paid Rp500,000 for a two-week course. Ises is now considering opening more branches of her Putri Salon.

Academic Support	2002	2003	Jan-June 2004
Scholarship for Grade School Students	2,700	1,242	0*
Honoraria Given to Teachers in Rural Areas	309	282	250
Scholarships Awarded to University Students	201	190	0*
Construction/Renovation of School Buildings	30	7	8
Schools Receiving Furniture & Equipment	10	13	11
Schools Receiving Operational Donations	8	36	41

* Currently processing candidate selection

Health is as important as educational welfare and our medical provision includes mobile clinics offering free medical check-ups, medicines and immunization, as well as vitamins and nutrients for children and expectant mothers. We fund minor surgery such as cataracts and harelip operations, and provide circumcisions through our mobile clinic. In 2003, we expanded our services by providing Village Drug Posts. In 2003-04, the total number of patients treated was 17,446.

Medical Care Beneficiaries			
	2002	2003	Jan-June 2004
Villages	51	59	38
Patients	6,261	10,650	6,796

The Village Drug Post is an extension of our medical program to reach relatively remote areas. We train selected villagers in first aid and basic medical care. We also provide basic medicine and equipment.

In July to September 2003, the National University of Singapore (NUS), Center for Environmental and Occupational Health, undertook the second skin disease survey in three villages along the Kampar River, Riau to monitor the effect of the emissions and effluents from the mill. The survey found that the rates of skin disease in all three villages were low and were not higher than those found in the first study conducted in 1999. For more information on this survey please see the Environment – Manufacturing Operations on page 38.

Land Disputes

Since the inception of our operations in 1995, we have been involved in a number of land claim disputes with various people, speculators and local communities surrounding our operations. To ensure that we resolve these disputes in a legitimate, peaceful and fair manner, we had our land claim resolution procedures examined. The first and second of these audits were conducted in 1998 and 2000, respectively. In our last Sustainability Report, we stated that we would commission a further independent audit and this was conducted in December 2003 and presented in February 2004 by ProForest UK.

Land Claims Resolved, in hectares					
	2002	2003 – June 2004			
Fiber Estate	Under Resolution	New Registered Claims	Total Claims	Resolved	Under Resolution
Logas	4,623	232	4,855	232	4,623
Tesso	704	17	721	17	704
Langgam	129	-	129	129	-
Cerenti	4,186	-	4,186	1,400	2,786
Baserah	737	750	1,487	1,487	-
Ukui	937	-	937	-	937
Mandau	-	1,500	1,500	-	1,500
Pelalawan	414	-	414	414	-
Total	**11,730**	**2,499**	**14,229**	**3,679**	**10,550**

Case Study **Fadlun**
SME Partner

From a small wooden office, Fadlun supervises and runs his pallet production business. His enterprise, "Setia Kawan," is now one of APRIL's main pallet producers and is key to the smooth running of the paper production and transportation process. Setia Kawan produces around 6,000 pallets per month and has a monthly turnover of about Rp180 million. Located in the heart of Pangkalan Kerinci, it has 16 workers making high quality products.

Prior to establishing his pallet making operations, Fadlun was involved in various businesses such as groceries and sawmills long before APRIL existed in Riau. When APRIL established its operation in 1995, he took the opportunity to become a wood supplier. A year later the company offered him the chance to produce pallets. Enthusiastically he entered the business, but he and other producers found they lacked the skills required to meet the quality standards set by the company.

In 2001, Fadlun heard about the Community Development Department's Small and Medium-sized Enterprises (SMEs) Program and applied to be a partner in pallet production. He joined the 10-day intensive training in basic technical skills. To ensure the correct specifications were being followed, each trainee received ongoing supervision even after the course from a SME program representative. The program restored Fadlun's self-confidence and encouraged him to rebuild his small business. With his willingness to learn and a lot of hard work, "Setia Kawan Enterprise" went into full operation in mid 2001.

Such was the demand for pallets that Fadlun soon wanted to expand his capacity by adding more machinery and labor. The difficulty faced by many small businesses in securing a loan was overcome by the capital investment program offered by SME Program partnership with BNI Bank. Fadlun obtained both the initial Rp156 million loan he needed and subsequent loans to enable him to increase production still further.

Fadlun now has his own sawmill, and the workforce and vehicles necessary to harvest and transport the wood to his pallet production site. Today, he smiles at the day he gave up the pallet business, as he proudly shows off his enterprise to his children - and hopes that one day he can hand over the enterprise to them.

The 2004 audit focused on two main areas:

- Procedures and processes established by APRIL Management
- Documentation of the land claim resolution process

The report identified the strengths and weaknesses of our land dispute resolution procedures and highlighted areas where improvements were needed.

Strengths

- **Management Structure**
  APRIL has a dedicated department - Social Security and Licenses (SSL) Department – responsible for handling land claim issues. The Community Development (CD) Department, that ensures that both the company and communities abide by the land claim resolution agreement, strengthens the process.
- **Procedures**
  APRIL has in place a clearly defined process for land dispute resolution. It includes allocation of a monetary budget for operational activities, and compensation for affected communities.
- **Documentation**
  Claims are documented according to status (that is, whether the claim is completed or still under the resolution process).
- **Accessibility**
  The SSL Department is set up in the external compounds of the APRIL mill complex thereby enabling ease of access for the local communities. Land claim registration procedures are simple and hassle-free.
- **Treatment of communities**
  During the audit period, no evidence of coercion or intimidation on the part of APRIL was uncovered or detected by the auditors.

Recommendations

- **Extend participation and improve communication**
  The process of dispute resolution needs to adopt a wider participatory nature. Communication and information sharing with claimants should be intensified, especially at every level of the resolution process.
- **Strengthen the documentation process**
  The resolution process should be recorded at every stage, from negotiation to decision-making, and the documentation should be shared with the claimant(s).
- **Be proactive**
  APRIL should undertake continuous social mapping of communities' rights and needs as basis for monitoring current and potential disputes.
- **Capacity building in dispute resolution and conflict management**
  All staff should be adequately trained in conflict management and dispute resolution to ensure they handle the land issues knowledgeably and objectively.
- **Involve communities and local government in decision-making**
  Current procedures limit negotiation to community elders only. Extending the negotiations to the lower community members could help APRIL understand the needs of the villagers and enable the company to make appropriate recommendations or provide alternative forms of aid, other than monetary compensation.
- **Mediation**
  An independent institution should be set up to mediate land disputes and to identify more options for conflict resolution that are customized to local context.
- **Improvement within the internal organization structure**
  Roles and functions between the SSL and CD Departments should be well defined to avoid overlaps and improve coordination and smooth working.

Our Response

In response to these recommendations, we will work towards maintaining areas that have received positive feedback and review corrective measures on areas that need improvement.

Community Perceptions

This year we have conducted two community perception surveys - the annual perception survey by Taylor Nelson & Sofres, the much larger of the two, and the second, by the University of Riau which concentrated on just four villages.

Annual Perception Survey

A much more extensive survey was conducted by TNS. This is an annual study which is designed to:

- Establish whether we are perceived to have a positive impact on the community
- Find out in what areas we have met the community's expectations
- Check the community's perception of us

Case Study **Gunung Sahilan Village** Land Dispute

Historical land ownership claims represent one of the most intractable problems faced by companies operating in Sumatra. Although many of the claims are founded in fact, the demands are often driven by an emotional desire to regain a lost past combined with an understandable wish for greater prosperity perceived to be in the gift of the local corporation.

For many the conflicts started in the 1960s when the Government's New Order resulted in the centralisation of all land ownership. Prior to 1965 the leaders of Gunung Sahilan claim that their Kingdom comprised some 250,000 hectares housing seven tribes in seven settlements. Following the New Order, the villagers were no longer allowed to exercise their historical rights and just had to accept that land was passed to commercial enterprises and transmigration resulted in many newcomers moving into specially established villages.

In 1993 APRIL was granted 7,000 hectares of the land Gunung Sahilan claimed as its own. The villagers were not allowed to pursue what they believed were their rights and so instead began a period of disruptive action which included, for example, blockading roads. By 1997 APRIL had established its policy for the resolution of land disputes and sought consultation with representatives of Gunung Sahilan.

A Memorandum of Agreement was signed under which it was stated that APRIL would help to establish a 2,000 hectare community oil palm plantation. Of the 2,000 hectares, 1,500 would be set aside by APRIL from its concession area and the remaining 500 would come from community land. APRIL facilitated contact with the oil palm company to purchase the villagers' crops and helped with the documentation they required to secure available government loans. In return, the Gunung Sahilan community agreed to waive their rights to other land in the disputed area.

However, the 500 hectares the Gunung Sahilan villagers claimed as their own were also believed by another village, Subarak, to be theirs by right. While the 1,500 hectares were developed into an oil palm plantation, the dispute between the villages rumbled on. The pattern of pursuing land claims gradually became a feature of life for the community. For instance, an agreement was reached in 1999 in which the recently formed Gunung Sahilan Foundation agreed to settle a dispute concerning 200 hectares in Jantan River in exchange for APRIL funding the renovation of the 7 Traditional Ceremonial Houses in Gunung Sahilan. Another settlement was reached in which APRIL agreed to compensate two farmers in Gunung Sahilan Rp27 million for the right to develop their land into *Acacia* plantation.

In further negotiations the Gunung Sahilan Foundation proposed the following:
a. Development of 2-hectare plantation of oil palm or other crop for each family under a partnership scheme
b. Establishment of a new, modern and expanded Gunung Sahilan community center
c. Establishment of Job Training Center in Gunung Sahilan
d. Development of Tesso River Hot Springs for tourism industry

There is no reason to believe that, if this agreement is signed, the claims will stop. For the Gunung Sahilan community, APRIL is a source of funding and support that can help secure the future for their village. For APRIL, the fact that they have been granted their concessions by the Government seemingly counts for little in the face of those who believe they have historical land rights. So, the disputes will continue, but so will the desire for all parties to find a mutually beneficial agreement.

Methodology

The survey involved quantitative interviews among those aged 17-55 years in 40 villages within the geographical region of our operations. Thirty of the villages were the same as those involved last year and 10 further villages were selected by the Community Development Department. The total sample size was 400 equally spread among the villages but chosen at random. The field work was conducted with the University of Riau between the end of May and third week of June 2004.

Results

The majority of those interviewed feel content with their standard of living although it is not high. Their main concerns relate to general economic conditions and the cost of education. Given the importance of these issues, it follows that the input of any organization able to make a positive impact is welcomed. However, there is also concern that people's prosperity is closely connected to the natural resources of the region and that their sustainability requires the involvement of industry and government.

We have achieved a high level of recognition among interviewees and, perhaps not surprisingly, generated a more positive impression among those who know about our activities. In total, half of those interviewed felt that we play a positive role in improving life for the community.

In general the community has similar expectations of us as they do of other companies in the region and of local government. However, our scores are somewhat better than those of other companies in relation to our delivery of:

- Riau's income
- Rural welfare
- Job opportunities
- Work training
- Education support
- Road maintenance
- Medical facilities
- Providing schools
- House of worship

In several areas we were well perceived but our role was not seen to be very important and, equally, we were also perceived to play an important role on certain issues where our perception rating is poor.

Overall impressions of company

	How would you rate APRIL as a company?			How would you rate APRIL's role in progressing Riau community?		
	Degree of Awareness (%)			Degree of Awareness (%)		
	Total	Has Some Knowledge	Only By Name	Total	Has Some Knowledge	Only By Name
n=	383	184	199	383	184	199
Very Good	8	7	9	4	3	4
Good	48	55	42	46	47	46
Somewhat good	34	31	38	40	45	37
Somewhat bad	8	5	10	8	4	11
Bad	2	2	2	1	1	2
Very Bad	1	1	0	-	1	-

n - number of sampled respondents

The key focus of the community's expectations of us relate to their welfare and economic conditions:

Community Welfare	Infrastructure/Public Utilities	Economic Empowerment
Provide job opportunities for local labor force and in general	Provide electricity	Provide skills training
Increase rural welfare	Support education/build schools	Provide capital, seeds, equipment
Increase overall income	Provide clinics/health facilities	Help economic empowerment
	Build places of worship	Help to market agricultural products
	Maintain existing roads/build new roads	

Good perception/low importance	Poor perception/high importance
Approach to accommodating local aspirations	Increasing economy in general
Cultural/religious support	Help for economic empowerment
Provision of capital	Industrial waste handling
Opening new roads	Providing electricity

Perception Index Comparison

We take serious note of the areas of concern that have been indicated by this study. In particular we need to understand more fully the somewhat poor scores achieved in relation to land disputes (greater transparency, provision of compensation) and in the areas of illegal logging, animal and forest conservation, biodiversity maintenance and industrial waste. In a comparison with last year, our scores have gone down with regard to our handling of land disputes and environmental empowerment and the provision of infrastructure/public utilities.

Perception Index	Total Net Gain	
	2004	2003
District economy	105	55
Community welfare	185	133
Land disputes	-36	50
Culture, customs and religion	141	150
Economic empowerment	85	114
Environment, industrial waste	-106	-216
Road access	57	70
Infrastructure/public utilities	116	173

In order to obtain more information about the results of this survey, please see Contact Us at the back of this Report.

Four-Village Study

In June 2004 we also published a Community Perception Study conducted in the area of our operations and surrounding villages jointly with the University of Riau Coastal and Aquatic Resources Research Center, Riau, Sumatra. (*Studi Persepsi Masyarakat Riau Kompleks dan Masyarakat Sekitar Kawasan Industri APRIL Riaupulp. Laporan Tahap I. Juni 2004).*

The survey took a month to complete, from 21 April to 21 May 2004. Interviewees were drawn from villages within Pelalawan District: Pelalawan, Pangkalan Kerinci, and Kuala Terusan, and villages within Siak District: Simpang Perak Jaya (SP 7), Buatan (APRIL Riaupulp Port). The survey was intended to establish community perceptions of the improvements brought about by APRIL's presence, particularly in relation to economic and social aspects.

Summary of Findings

Village	Perception Rating of APRIL (%)		
	Good	Fair	Not Satisfied
Pelalawan	13	68	19
Simpang Perak Jaya	10	84	6
Pangkalan Kerinci	53	39	8
Kuala Terusan	64	29	7

Community Expectations of APRIL

Those interviewed understandably expect us to contribute to the stability and welfare of their communities. In particular they expect our continued support for:

- Community health and medical services
- Educational aid (scholarships, school buildings, equipment, etc.)
- Religious, cultural, and sports activities
- Farming and livestock raising projects
- Youth development projects (skills development, employment, etc.)
- Provision of utilities including roads, electricity and water
- Development of farms and oil palm plantations

In response to the results of both surveys, we will intensify our Community Development Program and work to understand more fully the reasons for the negative and positive perceptions generated.

Feedback

We operate on an open door policy and welcome visitors to observe our operations in action. We also invite comments from all readers of this Report. If you would like to make a comment, to receive more information or to visit our operations, do contact us. Please go to Contact Us at the back of this Report for details.

Fadlun now has his own sawmill, and the workforce and vehicles necessary to harvest and transport the wood to his pallet production site. Today, he smiles at the day he gave up the pallet business, as he proudly shows off his enterprise to his children - and hopes that one day he can hand over the enterprise to them.

5 Our People

Our belief and commitment to environmental and social sustainability stem from our vision and must increasingly become an integral part of our corporate culture. Improving the understanding of our employees to our commitment to a sustainable future was one of the principal reasons behind our decision to report publicly on our progress.

In this section of our Report we not only provide relevant statistics but, this time, include more examples of people and the work they do.

Valuing People

In our last Report we outlined our approach through the use of the Balanced Scorecard methodology which we believed would enable us to track how we are doing against business unit and department targets, reinforced by individual performance contracts. This has proved to be a valuable way of measuring individual progress in the attainment of corporate and personal goals. Individual scorecards have been reviewed and updated this year.

Supporting the Balanced Scorecard methodology is our CARE approach (Career Advancement, Compensation, Communication and Coaching) to human resource development. This principle underlies the processes for performance target setting, monitoring, assessment, development appraisal and compensation review. It enables us to measure performance against specific criteria, provide timely performance feedback, and identify areas for improvement or recognition.

We believe our greater openness, supported by an enhanced focus on individual performance, has helped to improve levels of employee satisfaction. Although a comparison between the employee satisfaction index scores for 2002 and 2003, conducted by Taylor Nelson Sofres, shows quite similar results, we are pleased with recent upward movement in 'Working Appreciation,' 'Reward & Recognition' and 'Career Development' responses, and the overall indication of improvement. We will be analyzing these results further to understand why one or two scores have dropped slightly.

Employee Satisfaction Index 2003-2004			
Dimension	**Satisfaction Index (0%)**		
	2002	2003	2004
Working climate	67.46	67.05	70.93
Leadership/ management	64.79	64.92	66.95
Working appreciation	63.15	63.01	64.99
Training/development	62.51	62.22	65.11
HR procedures	57.12	57.75	61.78
Internal community	53.22	55.11	61.03
Reward & recognition	51.28	54.12	54.41
Career development/ promotion	51.49	52.79	55.89
Overall satisfaction index	58.88	59.62	62.64

Through our participation in the annual Total Remuneration Survey conducted by William M Mercer Consulting among participating companies in the sales and manufacturing industries, we can also report that our pay levels are generally above the market median. The Mercer survey involved 47 well established companies in Indonesia.

According to the Mercer study, our annual base salary trendline is 10% above the actual market median. It is less easy to make comparisons between the benefits packages provided by different companies which vary according to location and industry. To obtain more information about this study, please see Contact Us at the back of this Report.

Training Programs		
Level/Group	**Subject**	**Participants (Jan. - June 2004)**
Middle Management	Management Development Program	30
Functional	English; Dept. Coordination; Internal Audit; Legal for Non-Legals; Tax Workshop	62
Supervisory	Finance for Non-Finance; Problem Solving and Decision Making; Leadership; Supervisory Management; New Employee Orientation	796
Others	Service Quality Training	23
External/Overseas	International Arbitration	2
	Total	**913**

On balance we feel our approach to salary and compensation achieves two major objectives: to provide internal equity and external competitiveness.

In our first Report we also cited the findings of the Pulp and Paper Industry Survey conducted by Hewitt Associates. We did not participate in this survey in 2003.

Developing People

Irrespective of whether our people are employed by us directly or by our contractors, everyone who works for APRIL matters to us. We make training courses available in a wide range of related subjects, according to grade. These range from business ethics and environmental issues, and financial management, to leadership and people management, and strategic management and business planning.

APRIL (Indonesia) Employee Grade Report*				
Grade	**Title**	2002	2003	2004
No grade	Management Trainee	69	189	106
A1-C2	Non-staff	3,697	3,307	3,004
C3-D1	Officer or Supervisor	489	524	493
D2	Superintendent	107	130	133
D3	Manager	17	24	23
E1 and above	General Manager and above	4	4	2
Total		**4,383**	**4,174**	**3,761**

*Excludes expats

Age Class	No. of Employees	%
Under 20	31	0.82
21 - 30	1,481	39.38
31 – 40	1,808	48.07
41 – 50	390	10.37
Above 50	51	1.36
Total	**3,761**	**100**

Gender	No. of Employees	%
Male	3,426	91.36
Female	325	8.64
Total	**3,761**	**100**

Grade	No. of Female Employees	%
Supervisor and above	57	17.54
Below supervisor level	268	82.46
Total	**325**	**100**

Length of Stay	No. of Employees	%
<2 yr	493	13.11
2 - < 3 yr	123	3.27
3 - < 5 yr	569	15.13
5 - <10 yr	1,975	52.51
10 - <15 yr	519	13.80
=> 15 yr	82	2.81
Total	**3, 761**	**100**

Education	No. of Employees	%
Elementary	92	2.45
Junior High School	197	5.24
Senior High School	2,062	54.83
Diploma	529	14.07
Bachelor's Degree	849	22.57
Master's Degree	27	0.72
Doctorate Degree	5	0.13
Total	**3, 761**	**100**

More than 97% of our employees are rightly Indonesian nationals but, given the international nature of our industry, we employ experts irrespective of nationality where this is necessary for the business. It is perhaps not surprising that we have relatively few female employees. However, of the women who work for us, 17.54% hold management positions and all roles are filled on merit.

Case Study **Andi Erwanto**
Financial Controller, Unigraha Hotel

Andi Erwanto
Financial Controller, Unigraha Hotel, Kerinci

In 1993, Andi Erwanto moved as a recently qualified accountant from Jakarta to Kerinci to work for APRIL, long before its operations were up and running. Andi was rapidly promoted to the post of General Accounting Supervisor and, following a period as Chief Accountant with KIK, an APRIL service contractor, in 1996 joined the Unigraha Hotel even before it officially opened. Unigraha Hotel is an independent company inside APRIL's Complex in Kerinci. The hotel provides accommodation, meeting room and recreation facilities for transient company staff, guests, suppliers, and other visitors. Andi joined as Assistant Financial Controller while the hotel was still being built, but in 2000 was promoted to the position of Financial Controller.

But rather than his career, for Andi a more important aspect of his move to Kerinci, is his family: "I met my wife here, together we raise a family, and are preparing a future for our children."

Religion	No. of Employees	%
Islam	2,693	71.60
Christianity	919	24.43
Buddhism	90	2.39
Catholic	55	1.46
Hinduism	4	0.12
Total	**3, 761**	**100**

Employee Representation

SPSI continues to be the independent labor union chosen by our employees. We consult regularly with SPSI on career opportunities for our people.

Occupational Health and Safety

We are very concerned with our safety performance, especially with regard to our fiber plantation operations where the number of accidents occurring each year is high. Although we saw the number of accidents and injuries go down in 2003, we know we still have to do more. Obviously we do not want any accidents to arise and acknowledge that forestry is an inherently dangerous industry. We are taking a number of steps to address this issue and also to encourage more individual, as well as management, responsibility for personal safety.

Health & Safety Performance of APRIL (TRIR*)			
	2002	2003	Jan. - June 2004
Riaufiber	11.44	6.04	2.24**
Mill	2.14	1.55	1.10
All APRIL	6.87	4.94	

*Total Recordable Incident Rate is the total number of incidence per 100 workers per year.
**Incident rates generally rise in the dry period of June through October, when there is an increase in work activities.

Summary of Safety Performance for APRIL Riaufiber

Safety records have shown that our safety performance has improved despite the fact that average monthly manpower has increased by 52% and monthly production has increased by 24% since 2002 on our concessions. The continued reduction of fatalities and Lost Time Injuries presents the greatest challenge to Riaufiber operations.

Summary Safety Performance for APRIL Mill

From 2002 to end Dec 2003, APRIL Mill safety performance has generally improved in the following areas:

- Total Case Incident Rate (TRIR) decreased by 28%
- Lost-Time Injury Rate (LTIR) increased by 53% (with the inclusion of contractors lost time incidents in 2003)
- Lost Workday Incidence Rate (LWIR) decreased by 41%
- Safety performance shows consistent improvement especially in terms of TCIR and LWIR

APRIL Employee and Contractor Accident Record, Dec 2002 - June 2004					
	Fire	Total Burned Ha	Fatality	Medical Aid	Lost Time Injury*
Riaufiber					
January-June 2004	58	58	9	177	217
2003	76	605	13	368	47
2002	66	307	17	345	813
Mill					
January-June 2004				16	7
2003			1	49	26**
2002				57	12
2001				11	42
2000				10	53

* Lost Time Injury: number of accidents which resulted in lost time
**Covers both contractors and employees

Case Study **Cosmos Simbolon**
APRIL Employee

Cosmos Simbolon left his native Medan in search of better job opportunities. In 1994 he began working in an oil palm plantation in Ukui, Kuantan Singingi District, Riau Province. He was 20 and believed he could do better for himself. So a year later he joined APRIL as a Logistics Storeman. Following training, he was reassigned to be a Tractor Operator with higher pay and more responsibility. Cosmos' abilities were recognized and he has since become a Mechanized Seedling Production Foreman at APRIL's Pelalawan Nursery.

"The pay is not much but enough for now to support my wife and two children, who stay with me in a Pelalawan housing unit," he says. "With more experience, I can do more and in a better way, and I can earn more. I have to earn more for my growing family."

Asked how he wishes his career to progress, while Cosmos appreciates the opportunities he has had, he would like to see his responsibility better reflected in his seniority and in his job evaluation, and for worn out uniforms to be replaced promptly. He also believes people in Pelalawan deserve better housing facilities.

Actions Being Taken

Mill Operations

In March 2004, we asked SUCOFINDO, a Government appointed training provider, to conduct two SMK3 trainings for our front-line supervisors from the mill and Riaufiber fire and safety officers. SMK3 is the Government's Occupational Health and Safety Management System (for large-scale industry). This training covered Job Safety Analysis, Safety Inspection and Incident Investigation.

From the feedback we have received, we believe these training sessions have led to a greater understanding of how SMK3 translates in everyday activity, an understanding which we will now make efforts to cascade to all our employees. We have also trained our people to audit our own performance. In this regard, we are introducing Job Safety Analysis as a fundamental incident prevention tool across all departments. In the unfortunate circumstance that an incident does occur, we now have greater confidence that we can identify the cause and put remedial measures in place.

As part of our safety personnel professional development and organizational capacity-building initiative, three Mill Safety Officers will undertake a two-year course on Integrated Risk Management. This is a web-based course for which we will provide the necessary facilities and equipment.

Riaufiber Operations

We are concerned about the health and safety record among our fiber plantation contractors. In response we are developing a Riaufiber Health and Safety Code of Practice for manual workers which will cover:

- Protective clothing
- Safety training
- Accommodations in the field
- Transport
- Food and water
- Sanitation

We are also seeking to achieve OHSAS18001 Certification in 2005.

Safety and Security

Since we last reported, we have taken on an additional security partner. We continue to retain Shields for our fiber plantation operations and use SGI for our mill complex, town site, and Buatan port to provide security services for our people and infrastructure.

Shields provides trained security officers who specialize in preventing or stopping demonstrations by illegal loggers, in removing blockades and helping APRIL's fire and safety officers in extinguishing fires. In the first half of 2004, Shields personnel prevented illegal logging on 64 occasions. Last year they helped stop 29 demonstrations and blockades.

Shields has also been actively involved in the Task Force against illegal logging in Tesso Nilo which was organized in line with the MOU signed by APRIL with the WWF and the Environment Ministry of Indonesia in November 2003.

Our security partners also play a vital role in accident prevention and assistance. Road safety is a particular concern to us and we have asked Shields to become involved in an awareness campaign along our access roads.

If you would like to comment on this Report or to take a look at our operations in Kerinci, be it the mill, our plantations and nursery, or our community development centers, please get in touch. You can find the relevant information in Contact Us at the back of this Report.

6 Our Commitment

We recognize that we have to continuously improve all aspects of our operations whether they are manufacturing, sales, fiber plantation, environmental management, community relations or corporate citizenship. This is recognized through the various management practices we have instituted, primarily the use of the Balanced Scorecard and Key Performance Indicators which set out various performance targets. We always aim for continuing improvement.

Apart from our general desire to improve, there are a number of specific areas which can enable us to progress in our move to sustainability.

• Corporate Governance
We are committed to good corporate governance. As such we will review our approach to this with the view to embedding it at all levels of our company.

• Responsible Fiber Plantation Management
To ensure that we have sustainable supplies of fiber, we need sound fiber plantation management based on appropriate performance standards. Accordingly, we will continue to work towards LEI (Lembaga Ekolabel Indonesia/Indonesian Ecolabel Institute) certification in 2005 and undertake to regularly report on our progress towards achieving this.

• Tesso Nilo
We will continue to support efforts by WWF to have sections of Tesso Nilo turned into a national park protecting indigenous flora and fauna.

• Emission Monitoring
In our first Report we stated that we had wanted to have continuous emission monitoring equipment installed by the end of 2003. We put this in place with 11 of the 13 monitoring points but the equipment at two points continue to face problems with calibration. We will have all equipment operational by end of 2004.

• Occupational Health and Safety
Our intention is always to have a safe operating environment both within the mill and fiber estates. As such we are committed to the following:
- Increasing the level of courses and training in safety
- Developing a comprehensive health and safety standards policy for manual workers, including contract labor, in our fiber plantation operations
- Seeking OHSAS 18001 Certification in 2005

• Community Development
This is a cornerstone of our corporate citizenship initiatives. We will continue our involvement in the community as a responsible citizen, including expanding our Community Development Program.

• Land Disputes
We remain committed to the fair resolution of all outstanding land disputes. In 2004 and 2005 we will continue to talk with independent third parties to obtain advice and assistance in resolving these issues.

• Sustainability Reporting
We recognize that the achievement of sustainability requires improved management, as well as reporting. Through our Balanced Scorecard we are committed to ongoing improvement of management processes. We will also continue to publish Sustainability Reports.

• Solid Waste Management
Our new landfill site will be completed by the end of 2004. In addition, our Landfill Remediation Program, as authorised by the government, will see the remediation of Section A completed in 2004, Section B in 2005, and Section C in 2006.

We also recognize that we must continue to reduce waste going to the landfill and thus are committed to continuing the pilot projects that investigate the re-use and recycling of the mill's solid wastes.

• Global Compact
Our commitment to sustainability and corporate responsibility means we support the principles of the United Nation's Global Compact. We will seek inclusion in the Global Compact by end of 2006.

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Independent Assurance Statement

To: the Management of Asia Pacific Resources Holdings Limited (APRIL)

a) Introduction

Bureau Veritas has been engaged by Asia Pacific Resources Holdings Limited (APRIL) to provide assurance for its sustainability reporting. This Independent Assurance Statement applies to APRIL'S 2004 Sustainability Report ('the Report'), its second such report to date covering the reporting period of January 2003 to the end of June 2004. The preparation of the Report is the responsibility of the management of APRIL. Our responsibility is to provide assurance on the reliability of the information therein and to express our overall opinion on the Report as per the scope of assurance.

b) Scope of the assurance

The scope of our work was determined through discussions with APRIL and can be summarized as follows:

- review and assess the reliability of environmental, social and related information and associated performance data included in the Report for the period of January 2003 to the end of June 2004.
- assess the efficacy of systems deployed in the collection and compilation of such information
- where appropriate provide impartial commentary on progress and propose recommendations for further development

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

- Activities outside the defined assurance period
- Positional statements (expression of opinion, belief or future intention provided by APRIL) and statements of commitment

c) Assurance methodology

Bureau Veritas assessed whether the information reported was supported by underlying evidence. To do this we conducted:

- interviews with APRIL employees and a review of relevant systems to understand information management within the company
- discussions with external parties to corroborate information where appropriate
- audit of performance data back to source data wherever possible; where this has not been possible we have ensured that the data has been accurately transposed into the Report
- review of the complete Report for consistency with the findings of our detailed work.

d) Basis of opinion

APRIL's sustainability reporting covers its operations and activities in Sumatra, Indonesia. The reporting structure is based on the Global Reporting Initiative (GRI) and APRIL is reporting herein against a number of its core and additional performance indicators.

Our opinion is formed on the strength of available information, observation and discussions with APRIL's management and operational staff during a site visit of 6-10th September 2004. The work conducted as described in the 'scope of the assurance' above was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.

e) Assurance Conclusions

In our opinion this, APRIL's second Sustainability Report:

- provides a fair representation of APRIL's sustainability status for the reporting period and its progress over the previous reporting period
- provides information in a clear and understandable manner that is considered to be reliable and free from significant error or bias
- responds informatively to commitments made in the previous Sustainability Report
- acknowledges and addresses a number of new stakeholder concerns
- has been corrected for mistakes and inaccuracies identified through the assurance process with a positive view to providing best available information

f) Commentary on Reporting and Assurance

Highlights and progress

- Well documented and competently managed systems for the management of social, environmental and human resource aspects of the business
- Continued consultation with certain stakeholders and effort towards engagement with other stakeholders regarded as key to APRIL's responsibilities
- Efficient management of land dispute resolutions, overseen by relevant third parties
- Independent assignments conducted during the reporting period, including audits to address illegal logging issues, pre-assessment for forestry certification, and public health and NGO perception studies
- Conservation initiatives in the Tesso Nilo area, progressed in consultation with the government and certain stakeholder groups
- Progress with plantation practices for more efficient production of plantation fiber
- Further development of legal timber sourcing management, including collaboration with a number of recognized official and NGO bodies
- Commitment to existing and new community development projects, demonstrated through allotted budgets, physical evidence and personal interviews
- Additional safety initiatives including staff training and progression towards a formalized health and safety management system
- Continued monitoring of relevant environmental parameters in accordance with legal and internal voluntary requirements

Key areas for ongoing improvement

- Continue to extend engagement efforts with key stakeholders with a view to working with them on areas of common concern, thereby further opening the reporting scope
- The setting of relevant and effective performance indicators and targets against environment and safety concerns with respect to performance improvement and reporting
- Consider the inclusion of case studies for environmental and safety management that demonstrate incidents and lessons learned as well as improvement aspects
- Consider incorporating more of the GRI indicators that relate to the core business of APRIL such as biodiversity, suppliers, legal compliance and society, for example
- Consider developing community initiatives that will reach a greater populus, both local and geographical, as well as the existing approach to specific needs assistance
- Consider the participation of all business departments in the report coverage and content for greater internal awareness and ownership
- Ensure that all relevant information is appropriately analysed and interpreted in the context of sustainability management and stakeholder responsiveness

Considerations and limitations

In relation to our assurance work and conclusions the following considerations and limitations should be noted:

- We have conducted limited external stakeholder interviews in relation to providing assurance against community related case studies described in the report
- Where stakeholders are quoted transcripts of this have not been available to test the accuracy except through 2nd party sources
- For up-to-date plantation related information that relies upon 2002 data, for example, cumulative figures, this has been assured on the understanding that the accuracy of measurement based on re-surveying techniques, has increased over the intervening period
- Report findings of the pre-assessment work for forestry certification were requested for verification but not available on the grounds that this is contracted as an internal study and that the review and implementation of recommendations are on-going
- In relation to the performance data we have audited source data wherever possible; where this has not been possible we have ensured that the data has been accurately transposed into the report
- Therefore this independent assurance report should not be relied upon to detect all errors, omissions or misinterpretations in the Report, nor can it guarantee the quality of environmental and social management systems and processes.

Glossary

Acacia crassicarpa, Acacia mangium and Acacia auriculiformis – Three species of Acacia, characterised by fast-growing and good pulping qualities. APRIL plants *Acacia crassicarpa* on low-lying poorly drained land and *Acacia mangium* on better drained soils. The company is currently evaluating on mineral soils *Acacia* hybrids (*A. mangium x A. auriculiformis*) for their genetic properties and the effectiveness of cloning.

Acacia Chain of Custody System – As part of APRIL's commitment to sustainable fiber plantation management, APRIL ensures that the flow of Acacia fiber from the plantation to the mill can be reliably monitored, traced and documented. Through APRIL's Acacia Chain of Custody (CoC) System, Acacia wood can be identified and segregated from mixed hardwood at any point from the plantation to the mill production chain.

ADt (Air Dried tonne) – Marketable pulp (air dried) contains 10 percent water.

AOX – a collective term for organic halogens. Total concentration of chlorine bound to organic compounds in waste water. AOX measures all chlorine compounds both harmful and harmless.

Biofuel – In contrast to fuel based on products derived from the petrochemical industry (i.e. fossilized biomaterial) biofuel is based on raw material derived from living organisms and therefore can be classified as renewable resource.

Bleached Chemical Market Pulp – Pulp obtained by digestion of wood with solutions of various chemicals. The principal chemical processes are the sulfate (kraft), sulfite, and soda processes. Chemical pulps are used to make shipping containers, paper bags, printing and writing papers, and other products requiring strength and is produced to be sold in the open market.

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. See COD also.

CIFOR – Center for International Forestry Research, located in Bogor, Indonesia.

DO – Dissolved Oxygen.

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

Elemental Chlorine Free (ECF) – Pulp bleaching process, where no chlorine gas (i.e. no elemental chlorine (Cl_2) is used, but only chlorine dioxide (ClO_2). Using chlorine dioxide (a powerful oxidant) minimizes the formation of chlorinated organic compounds during bleaching.

Eucalyptus – A large family of trees, common in Australia. Certain species, like the *Eucalyptus pellita*, are native to Indonesia. APRIL is evaluating the suitability of planting Eucalyptus hybrids on a large scale on mineral soils.

Hectare – metric unit of area equal to 10,000 square meters (2.471 acres)

Illegal Logging / Illegal Wood – This refers to trees that are cut from natural forests, private concessions and village land without legitimate government authorization or permits. It also includes wood obtained through bribery and wood acquired in violation of the conditions of the permit (e.g. cutting more than the authorized volume, or cutting outside the permit area). Illegal logging is a global multi-billion dollar industry affecting many countries. APRIL is actively combating illegal logging.

ISO - The International Organization for Standardization, also known as ISO, is a worldwide federation of national standards bodies representing more than 140 countries, one representative from each country. ISO is a non-governmental organization established in 1947. The mission of ISO is to promote the development of standardization and related activities in the world with a view to facilitating the international exchange of goods and services, and to

developing cooperation in the spheres of intellectual, scientific, technological and economic activity. ISO's work results in international agreements which are published as International Standards. ISO is not an acronym for the International Organization for Standardization, as many people believe, ISO is actually derived from the Greek "isos", meaning "equal" which is the root of the prefix "iso" found in many terms to indicate "equal", such as: isometric; isobar; isogenous; isotope; etc. Therefore, the short name of the organization "ISO" ensures that the name remains the same, regardless of the country or language.

ISO 9000:2000 – comprises a series of documents (standards, guidelines and technical reports) that set out more specific standards for areas such as auditing procedures, quality performance evaluation, quality improvement, quality in project management, training, techniques and statistical process control; however, they do not result in "certifications." ISO 9001:2000 "Quality management systems - Requirements" is the standard used to assess an organization's ability to meet customer and applicable regulatory requirements and thereby address customer satisfaction. Furthermore, ISO 9001:2000 is the only standard in the ISO 9000:2000 family against which third-party certification can be carried out.

ISO 14001 "Environmental Management Systems – Specification with guidance for use" is the only standard within the ISO 14000 series against which an organization's environmental management system (EMS) can be certified. ISO 14001 requires that an organization'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 organization's EMS. However, the ISO standard does not set specific environmental performance criteria nor does it establish absolute requirements for environmental performance; these are defined by the organisation seeking certification to this standard. Certification to ISO 14001 requires an organization to:

- establish an appropriate environmental policy;
- determine significant environmental impacts of its activities (past, present or planned) and of the products/services it produces (ensure that all issues identified as "significant" are being managed within the EMS);
- identify the relevant environmental legislative and regulatory requirements (ensure regulatory compliance is being achieved);
- identify priorities and set appropriate environmental objectives and targets;
- establish a structure and programme(s) to enable it to implement the policy and achieve the established objectives and targets;
- facilitate planning, control, monitoring, corrective action, auditing and review activities to ensure both that the policy is complied with and that the environmental management system remains appropriate to the nature and scale of the organisation's activities (the system is auditable, both internally and externally); and
- be capable of adapting to changing circumstances.

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

Land Disputes – Land in Indonesia is predominantly state-owned. The right to use the land is given to certain companies and individuals under licensed concessions for which fees or royalties are payable. A major exemption to this is traditional village land, usually small plots on which villagers grow subsistence and cash crops. Disputes may arise through overlapping claims to the same land, or through lack of provable land titles and questionable recognition of traditional rights.

Melaleuca – *Melaleuca* is a genus of around 170 species in the Myrtle family (Myrtaceae). APRIL is testing Melaleuca, which is native to Indonesia, intensively to determine the best planting material sources, to further develop our management techniques, and to understand their fiber properties in pulp production.

Mixed Hardwood (MHW) pulp – A specific type of pulp which, in the case of APRIL, is produced from a mixture of various hardwood species harvested from concession areas which are being developed into Acacia plantations.

Nordic Swan – The Nordic Swan is an Eco-label that signifies that a product satisfies the Nordic Environmental Labelling Board criteria and requirements over the whole life cycle. This standard covers both the external and internal environment and the product's manufacture all the way from the raw materials to recycling.

OHSAS 18001– OHSAS 18001 is an Occupational Health and Safety Assessment Series for health and safety management systems. It is intended to help organizations control occupational health and safety risks. APRIL is seeking to achieve OHSAS 18001 Certification in 2005.

Palm Oil – A vegetable oil produced from a special variety of palm (the Oil Palm) widely planted in South East Asia. Palm Oil can be used for cooking, food processing and lubrication.

pH – The pH scale commonly measures the acidity or alkalinity of water. pH is the negative logarithm of the molar concentration of hydrogen ions. It ranges from 0 to 14. A pH of 7 is neutral (pure water). A pH less than 7 is acidic, and a pH greater than 7 is basic.

Riau Province (Propinsi Riau) – The province on the island of Sumatra, Indonesia, where APRIL's fiber plantations, and pulp & paper mills are located. For administrative purposes, Indonesia is divided into a number of provinces, each administered by its own government.

Riparian – relating to the immediate surrounding area of a natural water course. This includes vegetation as well as the soil.

SME (Small & Medium-sized Enterprises) – APRIL helps establish and encourages local SMEs both through our industrial operation and via community development.

Sumatra (Sumatera) – The second largest island in Indonesia (after Borneo). Riau Province, where APRIL's iber plantations, and pulp & paper mills are located, is in Sumatra.

Sumatran Elephant –The Sumatran elephant *(Elephants maximus sumatranus)* is the smallest (and perhaps oldest) of the Asian subspecies and is unique to the island of Sumatra. It has been protected in Indonesia since 1931. Now endangered, population surveys conducted in the 1980's estimated that only 2800 – 4500 wild elephants remain.

Tesso Nilo – Tesso Nilo is a lowland forest area in Riau Province. The area is a natural habitat for Sumatran elephants and other wildlife. It has also been found to have up to 218 species of plants in plots of only 200 sq. metres, giving it a greater biodiversity than any other area in the world. APRIL has declared a moratorium on logging in Tesso Nilo.

TSS – Total Solids suspended in a solution.

US Cluster Rule – a comprehensive set of regulations issued by the US Environmental Protection Agency to reduce environmental pollution, water discharges, air emissions, and solid wastes relating to all industries, including pulp and paper mills.

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