At APRIL, we are focused on development of abilities to ensure that sustainability is fully integrated with our business.
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to Understand the complexity involved in achieving the right balance in social, environmental, and economic development.
Ability to Manage processes that enable us to meet the demands of the present market while protecting resources for the future.
to Empower people to become active partners in social and economic development.
Ability to Drive

a united purpose where achievements are measured beyond profit.
a relentless pursuit of business excellence with social and environmental responsibility.
President Director’s Statement

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

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

We take an all-encompassing approach to sustainability for us, this means addressing environmental imperatives, enhancing opportunities for people in the communities where we operate and contributing to economic development. We firmly believe each of these contributions is consistent with running a successful pulp and paper company in the world, the preferred supplier to customers, and the employer of choice to employees.

The context of where we operate is important to understanding the initiatives we undertake. We are committed to addressing environmental, social and economic imperatives, enhancing opportunities for people in the communities where we operate.

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

Based on a 2006 CIFOR report (Allen et al. 2006)** and 2009 ITTO report (Subadi et al. 2009)*, Riau’s transition to a downstream and value-added industry is critical for the economic growth of Riau’s biggest sustainability challenges is the reality of these complexities means one of Indonesia’s biggest challenges is the responsible management of its forest lands. The reality of these complexities means one of Indonesia’s biggest sustainability challenges is the responsible management of its forest lands. The reality of these complexities means one of Indonesia’s biggest sustainability challenges is the responsible management of its forest lands.

Recognising that peatlands are sensitive areas, APRIL Indonesia has designed and implemented innovative ‘no-till’ techniques, and land and water management practices developed through a three-year collaborative programme with leading pest, forestry and hydrologic experts and universities. Our ecohydro approach and protection of HCVF maintain important ecological values on peatland and contribute to the effective management of carbon emissions over the long-term.

APRIL Indonesia also makes a significant ongoing commitment to contribute to local employment and community development programmes which are critical for our continued business success.

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

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Sustainability Overview

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

Scope of this report

This report describes our APRIL Indonesia operations. The boundaries for this report include APRIL Indonesia’s owned and operated entities and our joint venture supply partners. We report on a national level presenting data that are relevant, accessible and comparable. This report includes information relating to our economic, social and environmental performances. We have engaged an external assurance provider, Bureau Veritas, whose independent assurance statement can be found at the end of this report.

Our sustainability reporting approach

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

Key highlights

4th largest
uncoated woodfree (UWF) paper producer in Asia, led by flagship brand PaperOne™ (1)

2nd largest
bleached hardwood kraft market pulp producer worldwide(2)

>4,500 employees
directly hired in mill and forestry operations

15% increase
in total sales volume for paper segment in 2010 compared with 2008

2.8 million tonnes
total designed pulp production capacity

88% of market pulp sales
within Asia Pacific and China (APAC)

(1) Hawkins Wright MarketPulp Outlook, December 2010
(2) RISI, August 2010

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

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

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

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

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

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

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

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

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

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

APRIL Indonesia sustainability charter
### Major certifications and awards

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

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

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

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### Our commitment principles

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

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

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### Highlights for 2008 to 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Highlights</th>
</tr>
</thead>
</table>
| 2010 | • Charcoal Certification under the Programme for the Endorsement of Forest Certification (PEFC) for pulp and paper production, stones and sand.  
• Sustainable Production Forest Management and Timber Legality Verification Certification from the Indonesian Ministry of Forestry.  
• Green Industry (Manufacturing) Award at silver level for large company category from the Ministry of Industry, Indonesia. |
| 2009 | • CSR Recognition Award from Singapore Compact and United Nations Global Compact  
• Ecolabel certificate awarded by Pulp and Paper International Certification Services (PAPICs) Bandung, Indonesia.  
• “Clean” PROPER rating by Indonesian Ministry of Environment for efforts in environmental management and Corporate Social Responsibility for four years since 2006.  
• Occupational Safety and Health Management System certified by Ministry of Manpower and Transmigration, Indonesia. |
| 2008 | • Partnered with United Nations Environment Programme (UNEP) to honour the Champions of the Earth 2008. |

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**World Business Council for Sustainable Development**

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

**United Nations Global Compact**

APRIL Indonesia took a further step to demonstrate its commitment to becoming a signatory to the Principles of the United Nations Global Compact (UNGC) in 2006. The Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report transparently on implementation. As a signatory to UNGC, APRIL Indonesia supports its principles, implementing a corporate sustainability framework closely aligned to UNGC best practice guidelines.

**FAO Fire Management Actions Alliance**

We strive to manage our forests in a sustainable way and ensure that the forest resources are being conserved to meet the needs of future generations while also serving the benefits to present generations. Coordinated by the FAO, APRIL Indonesia has been a member of the Fire Management Actions Alliance since May 2007. The Alliance’s goals are to improve fire management worldwide, through promotion of Fire Management Voluntary Guidelines:

- **Principles and Strategic Actions**
  - Promoting sustainable forest management and use of forest products as important climate change mitigation strategies
  - Tracking, managing and reporting on carbon dioxide emissions
  - Promoting sustainable forest management, fire readiness and fire management practices

FAO Fire Management Actions Alliance since May 2007. APRIL Indonesia was joined by fire management professionals from around the world. APRIL Indonesia supports its principles, implementing a corporate sustainability framework closely aligned to UNGC best practice guidelines.
We openly acknowledge the challenges that have been identified and here outline our action-oriented responses to effectively deal with 10 key focus areas.

We also looked inwardly to assess our organisational capabilities and strategies as we continue to integrate sustainability into our business management systems. We openly acknowledge the challenges that have been identified and how we are perceived.

Identifying and understanding the issues of most concern to our stakeholders is essential for the sustainable growth of our business. APRIL Indonesia’s sustainability challenges are specifically driven by our commitment to People, Planet and Profit. Implementing sustainability in our specific operational context presents many challenges. To better understand these challenges, APRIL Indonesia assessed the viewpoints of 63 environmental and social civil society organizations in Indonesia and the world in order to gain a detailed understanding of their issues and how we are perceived. We have also looked internally to assess our organisational capabilities and strategies as we continue to integrate sustainability into our business management systems.

APRIL Indonesia sustainability challenges

<table>
<thead>
<tr>
<th>Focus</th>
<th>The challenge</th>
<th>Our response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability governance</td>
<td>APRIL Indonesia adheres to good corporate governance practices. As part of our continuous improvement philosophy, APRIL Indonesia will seek to further develop our sustainability governance practices in the areas of control, integration and performance management.</td>
<td>Improve sustainability governance practices through better integration, cleaner reporting relationships and performance management. To develop the sustainability governance model, strengthen internal and external liaison and improve practices over the next 12 months. Our Sustainability, Certification, Corporate Communications and the NDCI engagement teams report directly to the External Affairs Director. The External Affairs Director role has been created at the Corporate level, to develop the sustainability governance model, strengthen internal and external liaison and improve practices over the next 12 months. Our Sustainability, Certification, Corporate Communications and the NDCI engagement teams report directly to the External Affairs Director.</td>
</tr>
<tr>
<td>Sustainability strategy and commitments</td>
<td>APRIL Indonesia is guided by our Triple Bottom Line principle of People, Planet and Profit. Our growth imperative requires that we develop a more clearly defined sustainability strategy and supporting management operating system.</td>
<td>In this 2010 report, APRIL Indonesia has identified its sustainability strategy focus areas. Over the next 12 months, we will implement processes to develop a set of objectives, targets and plans to address these focus areas in a structured manner. These actions will be measured and managed to enable us to lift our sustainability performance to the next level.</td>
</tr>
<tr>
<td>Joint-venture supply partners</td>
<td>External stakeholders expect joint-venture supply partners to adopt and effectively manage and monitor sustainability standards, policies and practices consistent with APRIL Indonesia.</td>
<td>We aim to conduct an assessment of the sustainability practices of our joint-venture partners and jointly develop improvement plans that enhance sustainability performance. We will ensure that new partnerships will include an obligation to identify and protect HCV. We are also investigating the possibility of acquiring some of our partners in line with our growth plans, and in order to support consistency in sustainability management.</td>
</tr>
<tr>
<td>Forest certification</td>
<td>APRIL Indonesia’s goal is to be a preferred supplier that requires a variety of forest certifications to meet the expectations of our customers and our supply chain stakeholders.</td>
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<td>Land tenure/rights</td>
<td>Indigenous/Customary land use rights may result in conflict with APRIL Indonesia’s licensed rights from national government.</td>
<td>APRIL Indonesia will continue to improve the process of engaging and managing our partnerships with communities and resolving disputes through third party mediation and government approval.</td>
</tr>
<tr>
<td>Partnerships</td>
<td>Our growth requires nurturing existing partnerships and building new relationships with our key stakeholders.</td>
<td>APRIL Indonesia will continue to seek engagements with external stakeholders to help identify and develop opportunities that deliver meaningful outcomes for our partners and the communities within which we operate.</td>
</tr>
<tr>
<td>Climate change</td>
<td>Sustainably reduce our carbon footprint across the APRIL value chain.</td>
<td>APRIL Indonesia will continue to seek engagements with external stakeholders to help identify and develop opportunities that deliver meaningful outcomes for our partners and the communities within which we operate.</td>
</tr>
<tr>
<td>Peatlands</td>
<td>The development of peatlands is a significant source of greenhouse gas (GHG) emissions.</td>
<td>APRIL Indonesia will continue to seek engagements with external stakeholders to help identify and develop opportunities that deliver meaningful outcomes for our partners and the communities within which we operate.</td>
</tr>
<tr>
<td>High Conservation Value (HCV)</td>
<td>Alignment in understanding between internal operations and external stakeholders on HCV delineations and maintenance of conservation values.</td>
<td>APRIL Indonesia will continue to seek engagements with external stakeholders to help identify and develop opportunities that deliver meaningful outcomes for our partners and the communities within which we operate.</td>
</tr>
<tr>
<td>Natural forest conversion</td>
<td>Establish a plantation/land base that will sustainably provide a renewable supply of wood fibre to meet market demands.</td>
<td>APRIL Indonesia will continue to seek engagements with external stakeholders to help identify and develop opportunities that deliver meaningful outcomes for our partners and the communities within which we operate.</td>
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Mill
Environment

Efficient usage of raw materials
Emission levels
Water consumption
Effluent levels
Solid waste levels
Energy efficiency
Case study: Precipitated Calcium Carbonate Filler (PCC)

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

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

Key highlights

USD 2.3 million

invested to build the biofuel methanol plant to reduce greenhouse gas emissions

2 CDM projects

recover methane from waste vapour and sludge from effluents

87% energy

generated from renewable biomass sources such as bark and black liquor

95% removal

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

Efficient usage of raw materials

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

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

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

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

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

Fast facts

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

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

Fast facts

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

Emission levels

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

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

Emission levels


<table>
<thead>
<tr>
<th>Emissions</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particulate</td>
<td>0.17</td>
<td>0.20</td>
<td>0.30</td>
</tr>
<tr>
<td>NOX</td>
<td>0.23</td>
<td>0.35</td>
<td>0.50</td>
</tr>
<tr>
<td>SOX</td>
<td>0.52</td>
<td>0.76</td>
<td>0.59</td>
</tr>
<tr>
<td>TRS</td>
<td>0.019</td>
<td>0.016</td>
<td>0.014</td>
</tr>
<tr>
<td>CO2</td>
<td>2,524,000</td>
<td>1,315,000</td>
<td>915,000</td>
</tr>
</tbody>
</table>

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

Emission levels from our mills meet national government standards. Variations from year to year in emission levels are due to changes in fuel sources (e.g. coal versus biomass) and changes in the production ratio of pulp and paper. Results are presented below as weight of emissions in kg per air dried tonne (Adt) of production, except CO2 which is presented as total tonnes emitted.
Steps to reduce emissions
By reducing dependence on fossil fuels and investing in new technologies, APRIL Indonesia has made significant steps to reduce emissions. CO₂ emissions are directly related to the use of fossil fuels. Using alternative sources of energy has enabled us to reduce the consumption of coal, diesel, and marine fuel oil, and the amount of CO₂ emitted. (Reference: APRIL Environment, section on Self-sufficient energy consumption)

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

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

Investing in environmentally responsible operations

Chloride removal plant
In 2009, we started work on a second chloride removal plant (CRP) with a capacity to handle 200 tonnes of boiler ash per day from the electrostatic precipitator (ESP) – one of the largest CRPs in the world. ESP is a collection device that removes particles from a flowing gas. In the process, almost 98% of the chloride from the ash is removed, reducing corrosion and improving function of the recovery boiler.

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

Water consumption
Water is essential in the pulp and paper-making process, from cooking the raw materials in pulp production, heating it to produce steam to run the turbines in energy generation, to waste treatment. Water is also used to carry the pulp slurry to the paper machine, to carry wastes and residues of the mill to the treatment plants where it is cleaned and discharged safely back into the environment, and to provide steam to remove 93% of the water from the wet paper sheets in the paper machine.

Our mill is located near the Kampar River. Daily, we extract 340,000 cubic metres (m³) of water, returning about 240,000 m³ of treated water to the river, with the remainder being reused or evaporated. Under continuous improvement, water usage has decreased over the last 3 years. In 2010, we consumed about 38 m³ of water per tonne of production, a decrease of 11.5% from 2008. In 2008, one of the steps taken to lower water use was using Trumpjet™ in the paper mill which reduces water consumption by more than 1,000 m³ per day. Trumpjet retention aids reduce the volume of heated clean water required for the production process. In doing so, approximately 1,075 kW of energy was saved per day, equivalent to the amount of energy used to heat up the water from 28°C to 50°C.
Effluent levels

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

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

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

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

Steps to reduce effluents

A new effluent treatment plant (ETP) was installed in 2008 to support our pulp mill expansion and help reduce effluent levels. With an additional capacity of 120,000 m³, the new ETP increases the total effluent treatment capacity of the mill by 36.4%. The ETP features an integrated clarifier and aeration basins which marks APRIL Indonesia as the only pulp and paper mill in Indonesia to have invested in this advanced technology.
Solid waste generated at our mills is largely a by-product of energy production and the pulp and paper making process and includes sludge, dregs and grit, lime mud, screen rejects and pin chips (wood). Our practices in solid waste management ensure that wherever possible, solid wastes are used productively to enhance the sustainability of our operations.

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

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

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

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

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

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

At present, 87% of our energy is generated from renewable biomass sources such as black and bark liquor. With that, we have reduced our consumption of coal significantly by 64% and diesel and marine fuel oils (MFO) by 67% for every tonne of pulp and paper produced over the last 3 years.

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

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

Biofuel methanol plant

APRIL Indonesia’s methanol recovery process uses new technology to “strip”, condense and liquefy methane from the waste vapour created in the pulping processes. As a greenhouse gas, methane is 22 times more problematic than CO2. The methanol recovery process recovers approximately 50 tonnes of liquid methanol per day. Liquefied methanol is used as a fuel and offsets approximately 2.5 tonnes of the mill’s heavy oil requirement per day in the lime kilns to form the limestone to produce calcium carbonate for papermaking.

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

Bio-sludge project

APRIL Indonesia’s bio-sludge project which was started in June 2009 recovers the sludge from the mill’s effluent treatment plant and incinerates this in the chemical recovery boilers. Bio-sludge, traditionally landfilled, decomposes and emits methane gas.

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Responsible Forest Management

- Optimising forest land use
- Building community partnerships
- Responsible peatland management
- Best practice forestry
- Forest fire management
- Integrating high conservation values into our land-use planning
- Forest certification
- Conservation and biodiversity
### Key highlights

**160 million trees** planted in 2010

**76,053 hectares** community livelihood plantations

**278,721 hectares** natural forest conservation areas

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

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### Optimising forest land use

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

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

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

1. Industrial tree plantation +/- 70%
2. Infrastructure +/- 5%
3. Community livelihood plantation +/- 5%
4. Conservation +/- 10%, and
5. Natural tree plantation +/- 10%

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

51% of the forest lands licensed to APRIL Indonesia are used to establish our fibre plantations from which we cultivate a variety of fast-growing plantation trees that include Acacia, Eucalyptus and Melaleuca species. At present, 65% of our current plantable area is established fibre plantations and we plan to complete the fibre plantation for this area within the next 2 years. For the future, we want as much of our wood supply as possible to come from renewable fibre plantation trees. The clearing of degraded natural forest is an inherent step in developing renewable fibre plantation wood supply for the future expansion of our business. We will continue to assess our wood supply needs and ensure a responsible approach is taken to meeting that demand.

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

In our peatland fibre plantations we have also developed “hydrobuffer” zones where water levels are raised in a combined zone of fibre plantation and natural tree plantation that exists between our fibre plantations and natural forest conservation areas to protect their health and biodiversity. The natural tree portion of the hydro-buffer zones, accounts for 5% of the total land use.
Managing this large and diverse land area requires balancing the complex social, environmental and economic values that each stakeholder places on the natural resources contained within the area. We have developed a diligent process that involves consistent engagement with many stakeholders including government, non-governmental organisations (NGOs) and the local communities to jointly identify issues, develop positive solutions and implement collaborative actions. We work with:

- National, provincial and local government authorities to receive licences and operational permits in compliance with all forestry and environmental regulations.
- Local communities to build mutually beneficial partnerships that empower the communities to generate income and provide basic needs such as clean water, education and community infrastructure.
- Leading organisations that promote sustainable forest management and supply chains, addressing the important forestry and social issues of our industry. These include

**Sustainable plantation fibre supply**

Our plantations are the most important component of our integrated operations and supply the essential raw material needed for our business. We aim to secure the land that will provide a sustainable supply of renewable plantation-grown wood to our pulp and paper manufacturing facilities. Our 3 sources of fibre supply are our own plantation concessions, community fibre farms and jaban referral supply partners. We commenced establishment of our own concessions in 1994. Community fibre farms were initiated in 1999 and jaban referral supply partner became active in 2003.

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

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

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

**Building community partnerships**

Community engagement is a critical responsibility of operating in a developing socio-economic context, but is also essential to the stability of our business. Our engagement programmes contribute directly to the development needs and objectives of local communities and Indonesia as a whole. We continuously adapt our community engagement approach to the specific needs and conditions within individual communities.

We strive for broad support from within the communities where we operate following a consultative process as described and practiced by APRIL Indonesia through our standard operating procedures.

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

Providing land and support for community livelihood plantations

As part of the allocation within our licensed concessions, APRIL Indonesia has allotted 76,053 hectares to develop community livelihood plantations in partnership with villages that are within or close to our concession boundaries. Livelihood plantations provide communities with economic and social development opportunities. APRIL Indonesia establishes the livelihood plantations including the construction of roads, canals, and provision of seedlings and fertilizer. We also work hand-in-hand with the community by empowering them to develop village cooperatives to manage the growing socio-economic business and prepare them for the socio-cultural adaptations as their standard of living improves.

Before 2009, a majority of the land for livelihood plantations was developed and managed under the FARMERS’ Credit Members programme which established oil palm plantations in partnership with the local villages. In 2009, after receiving additional concession licences and specific directions from the Riau Province Forest Service, APRIL Indonesia is now only developing livelihood plantations with low socio-cultural risk, such as rubber (Hevea brasiliensis) and jaban (Mesophyllum cadamaneum), a fast-growing durable wood used for plywood and furniture.

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

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

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

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

- Conserve the natural peatland within fibre plantation development areas.

As part of the agreement, in Teluk Meranti village for example, we are establishing community livelihood plantations and village infrastructures, and will compensate the community for the crops and other structural improvements that already exist on the land, provide humanitarian financial compensation to displaced farmers; and contribute to community education and infrastructure development. This was cited by the United Nations High Commissioner for Human Rights as a case study for benchmarking and dispute resolution with the indigenous community.

Case study: Community partnership in the Teluk Meranti block

The Teluk Meranti block, consisting of three communities from Teluk Meranti, Teluk Binjai and Pulau Muda, has been a key focus area to develop community partnerships because of its location in the Kampar Peninsula, a 700,000-hectare peat swamp forest. In 2009, APRIL Indonesia received a licence to develop 1,600 hectares of community plantations consisting of rubber, palm oil and other livelihood trees in Lubuk Jering. After 1.5 years of negotiations, APRIL Indonesia and each of the community’s representative teams reached individual and independent mutual agreement in mid-2010.

A responsible peatland management system we called “eco-hydro” management. We learned that peatlands must be planned responsibly, carbon emissions and fire must be mitigated by maintaining water at high levels near the peat surface. In 2007, APRIL Indonesia began a Science-Based Management Support Project (SBMSP) to enhance the understanding of hydrology, ecology and other parameters for responsible management of peatlands. This project was conducted in collaboration with experts from Deltares, CarbioPEAT, Forestry, and the universities of Leicester (UK), Wageningen (Netherlands) and Hokkaido (Japan). It led to scientifically understood how to:

- Conserve the natural peatland within fibre plantation development areas.
- Maintain the hydrological function of the landscape.
- Reduce CO2 emissions from peatlands.
- Maintain long-term productivity in fibre plantations.

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Mechanisation of harvesting operations to improve efficiency

Manual harvesting systems have been the traditional and primary method that we have used to harvest our timber supply. In 2011, we will introduce mechanised harvesting systems to our forestry operations, including our joint venture partners. This mechanisation programme will continue until we reach our long-term goal to mechanise at least 75% of our harvesting capacity.

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Reducing chemical use in our plantations

Our Integrated Farming System under our Community Development Programme has taught village foresters natural mulching techniques that do not require fire use. We also collaborate with local forestry and biosecurity enforcement authorities to educate communities on the illegality and environmental impacts of fire use, and the effects of smoke and haze on human health. In 2009, we initiated community-level teams known as “Community Care about Fire” to reduce fire incidents and improve the response capabilities to unwanted fires.

Preparedness and response

To mitigate the threat of fires to our fibre plantations and conservation areas, our rapidresponse firefighting teams are specifically trained and equipped to respond and control fires in the shortest possible time. We have a targeted goal to contain each fire to less than 10 hectares. In the past three years, we have achieved on average 97% success rate in keeping fires to less than 10 hectares.

To anticipate the occurrence of threatening fires, we collect weather data to calculate daily fire danger rating and conduct regular and aerial patrols for early fire detection. To enhance our capabilities we also monitor daily “hotspot” data from the National Oceanic and Atmospheric Administration (NOAA) satellite via the ASMI Specialised Meteorological Service (ASMS) in Singapore. Measuring thermal energy, NOAA “hotspots” indicate a possible fire burning within a 1-square kilometre area. Based on 2008 and 2009 “hotspot” data, APRIL Indonesia managed to mitigate “hotspot” occurrence from community lands outside and surrounding our fibre plantation boundary.

Reaching out through international forums

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

Additional outreach activities during this period include hosting a Southeast Asia workshop to develop a regional framework for fire management, and cooperation with the Singapore National Environmental Agency and provincial government to enhance their capacity to prevent and mitigate forest fires.
Integrating high conservation values into our land-use planning

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

Induced fibre plantation concession development is guided by national government forestry regulations that stipulate the general allocation of land to be used for fibre, community livelihood and natural tree plantations, conservation forest and infrastructure. First, a macro-level analysis occurs using available vegetation and environmental data to broadly identify each of these allocations within the concession. Next, a micro-analysis occurs by an independent-third party to differentiate areas to be maintained as natural forest from those that can be developed into fibre plantations. This is based on specific legal criteria focusing on protecting sensitive soils, hydrological features, wildlife and cultural sites. These processes fulfil legal requirements for land use plan development.

For the responsible development of plantations, a scientifically and socially aware management plan is developed for the concession based on existing river basins – a landscape approach. We called “ecohydro” management. It identifies water management areas in planned areas, hydro-buffers and conservation areas in the deepest peat and natural forests.

As a voluntary commitment, we conduct High Conservation Value (HCV) assessments for each new concession area based on the Toolkit for Identification of High Conservation Values in Indonesia (2008). These assessments identify and delineate exceptionally important biodiversity values, ecosystem services and social or cultural values and recommend management. The HCV process is guided by national government forestry regulations that stipulate the general allocation of land to be used for fibre, community livelihood and natural tree plantations, conservation forest and infrastructure. First, a macro-level analysis occurs using available vegetation and environmental data to broadly identify each of these allocations within the concession. Next, a micro-analysis occurs by an independent-third party to differentiate areas to be maintained as natural forest from those that can be developed into fibre plantations. This is based on specific legal criteria focusing on protecting sensitive soils, hydrological features, wildlife and cultural sites. These processes fulfil legal requirements for land use plan development.

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For the responsible development of plantations, a scientifically and socially aware management plan is developed for the concession based on existing river basins – a landscape approach. We called “ecohydro” management. It identifies water management areas in planned areas, hydro-buffers and conservation areas in the deepest peat and natural forests.

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Forest certification

We understand the need to provide our financial stakeholders, customers, and other interested parties with assurance that an effective environmental management system is used and that our wood supply is legally harvested and free from controversial sources of wood. APRIL Indonesia has set up a comprehensive wood legally system that is designed to verify and trace wood from our fibre plantations through to the mill site. This system prevents illegal wood from entering our supply and production chains.

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

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

**Existing certifications**

We currently have a number of national and international certifications that provide evidence of our commitment to continuous improvement, wood legality and sustainability. APRIL Indonesia’s manufacturing operations are certified by ISO 2001, ISO 14001 and OHSAS 18001. APRIL Indonesia’s plantation forestry operations in Riau, are certified by ISO 14001:2004, OHSAS 18001:2007 and Lembaga Ekolabel Indonesia (LFI) for Sustainable Plantation Management.

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

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

In October 2010, APRIL Indonesia’s own concessions became the first industrial forest plantations in Indonesia to receive the Ministry of Forestry’s Sustainable Production Forest Management and Timber Legality Verification (PHPL/SVLK) certification. This certification was deemed in June 2009 as a result of the Government of Indonesia’s 2007 negotiations to enter into a Voluntary Partnership Agreement (VPA) with the European Union (EU) to tackle the problem of illegal logging and improve market opportunities for Indonesian forest products in the US, EU and other consumer markets. This certification is for the EU’s Forest Law Enforcement, Governance and Trade (FLEGT) licensing requirement set to become operational in the EU in March 2013. The PHPL/SVLK certification assures APRIL Indonesia’s customers that its pulp and paper exported from Indonesia to the European Union is legal and conforms to sustainable forest management principles, criteria and indicators defined by Indonesia’s laws and regulations on forestry, trade, and environment.

**PEFC Certification**

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

In 2010, APRIL Indonesia received PEFC CoC certification for forest products produced by our Indonesia pulp and paper facilities, stored in our European warehouses and sold by our global sales offices. The PEFC body verified that all wood sources entering our Indonesian pulp and paper manufacturing facility are controlled material originating from plantation wood and avoid controversial wood sources entering the mill.

**Forest Stewardship Council Certification**

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

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

- Clearly defining HVFs in the Indonesian context for APRIL Indonesia operations;
- Reinforced monitoring of wood supply and suppliers; and,
- Enhanced processes for community relations, stakeholder consultation and engagement.

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

The suspension primarily related to both organisations being unable to agree to a common understanding of definitions of High Conservation Value Forest and interpretation of a 2009 FSC policy introduced since our certification was awarded called the “Policy for the Association of Organisations with FSC”. This relates to direct or indirect involvement in the significant conversion of forest to plantations, which is an essential step for APRIL Indonesia in our process of establishing renewable plantation fibre supplies in the developing country context of Indonesia.
APRIL Indonesia manages over 278,721 hectares of natural forest conservation areas that contain HCVs. These natural forests within our concessions represent 19% of our total concession area and are an important contribution to maintaining Indonesia's unique biodiversity and natural resource heritage.

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

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

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

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

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

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

2. Strategic Executive Forestry Data, 2009: Ministry of Forestry, Indonesia
Our Responsibility to People

- Enhancing employee satisfaction
- Building talent through training and development
- Creating a continuous improvement mindset
- Ensuring health and safety in the workplace
- Contributing through community development

- Education
- Integrated Farming System
- Social infrastructure development
- Healthcare
- Social activities
- Small and Medium Enterprise development
Key highlights

109% increase
in number of training participants from 2008 to 2010

44% increase
in number of training programmes provided from 2008 to 2010

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

56% improvement
in Lost Time Injury (LTI) cases for forestry operations from 2008 to 2010

Our responsibility to people

APRIL Indonesia practises social responsibility by providing our employees and the local communities in which we operate with the capabilities, environment and support to allow them to excel. We focus on providing an equitable and safe workplace that enhances employee satisfaction, develops talent through a comprehensive training programme, and fosters continuous improvement. At the same time, APRIL Indonesia recognises that the company’s progress in sustainability is underpinned by our competent and dedicated employees.
Growing a diverse and inclusive workplace
At APRIL Indonesia, we recognise the value of a diverse workforce across different ages, genders and nationalities. We are proud of the fact that we employ people from at least 16 nationalities in our operations. In 2010, approximately 9% of our total workforce was female.

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

Enhancing employee satisfaction

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

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

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

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

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### Attracting and retaining talent

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

| Medical care | • Health insurance, medical clinics, and employee physical examination once every two years  
| • Employee relief fund granted to employees/spouse/children suffering from a critical illness or accident hazard |
| Housing | • Housing accommodation or monthly housing allowance |
| Safety | • Safety induction briefing as part of the orientation programme  
| • Personal Protective Equipment (hardhat, safety shoes, eye and hearing protection, etc.)  
| • Regular emergency drills |
| Insurance | • Social security benefits such as retirement plan, group life and accidental insurance coverage |
| Schools | • Schools within the company premises with qualified teachers and subsidised school fees |
| Training | • Training certification as form of recognition such as Driving Licence Programme (DLP) certification |
| Awards and incentives | • Annual competition for continuous improvement initiatives |
| Service awards and gifts | • Recognition for long-service employees as well as special events of marriage, new baby and funeral of family members |

### Protecting employee rights

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

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

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

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

In 2005, we established the APRIL Learning Institute (ALI) in Kerinci, Riau province, as part of our commitment to build a sustainable pool of talented people. ALI’s programmes are based on three key areas – customer focus, high performance and proactive teamwork. Following the successful establishment of ALI, the APRIL Asian-Agri Learning Institute (AAILI) for the forestry and plantation operations was established. These two learning centres adopt holistic competency-based methodologies. We also use various structured programmes such as the Self Development Programme, Management Development Programme and Executive Development Programmes for leadership training at all employee levels. Individual employee training needs are determined via the APRIL Assessment Centre which conducts pre-assessments of most employees to determine competency gaps. Individually tailored development programmes are then provided for employees through the performance review exercise.

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

Training programmes

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

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

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

Sponsoring young talent

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

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

Creating a continuous improvement mindset

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

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

We implemented the APRIL Improvement Management System (AIMS) in 2003 as a comprehensive framework to guide and monitor continuous improvement activities. To create a continuous improvement mindset across the entire organisation, AIMS enables improvement ideas through:

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

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

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

The first roll-out of Lean Six Sigma Green Belt training was attended by 20 selected employees. We will conduct more Green Belt training in 2011 and 2012, and expect to have a few certified Black Belts by 2013.
Every year, we organise the AIMS Excellence Event (AEE) where we celebrate successful innovations and continuous improvement ideas. The winning project for 2010 AEE was on reducing CO₂ emissions in peatlands.

Reducing CO₂ emissions in peatland plantation areas

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

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

Based on the team’s analysis, the team considered the following:
- Contour variation on the peatland
- Need for main canals to be used for transportation
- Main causes of uncontrollable fluctuations in water table levels

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

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

Winners of 2010 Excellence Event

Ensuring health and safety in the workplace

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

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

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

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

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

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

IMPROVEMENTS TO OHS MANAGEMENT

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

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

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

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

<table>
<thead>
<tr>
<th>Area of improvement</th>
<th>Actions taken</th>
</tr>
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</table>
| **Standard Operating Procedure (SOP)** | - Additional supervision and monitoring to enforce safety guidelines.  
- Additional accident prevention requirements, such as boat operator’s permit and safety spot checks.  
- Improve work/contractor suspension and penalties/laws as necessary.  
- Improve first aid, emergency medical treatment services and accident investigation process. |
| **Training** | - Conduct safety refresher training for all workers on a continuous basis.  
- Focus on vehicle operations and road/traffic safety.  
- Communicate safety information campaigns.  
- Issue work permit to contractors only at completion of required training. |
| **Quality control** | - Improve work planning, job site assessment and load calculation.  
- Improve safety inspection procedures and techniques.  
- Institute additional road warning signs posted at accident prone locations. |
| **Communications** | - Supervisors clearly communicate work instructions to every worker. |
| **Physical capabilities** | - Ensure all operators working onsite are in good physical condition. |
| **Work direction** | - Enforce Standards, Policies and Administrative Controls (SPAC). |
Key highlights

2,797 scholarships awarded to students for primary, secondary and university education

36,778 people received free medical treatment across 116 villages

7,200 volunteers mobilised for community social activity programmes

566 farmers received training, start-up investment and ongoing technical assistance

5,041 jobs created in local communities through SME programmes

4,585 hectares cultivated through the Integrated Farming System programme

Contributing through community development

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

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

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

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

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

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

Key contributions to education:

<table>
<thead>
<tr>
<th>Scholarships</th>
<th>Grants &amp; teacher training support</th>
<th>Educational infrastructure support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supported 23 pulp and paper technical institute students.</td>
<td>Supported teachers’ training activities for approximately 150 teachers.</td>
<td>Provided 28 schools with furniture and equipment.</td>
</tr>
</tbody>
</table>

Integrated Farming System

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

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

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

The Participating Farmers and Area Cultivated graph shows the progress of the IFS programme over the years.
Case study: Preserving Pelalawan’s historical and cultural heritage

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

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

Social infrastructure development

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

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

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

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

Social activities

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

Programmes Highlights and achievements

Volunteers for community programme

- Initiated in 2009, volunteer groups of APRIL Indonesia employees and family members join villages in cooperative social activities that include village clean-up, painting, drainage ditch cleaning, and tree planting. Since 2009, we have mobilised approximately 7,200 volunteers to 47 villages.

Religious and cultural support programme

- Donations of religious equipment are made and training is provided for religious teachers. In the past 3 years approximately 7,200 volunteers to 47 villages.

Youth sports development programme

- Initiated in 2009, APRIL Indonesia invests in developing potential athletes from the Pelalawan district in Riau province for competing in local and national sports events that include badminton, football, tennis and karate. In the past three years we have invested approximately USD 110,000 to support 140 athletes in the programme.

Small and Medium Enterprise development

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of SME partners/entrepreneurs</th>
<th>Number of SME employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>79</td>
<td>100</td>
</tr>
<tr>
<td>2009</td>
<td>72</td>
<td>120</td>
</tr>
<tr>
<td>2010</td>
<td>73</td>
<td>140</td>
</tr>
</tbody>
</table>

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

Glossary

GRI Indicators

Bureau Veritas’ Independent Assurance Statement
This glossary serves as an easy reference for the terms in this report.

Aceria crassicaulis and Aceria mangium
Two species of Aceria, characterized by fast growing and good pulping qualities. APRIL plants Aceria crassicaulis on peatlands and Aceria mangium on dry, mineral soil.

ADT (Air Dry Tonne)
Marketable pulp (air dried) which contains 10% moisture.

Biodiversity
Total diversity or variation of life within a given ecosystem.

Biofuel
In contrast to fossil fuels, biofuel is based on biomass organic matter. BOD is a measure of the degree to which oxygen is required to oxidize different types of waste. Biofuel therefore is classified as a renewable source. In contrast to fossil fuels, biofuel is based on biomass organic matter. BOD is a measure of the degree to which oxygen is required to oxidize different types of waste. Biofuel therefore is classified as a renewable source.

Biodiversity
Total diversity or variation of life within a given ecosystem.

CO2
Carbon dioxide. A greenhouse gas that is emitted by burning fossil fuels and is a major contributor to climate change. Its concentration in the atmosphere has increased significantly since the industrial revolution, leading to concerns about global warming and other climate-related impacts. CO2 is a major component of the Earth's atmosphere, making up about 0.04% of the total volume. It plays a crucial role in the greenhouse effect, which is responsible for maintaining the Earth's temperature in a range suitable for life. CO2 is also a key input for photosynthesis in plants, serving as one of the raw materials for plant growth. However, human activities, particularly the burning of fossil fuels, have increased the concentration of CO2 in the atmosphere, leading to concerns about climate change and the need for mitigation efforts to reduce emissions.

FSC
Forest Stewardship Council is an independent, non-governmental, non-profit organization established to promote the responsible management of the world’s forests.

GRI
Global Reporting Initiative is a large multi-stakeholder network of thousands of experts, in diverse industries worldwide, who participate in GRI’s working groups and governance bodies.

ISO
The International Organization for Standardization is a worldwide federation of national standards bodies, representing more than 140 countries. ISO’ s non-governmental, not-for-profit organization is established to promote the responsible management of the world’s forests.

HCVF
High Conservation Value Forests. HCVFs are defined as forests of outstanding and critical environmental and social performance. Suitable for protection according to the Forest Law Enforcement, Governance and Trade (FLEGT) and the Convention on Biological Diversity (CBD) to address the significant environmental impact of their activities.

Hectare (ha)
Metric unit of area that is equivalent to 1,000 square metres or 2.471 acres.

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Metric unit of area that is equivalent to 1,000 square metres or 2.471 acres.

High Conservation Value Forests
High Conservation Value Forests (HCVFs) are defined as forests of outstanding and critical environmental and social performance, suitable for protection according to the Forest Law Enforcement, Governance and Trade (FLEGT) and the Convention on Biological Diversity (CBD) to address the significant environmental impact of their activities.

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

O.G.
The Harvard University is the oldest institution of higher education in the United States, founded in 1636.

TFD
TFD (The Forests Dialogue) is a group of individuals from diverse regions and sectors, including logarithmically increasing at a rate higher than the authorized volume or cutting outside the permit area. Illegal logging is a global multi-billion dollar industry. APRIL Indonesia is actively combating illegal logging.

TFD
TFD (The Forests Dialogue) is a group of individuals from diverse regions and sectors, including government leaders, NGOs, industry representatives, and stakeholders. TFD dialogues are designed to build relationships and spur collaborative action to sustain forest management through a process control. However, these do not result in “certifications”. ISO 14001:2000 is the standard used to assess an organisation’s ability to meet customer and applicable regulatory requirements, thereby addressing customer satisfaction.

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

ISO
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ISO 14001:2000 Quality Management Systems
This 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 standards do not set specific environmental performance criteria nor do they establish absolute requirements for environmental performance; these are defined by the organization seeking certification to this standard.
logged peat soil up to 15 metres thick.

The Kampar Peninsula is situated in the province of Riau, on the west coast of central Sumatra in Indonesia. It is delineated by sea in the north and east, by Kampar River in the south and the Kutup River in the west. The 700,000 ha Peninsula is covered by peat swamp forests – a special type of rainforest growing on an accumulating, waterlogged peat soil up to 15 metres thick.

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

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

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

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

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

Pearlwood
Also known a “wellbark”. Pearlwood is dead organic (vegetated) material that has accumulated over thousands of years due to a combination of permanent water saturation, low oxygen levels and high acidity. Pearl is consists of 40% water and 10% plant material. Pearlwoods vary widely because of regional and local differences in soil, topography, climate, hydrology, water chemistry, vegetation, and other factors, including human disturbance. Pearlwoods are found from the tropics and on every continent except Antarctica.

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

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

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

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

<table>
<thead>
<tr>
<th>GRI Indicator Code</th>
<th>GRI Indicator Description</th>
<th>Inside the report</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC1</td>
<td>Direct economic value generated and distributed, including revenues, operating costs,</td>
<td>Sustainability Overview</td>
</tr>
<tr>
<td></td>
<td>employee compensation, etc.</td>
<td></td>
</tr>
<tr>
<td>EC3</td>
<td>Coverage of the organization’s defined benefit plan obligations</td>
<td>Our Responsibility to People</td>
</tr>
<tr>
<td>EC7</td>
<td>Procedures for local hiring and proportion of senior management hired from the local</td>
<td>Our Responsibility to People</td>
</tr>
<tr>
<td></td>
<td>community at locations of significant operation.</td>
<td></td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily for</td>
<td>Forest Management</td>
</tr>
<tr>
<td></td>
<td>public benefit through commercial, inland, or pro bono engagement.</td>
<td>Our Responsibility to People</td>
</tr>
<tr>
<td>EC9</td>
<td>Understanding and describing significant indirect economic impacts, including the extent</td>
<td>Sustainability Overview</td>
</tr>
<tr>
<td></td>
<td>of impacts.</td>
<td></td>
</tr>
<tr>
<td>EN1</td>
<td>Materials used by weight or volume.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy consumption by primary energy source.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN5</td>
<td>Energy saved due to conservation and efficiency improvements.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy-based products and services,</td>
<td>Mill Environment</td>
</tr>
<tr>
<td></td>
<td>and reductions in energy requirements as a result of these initiatives.</td>
<td></td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN8</td>
<td>Total water withdrawn by source.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN11</td>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and</td>
<td>Forest Management</td>
</tr>
<tr>
<td></td>
<td>areas of high biodiversity value outside protected areas.</td>
<td></td>
</tr>
<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity</td>
<td>Forest Management</td>
</tr>
<tr>
<td></td>
<td>in protected areas and areas of high biodiversity value outside protected areas.</td>
<td></td>
</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity</td>
<td>Forest Management</td>
</tr>
<tr>
<td>EN15</td>
<td>Number of IUCN listed species and national conservation list species with habitats in</td>
<td>Forest Management</td>
</tr>
<tr>
<td></td>
<td>areas affected by operations, by level of extinction risk.</td>
<td></td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN18</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances by weight.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN20</td>
<td>NOx, SOx, and other significant air emissions by type and weight.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN21</td>
<td>Total water discharge by quality and destination.</td>
<td>Mill Environment</td>
</tr>
<tr>
<td>EN22</td>
<td>Total weight of waste by type and disposal method.</td>
<td>Mill Environment</td>
</tr>
</tbody>
</table>

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

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

Objectives of Assurance
The objectives were to:

1. Review and evaluate APRIL Indonesia’s sustainability strategy and its reporting approach at Head Office level;
2. Review the integration and implementation of APRIL Indonesia’s approach to sustainability across centers of its international operations;
3. Review underlying systems for sustainability governance, identification and management of issues, development of policies and performance metrics (such as data collector, compilation, review and consolidation methods); and
4. Verify performance data, factual information and activities in relation to sustainability governance, identification and management of issues and the robustness and effectiveness of internal management systems, procedures and programmes;

To: The Stakeholders of APRIL Management Pte Ltd

Methodology
To conduct the assurance we undertook the following:

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

We have reviewed the extent to which APRIL has adopted the GRI G3 Guidelines for Sustainability reporting, and reflects its main requirements in an understandable and balanced manner.

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

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

The report clearly communicates the key challenges and opportunities in sustainability across certain of its international operations; the report includes a comprehensive and balanced discussion of APRIL’s approach to sustainability and associated reporting could be further improved by addressing the priority recommendations outlined below.

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

Increasing transparency and managing risk
It is evident that APRIL Indonesia has a good understanding of its key sustainability issues which are identified as: Mill Environmental Impacts (Emissions, Waste, Water, Energy); Social Impacts (Employees, Community Development); and Forestry Management. Recommendation: The report should contain more substantive information on performance in these key risk areas wherever possible. APRIL Indonesia should examine the applicability of improved monitoring processes, quantitative targets and key performance indicators (KPIs) in these areas.

Increasing balance
APRIL Indonesia provides useful context and background for each of its Mill Environmental Impacts and social sustainability issues which are identified as: Mill Environmental Impacts (Emissions, Waste, Water, Energy); Social Impacts (Employees, Community Development); and Forestry Management. Recommendation: The report should contain more substantive information on performance and targets and key performance indicators (KPIs) in these areas.

Limitations and Exclusions
Excluded from the scope of our work is information relating to:
- Activities outside the defined reporting period;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intention provided by APRIL); and
- Financial data which is taken from APRIL’s Annual Report and Accounts, audited by an external financial auditor.

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

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

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

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

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

To: The Stakeholders of APRIL Management Pte Ltd

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

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