



APP

USE OUR PAPER, WE PLANT MORE TREES.

SUSTAINABILITY REPORT 2014

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External frameworks

The content and quality of this report is guided by the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines (version 3.1). The report had been externally assured to the internationally recognised AA1000(AS) and meets the requirements of GRI Application Level A+. Our intention is to continue to seek external assurance for future sustainability reports and respond as appropriate to any areas of improvement identified in the assurance statements.

The assurance statement covering this report content is presented on page 74.

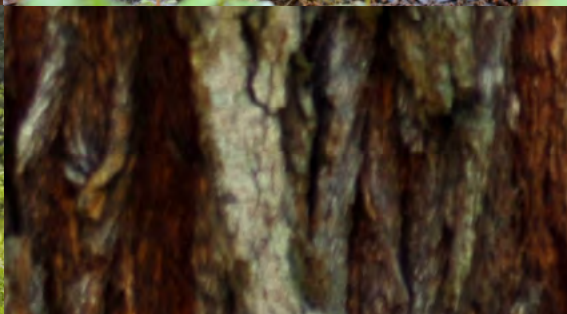



SUSTAINABILITY REPORT

2014

CONTENT

▶ 1	CHAIRMAN'S STATEMENT	4
▶ 2	COMPANY PROFILE	8
▶ 3	SUSTAINABILITY MANAGEMENT / APP VISION 2020	16
▶ 4	SUSTAINABLE FOREST MANAGEMENT	26
▶ 5	OUR MILLS AND PEOPLE	50
▶ 6	ABOUT THIS REPORT	66
▶ 7	DATA TABLES AND ASSURANCE STATEMENT	68
▶ 8	GRI AND UNGC INDEXES	78
▶ 9	GLOSSARY	88



A close-up photograph of a seedling tray filled with dark, moist soil. Numerous small, young plants with green stems and emerging leaves are growing from the soil. The plants are arranged in rows, and the background is softly blurred, emphasizing the foreground seedlings.

SECTION 1

CHAIRMAN'S STATEMENT

SECTION

1

Welcome to APP's Sustainability Report 2014. The past twelve months have been another year of monumental change within APP as we continue to strive towards delivering the commitments set out in our Sustainability Roadmap – Vision 2020, and in our Forest Conservation Policy (FCP).

Our commitment to zero deforestation throughout our supply chain remains strong. Addressing the challenges that two years ago seemed insurmountable has become a real possibility thanks to the partnerships we have developed and the continuous support and constructive insights from our stakeholders. A significant event in 2014 for us was the signing of the New York Declaration on Forests, committing us alongside all other signatories to a vision of protecting global forestry while stimulating economic growth and improving climate resilience, biodiversity conservation and poverty alleviation. Alongside this, we committed to a one million hectare conservation programme, protecting and restoring ten 'landscapes' across Indonesia.

Our approach to forest conservation is ground-breaking not only in Indonesia, but on a global level, too. I hope that we can set an example to other businesses, and pave the way to a more collaborative approach to tackling these vital sustainability issues. By publicly sharing our methodologies, challenges, results and achievements via our Sustainability Dashboard as we progress along this intrepid journey, we encourage other companies that have committed to addressing supply chain traceability and sustainability to use our approach as a template.

I am, once again, heartened by our level of engagement with some of our harshest critics. Following Greenpeace's Progress Review in 2013, we invited the Rainforest Alliance to independently evaluate our progress in implementing the FCP. Published in February 2015, the findings recognise the progress APP has made in halting the deforestation of natural forest by its suppliers, and suggest improvements in certain areas, which we have started to implement.

Through our continuous engagement with stakeholders, and by pushing ahead with our implementation, we are making steady progress against the commitments set out in our FCP. In 2014 we completed our HCV and HCS assessments having overcome a number of unforeseen setbacks, largely relating to the availability of resources and the time required to produce good quality results to a consistently high standard. A key learning from 2014 was the need to assess the hierarchy of the conflicting recommendations yielded from the various assessments undertaken, in order to ensure that our Integrated Sustainable Forest Management Plans (ISFMPs) reconcile the social, economic and environmental interests of all key stakeholders, and remain as valuable as possible in the years to come.

Beyond the FCP, APP's Vision 2020 Roadmap outlines our commitments regarding a number of sustainability issues that are material to our business. While our focus in the past two years has undoubtedly been on the FCP, we have been making progress in other areas, including water management at our mills and ongoing community engagement.

2015 will see us sharpen our focus on these broader issues within our Vision 2020 Roadmap, and at the same time we will move into a new phase of our FCP, which will involve the completion and realisation of our ISFMPs, as well as work to support our one million hectare conservation commitment. With increasing levels of engagement from our stakeholders, both locally and globally, I am confident we can simultaneously achieve sustainable forest management whilst retaining commercial success.



Teguh Ganda Wijaya,
Chairman

A handwritten signature in dark ink, appearing to read 'Teguh Ganda Wijaya', with a long horizontal line extending from the end of the signature.

STATEMENT FROM THE MANAGING DIRECTOR OF SUSTAINABILITY & STAKEHOLDER ENGAGEMENT

The end of 2014 marks two and a half years after the launch of our Sustainability Roadmap - Vision 2020, and almost two years since the publication of our Forest Conservation Policy (FCP). Both defined an important turning point in the way in which we approach business, and I am pleased with the progress we have made in living our new values. Of course, it has not been an easy journey; we have faced numerous challenges and I anticipate many more. However, I am encouraged by the commitment of our own employees, our suppliers, our partners and our wider stakeholders, which has been instrumental in helping us to achieve our current level of progress.

2014 is our second year of practical implementation, with respect to our FCP. I have been especially interested to see the results of the various elements – the HCV and HCS assessments, peatland assessment, wood supply studies and social conflict mapping – come together to form the initial development of our Integrated Sustainable Forest Management Plans (ISFMP). We are not as far ahead as we had hoped; in fact, we have a significant way to go before our ISFMPs are fully developed and operational, but our progress in Jambi province is paving the way. Our landscape approach to developing our ISFMPs will help to ensure that all of the different groups living and working in and around the areas of forest where APP’s suppliers operate are working together towards a common goal of forest protection and preservation.



In many respects, the work we are undertaking now is pioneering. If we were not encountering any issues along the way, I would argue that we would not be challenging ourselves enough. Two of our most notable challenges during 2014 included the need to refine our initial HCS assessments to improve the quality of the results, and our realisation that the data we require to develop our Peatland Best Practice Management Plans is insufficient (read more about our solutions on page 38). These obstacles have caused some delays to our initial timeline, but we are committed to resolving these challenges, in order to achieve credible outcomes. Ultimately, the results of all of these assessments will inform the way that we, along with our suppliers, manage Indonesia's forests for the foreseeable future. It is paramount we get this right and take these innovative steps today to protect Indonesia's forests in the long term.

I have welcomed the findings of the Rainforest Alliance in their public evaluation of our performance to date. Furthermore, I am encouraged by the constructive dialogue we have with other NGOs, many of whom have in the past been critics of APP. We pledge to continue engaging openly with our stakeholders.

APP is two and a half years into delivering against the commitments set out in our Sustainability Roadmap - Vision 2020, and we have reached the end of phase 1. Within this phase, we pledged to increase efficiencies and accelerate implementation of key sustainability initiatives by 2015. Now it is time to reflect on our achievements and lessons learned, and to ensure our strategy is sufficient to help deliver phase 2; to become the global sustainable leader in our industry and a key creator of sustainable and responsible value where we operate, by 2020.

Crucially, I believe that protecting and restoring Indonesia's forests is everybody's responsibility, rather than that of just one company in one particular country. As a consequence of prolonged and widespread global deforestation in the past, Indonesia's forests currently represent some of the last remaining natural woodland on Earth. This is the driver, alongside the signing of the New York Declaration on Forests, which lead us to commit to the protection and restoration of 1 million hectares of Indonesia's forests.

Collaboration will be central to our success; APP's achievements to date have been possible largely through collaboration with our partners, the communities where we operate, and of course our suppliers. Relatively speaking, our achievements have been minimal. If we can demonstrate that zero deforestation policies are effective and commercially viable, we can inspire others to do the same. We need global collaboration, beyond the remit of APP and our suppliers, if we are to effect meaningful change on a larger scale.



Aida Greenbury,
Managing Director of Sustainability &
Stakeholder Engagement at APP



SECTION 2

COMPANY PROFILE



SECTION
2

ABOUT ASIA PULP & PAPER

Asia Pulp & Paper Group (APP) is a trade name for a group of pulp and paper manufacturing companies in Indonesia and China. APP is responsible for delivering quality products to meet the growing global demand for tissue, packaging and paper. On any given day, our products find their way into the hands of consumers in a variety of ways all over the world.

Starting in 1972 with Tjiwi Kimia producing caustic soda, we now run operations across Indonesia and China with an annual combined pulp, paper, packaging product and converting capacity of over 19 million tons per annum. Today, APP markets its products in more than 120 countries across six continents.

Over the years, we have expanded our operations significantly through the acquisition and expansion of several of our pulp and paper mills. It's our commitment to customer satisfaction that enables us to grow our share in paper sales worldwide and broaden our presence through offices in many countries. We believe 'tradition and modernity go hand in hand' which means we value long term relationships as part of our Eastern traditions, while we also are eager to embrace the modern values of innovation and efficiency.

2014 AT A GLANCE

EMPLOYEES



PRODUCTION CAPACITY



REVENUE



FINANCIAL PERFORMANCE (IN 000 USD)



¹ The calculation in 2013 was revised to include EMF.

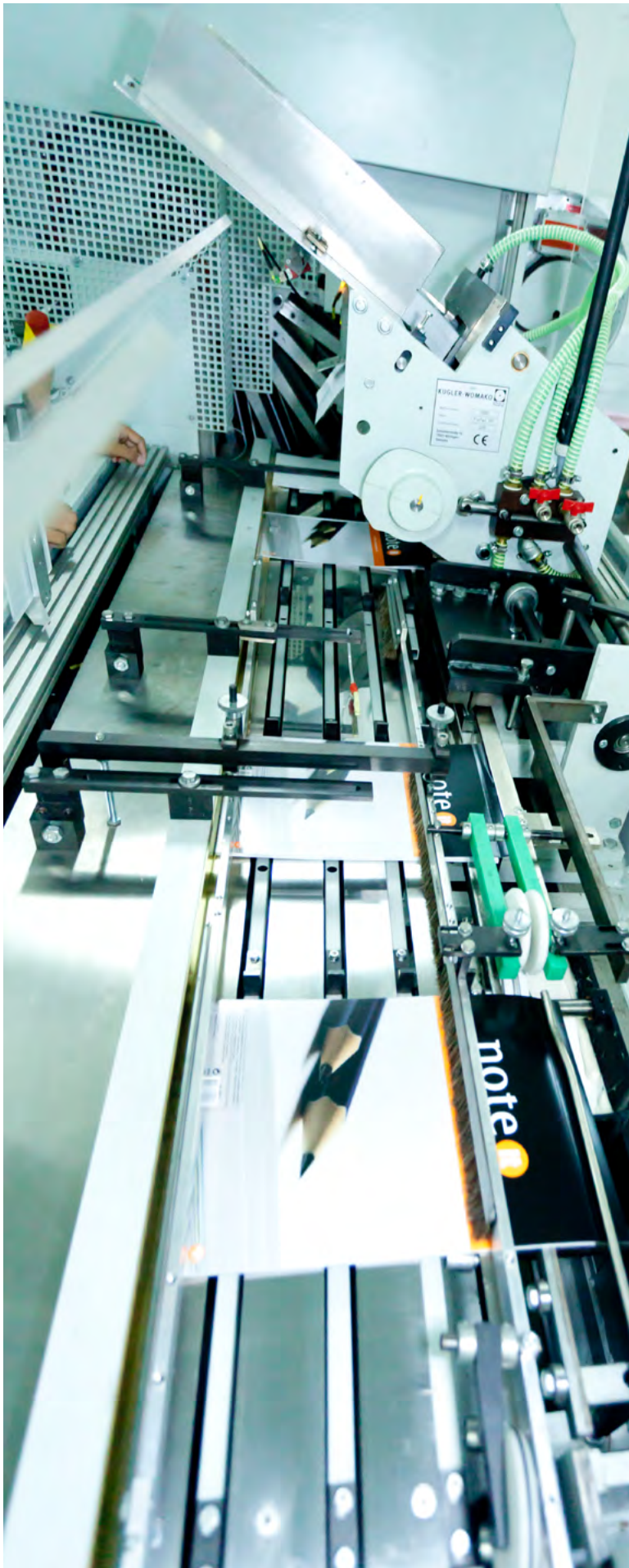
² Operating cost was calculated as Cost of Goods Sold (COGS).

OUR PRODUCTS

From a very humble beginning, APP has emerged into an industry leader with an integrated pulp, paper and packaging grade capacity in Indonesia of more than 9 million tonnes per year. As APP expands, the company has taken steps to reinforce and build on its regional market position through the introduction of higher quality products and enhancements, investments in new technology as well as improving our processes and productivity.

Today, APP’s products include bleached hardwood paper pulp and a full range of paper, tissue, packaging, and stationery products from commodity-grade base paper, tissue and industrial paper to value-added writing and printing paper, coated paper and boards. We also offer converted hygiene products, office supply products, specialty paper and a wide range of converted stationery products.

Customer satisfaction is measured every year through a global survey, covering all of our mills. We are pleased to see one area we targeted to improve in 2014 following the 2013 survey, sales services, is now seen as a strong point by our customers. Other areas of high performance were how we respond to queries, building long term supply partnerships and packaging quality. Looking towards 2015 we will focus our efforts in improving the areas where performance was lowest; claim handling, on time delivery and product promotional support.



PRODUCT CERTIFICATION

As our products are sold globally, we have a range of market specific certifications for our products. To find out more about additional certification we can offer please contact your local sales office.

APP MILLS CERTIFICATION STATUS

CERTIFICATION	MILLS								
	Indah Kiat Perawang	Indah Kiat Serang	Indah Kiat Tangerang	Pindo Deli Karawang	Pindo Deli Perawang	Lontar Papyrus	Tjiwi Kimia	Ekamas Fortuna	Univenus Perawang
Quality	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001	ISO 9001
Product Quality	ISO 9706		ISO 9706	ISO 9706			ISO 9706		
		Halal	Halal	Halal	Halal	Halal	Halal		Halal
				Ecolabel - EU Standard			US Ecolabel		
	Ecolabel - Indonesian Standard			Ecolabel - Indonesian Standard			Ecolabel - Indonesian Standard		
				Green Mark - Taiwan Ecolabel Standard			Green Seal		
				Green Label - Singapore			Green Label - Singapore		
	SNI 7274:2008			SNI 7274:2008					SNI Tissue
Environment	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	ISO 14001	
	PROPER (blue)		PROPER (blue)	PROPER (PD 1: blue, PD 2: green)		PROPER (blue)		PROPER (blue)	
			ISO 50001	ISO 50001		ISO 50001			
Health & Safety	SMK3	SMK3	SMK3	SMK3	SMK3	SMK3	SMK3	SMK3	
		OHSAS 18001	OHSAS 18001	OHSAS 18001					
Chain of Custody	PEFC	PEFC	PEFC	PEFC	PEFC	PEFC	PEFC		PEFC
	LEI			LEI	LEI	LEI	LEI		
	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK	SVLK
Product specific	RoHS	RoHS	RoHS	RoHS			RoHS		
	REACH/ SVHC screening	REACH	SVHC screening	SVHC screening	SVHC screening				
		Food Packaging Direct Contact-FDA USA		Food Grade Paper/Board - FDA USA & Germany Recommendation XXXVI	Food Contact Safety Grade for Paper and Paper Board - FDA USA & Germany Recommendation XXXVI		Food Grade Paper/Board - FDA USA & Germany Recommendation XXXVI		
	ASTM and EN71 Part 3 & 9	ASTM and EN71 Part 1,2,3,9	EN71 part 3	Robinson Test					
		ISO 22000		ISO 22000					
		ISPM (Phytosanitary)	ISPM (Phytosanitary)	ISPM (Phytosanitary)	ISPM (Phytosanitary)		ISPM (Phytosanitary)		
				ISO17025					
Others									

OUR MILLS

1.PINDO DELI PERAWANG

Employees: 2,121
Production capacity: 407,000 tonnes
Production lines: 20 tissue machines, 25 tissue converting machines
Key products: tissue

Located in Riau Province, Pindo Deli Perawang focuses on the production of jumbo roll to the tissue converting market. A focus on safety in 2014 culminated with the mill being awarded SMK3 and OHSAS 18001 certifications, a key achievement for the year.

2.INDAH KIAT SERANG

Employees: 5,434
Production capacity: 1,570, 000 tonnes
Production lines: 6 paper machines
Key products: coated boxboards, test linerboards, corrugating medium, corrugated cartons

Indah Kiat Serang is one of the biggest paper packaging companies located in Serang, Banten Province, Indonesia. The 550 hectare facility is strategically located in close proximity to a port and is unique amongst APP’s mills, sourcing the majority of its raw material from post-consumer waste, which is supplemented by virgin fibre to improve the strength of the paper products. The mill serves a global client base, selling its products primarily to the Asian and Pacific market. Indah Kiat Serang is the first Asian company to be awarded by the Bureau of International Recycling (BIR) for dramatically increasing its use of recycle paper.

3.INDAH KIAT TANGERANG

Employees: 1,180
Production capacity: 105,000
Production lines: 3 paper machines
Key products: coloured printing, writing and copier, computer and duplicator paper

Indah Kiat Tangerang specialises in the production of coloured paper grades and is now one of the world’s largest in this product segment. Its raw material sourcing includes both pre-consumer waste and purchased pulp and it exports 85% of its products to a global client base. In 2014 the mill achieved the “Green Industry” level 5 award from the Ministry of Industry, in recognition for its environmental performance.

4.LONTAR PAPYRUS

Employees: 2,298
Production capacity: 1,201,000 tonnes
Production lines: 2 pulp lines, 6 tissue machines.
Key products: LBKP (pulp) and tissue

One of the world’s largest vertically integrated pulp and tissues mills, Lontar Papyrus exports its products around the world, from China to Taiwan, South Korea, Japan, South East Asia, extending to the Middle East, Africa, and Europe. The mil was established in 1992, starting production of pulp in 1994 and tissue in 1998. As an integrated mill, Lontar Papyrus is able to use waste products from the pulping process, in 2014 the mills share of renewable energy was 75%. Coal use decreased 5% compared to 2013, improving carbon emissions for the mill during the year.

5.PINDO DELI KARAWANG

Employees: 6,053
Production capacity: 1,176,000 tonnes
Production lines: 10 paper machines, 2 tissue machines, 1 chipboard machine
Key Products: writing, printing, copier, pre-print and other premium wood-free papers, cast-coated paper, paperboards, carbon-less, thermal and art paper and tissue.

Comprised of two mills, Pindo Deli Karawang produces paper from purchased pulp and pre-consumer waste. Products produced include paper, tissue and packaging products largely for export. The mills holds the energy management standard ISO 50001 for its power generation and distribution, achieving a 9% reduction in energy intensity in 2014. The mill achieved the “Green Industry” level 5 award from the Ministry of Industry in 2014.

6.INDAH KIAT PERAWANG

Employees: 9,149

Production capacity: 4,335,000 tonnes

Production lines: 4 pulp lines,
9 paper machines.

Key products: LBKP (pulp), wood free
printing, writing, copier and coated
papers.

Indah Kiat Pulp & Paper Perawang Mill
is strategically located in Perawang,
on the island of Sumatra. With the
Siak River as a major transportation
link, the mill also benefits from
local plantations for raw materials.
A dedicated water improvement
programme in 2014 saw an increase in
the amount of water reused by 5%.

7.UNIVENUS PERAWANG

Employees: 49

Production capacity: 18,250 tonnes

Production lines: 1 tissue machine

Key products: tissue

Univenus Perawang is a small
tissue mill, returned to full operation
in 2014 after suffering from fire in
2013. It is located adjacent to Indah Kiat
Perawang and Pindo Deli Perawang.



8.TJIWI KIMIA

Employees: 11,386
Production capacity: 1,677,000 tonnes
Production lines: 13 paper machines
Key products: printing, writing, copier, carbon-less, exercise books, writing pads, envelopes, computer forms, gift wrapping paper and shopping bags.

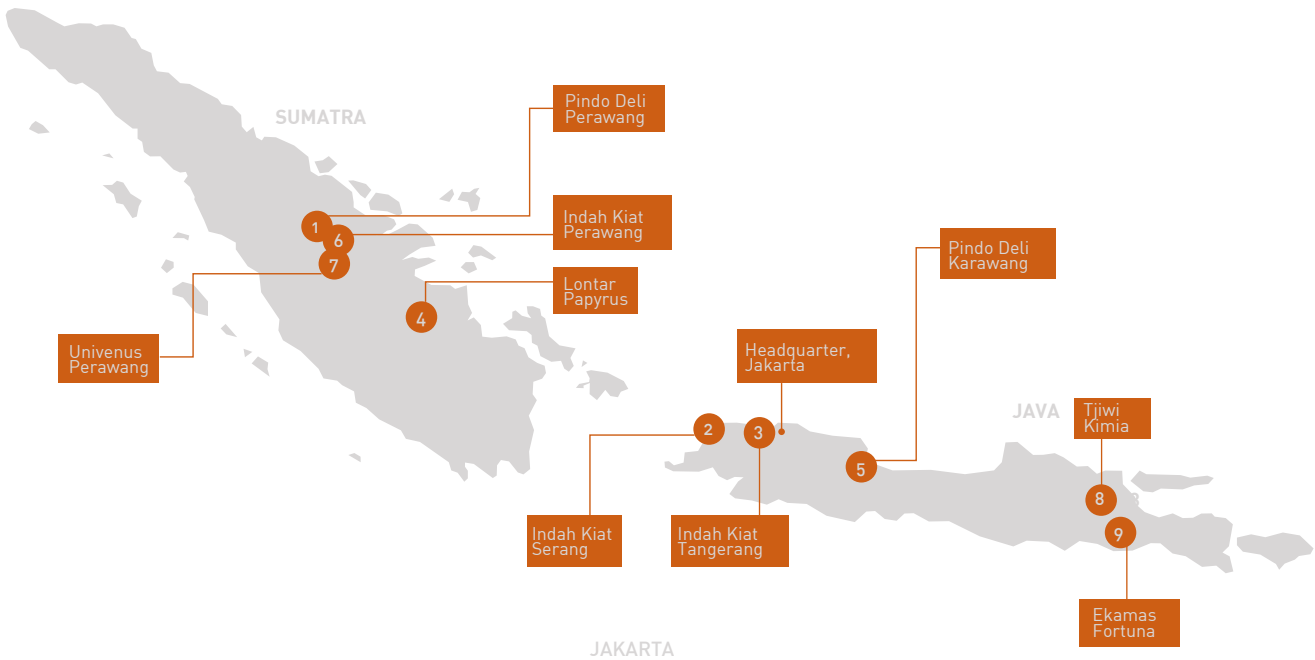
Tjiwi Kimia is located in Sidoarjo, near Surabaya in East Java. The mill which started as a caustic soda plant, now boasts many state-of-the-art paper and converting machines making it one of the world’s largest stationery manufacturers. The mill commenced production in 1978 with an annual paper production capacity of 12,000 tons. Today the mill produces over 1,600,000 tons of value-added products such as coated art, cast coated, specialty paper, carbonless paper and huge range of school and office stationery. Exercise books, pads, spirals, hardback books, drawing books, shopping bags, stationery, envelopes, continuous forms, file folders and others make up the range of converted stationery products. In 2014 the mill used 9% recycled fibre to compliment virgin fibre.

9.EKAMAS FORTUNA

Employees: 710
Production capacity: 180,000 tonnes
Production lines: 2 paper machines
Key products: corrugated medium, wrapping papers, chipboard, core board, Kraft liner, paper core, paper tube, paper sheet, and heavy board.

Ekamas Fortuna is situated in East Java, producing base and converted paper that utilises post-consumer waste as a raw material. Products are largely sold to the Indonesian domestic market, with 10% exported to more than 10 countries worldwide.

APP MILLS



AWARDS IN 2014

MILL	AWARD	ORGANISATION
Indah Kiat mills	Corporate Image Award Paper Category- Excellence in Building and Managing Corporate Image	Frontier Consulting Group & Tempo Magazine (2014)
Indah Kiat Perawang	Indonesia Green Awards: The use of paper strapping as a base for handmade bag products by "Kelompok Pengrajin Tunas Harapan	La Tofi Enterprise
Indah Kiat Tangerang	Green Industry Awards	Ministry of Industry
Indah Kiat Serang	Indonesia Green Awards: Developing Handicraft business using paper waste as the raw materials	La Tofi School of CSR
	Runner-up in Bipartite Cooperation Institution Awards	Ministry of Labor and Transmigration
Lontar Papyrus	Green Industry Awards	Ministry of Industry
Pindo Deli Karawang	Green Industry Awards	Ministry of Industry
Tjiwi Kimia	Corporate Image Award Paper Category- Excellence in Building and Managing Corporate Image	Frontier Consulting Group & Tempo Magazine (2014)
	Best Program for Contagious Disease & HIV AIDS prevention and handling for Private Companies Sector	Office of the President's Special Envoy
Ekamas Fortuna	Indonesia Green Awards: Utilisation of Cow Manure for Biogas for Community Empowerment in Sumberejo and Gampingan Villages, Pagak, Malang	La Tofi Enterprise
HQ	Sustainability Reporting Award: The Most Impressive Sustainability Strategy Reporting	National Center for Sustainability Reporting

SECTION 3

SUSTAINABILITY
MANAGEMENT /
APP VISION 2020

SECTION

3

Launched in 2013, APP’s Vision 2020 Roadmap is the heart of our sustainability strategy, focussing our efforts towards our key environment, social and economic impacts.

The issues within our strategy were identified in response to our stakeholder’s expectations - for each issue, we have established a clear progress commitment to guide our efforts and enable our stakeholders to hold us to account.

We use a range of standards, guidance and tools, applying them in the most appropriate way to effectively manage our impacts. Our goal is always to strive for global best practice and to play an active role in the most relevant organisations and institutions including the United Nations Global Compact, Indonesian Business Cooperation for Sustainable Development (IBCSD), Indonesia Pulp and Paper Association (APKI) and The Sustainability Consortium.

	VISION		
	To become a leading and respected global pulp and paper company that provides superior value to customers, community, employees and shareholders, responsibly and sustainably.		
	GOVERNANCE	ENVIRONMENT	SOCIAL
	Board oversight	Mills environment Performance	Employee Welfare
	Corporate policy & Management systems	Fibre Sourcing	Community Development & Welfare
	Stakeholder Management & Disclosure	Water Management	
		Climate Change	
Biodiversity & Conservation			
MANAGEMENT TOOLS AND STANDARDS	ISO 26000 Global Reporting Initiative Sustainable Forest Management Certification Stakeholder Engagement IFC/World Bank guidelines for pulp and paper		
	Chain of Custody Certification	High Conservation Value Forest Conservation	
		ISO14001	OHSAS 18001
		ISO9001	SMK3
	Business Code of Conduct	WRI/WBCSO GHG Protocol	UN Guiding Principles on business and Human rights
	Whistleblowing program	ISO14064	UN Millenium Development Goals
		IPCC	FPIC principles

Our most significant impacts, in the context of our own operations, include direct emissions to air and water and those emissions associated with the fuel used to generate energy required for our pulp and paper mills. Our stakeholders also expect APP to manage the impacts of our suppliers, particularly the activities associated with our pulpwood suppliers. The pertinent issues primarily relate to forest management practices.

Our strategy is not only about managing impacts and risk, but also about using our influence as a company to turn sustainability into opportunity. We have the ability to influence forestry practices in Indonesia, a globally important and sensitive ecosystem. Our operations, particularly the mills located in remote regions drive significant positive social and economic impact through the employment we provide. Products manufactured in our mills are based on recyclable and sustainably sourced raw materials.

A FOCUS ON FORESTS – OUR FOREST CONSERVATION POLICY

APP’s Forest Conservation Policy (FCP) has been developed in order to fulfil the commitments of the Roadmap that relate to our pulpwood suppliers. Our FCP has included a moratorium on all natural forest clearance by our Indonesian suppliers and a commitment to zero deforestation, informed by our High Conservation Value (HCV) and High Carbon Stock (HCS) assessments, social conflict mapping, peatland management and wood supply studies. You can read about the FCP in detail on page 29.

SUMMARY OF COMMITMENTS - VISION 2020 ROADMAP

FIBRE SOURCING		
100% independent 3rd party verification for pulpwood legality	Achieved	Accelerated progress and achieved by end 2012
Zero Fibre from High Conservation Value Forest	Achieved	All conversion of natural forest was halted in 2013
100% sustainable plantation wood for pulp by 2015	Ahead of target	From September 2013 onward, only plantation wood is used for pulp production in all APP mills
100% Sustainable Forest Management (SFM) certified pulpwood	On track	77%
Maintain a sustainable proportion of recovered fibre in addition to renewable virgin fibre	On track	34%
INDIGENOUS PEOPLE		
Adopt international guidelines for the protection of indigenous people’s customary rights in the forest	On track	Conflict resolution procedure updated to improve categorising, prioritising and implementing the conflict resolution process
		KPIs implemented for employees with responsibility for the implementation of social conflict action plans
		FPIC process implemented during development of OKI pulp mill
CONSERVATION AND BIODIVERSITY		
Support the national target to preserve designated protected and conservation areas	On track	Obtained a license for managing a 8,300 ha area of ecosystem restoration concession in South Sumatra
		Launched 1m hectare commitment which will be implemented across 10 landscapes
Support the national target to increase by 3% the population of 14 specified endangered species	On track	Conducted 30 awareness raising sessions and three training sessions, covering avoidance of human-tiger conflict in forest areas in South Sumatra and Riau.
		Conducted three training sessions in mitigating human-elephant conflict at APP supplier concessions

EMISSIONS		
Achieve minimum 10% reduction of carbon intensity (tCO ₂ e/ton product) by 2020	(New) Behind target	Carbon emissions intensity increased 0.7% in 2014 ³
Achieve minimum 10% annual reduction of energy intensity (GJ/ton product) based on 2012 baseline	(New) Behind target	Energy intensity increased 3% in 2014 ⁴
Achieve minimum 10% below national and/or regional limit for annual SO _x & NO _x emission	On track	All mills achieved in 2014
WATER		
Improve management of water use in line with the UN Global Compact CEO Water Mandate programme	On track	Water footprint assessment complete in two mills during 2014
Achieve 10% reduction of water intensity (m ³ /ton product) based on 2013 baseline by 2020	(New) On track	Achieved 11% reduction in water intensity in 2014
Achieve minimum 10% below national and/or regional limit for COD and BOD	(New) On track	Achieved for all mills in 2014
Waste water quality to be reported in kg/adt. Measurement should be reliable and acceptable by international standard.	(New) In progress	In 2015 we will report this data where available and commit to reporting this information for mills which currently are unable to provide this data
WASTE		
Achieve minimum 25% accumulated reduction of solid waste goes to on-site landfill based on 2010	(New) Behind target	Waste to landfill increased 1% in 2014 ⁵ . As well as targeting a reduction we also need to improve data quality of this metric
HEALTH AND SAFETY		
Zero fatality for employee and contractors, major fire incidents and internal traffic accidents	(New) Behind target	8 fatalities in 2014 ⁶ . From 2015 we will report major fire incidents and number of internal traffic accidents as a separate safety KPI
Standardise lost time and injury reporting across all mills to Global Reporting Initiative (GRI) requirements	(New) In progress	We will report against the relevant GRI G4 indicators in our 2015 Sustainability Report

³ See page 63 for more details.

⁴ See page 62 for more details.

⁵ See page 64 for more details.

⁶ See page 52 for more details.

OUR BIGGEST CHALLENGES

Looking forward to 2015, we will continue to work hard to deliver the goals we have set ourselves. Our FCP will remain a key focus area as we move towards the development of our Integrated Sustainable Forest Management Plans, informed by the results of our HCS and HCV assessments, and the numerous other studies we have conducted in the past two years as part of our FCP. Peatland management will also take a significant step forward, as we conduct pioneering land mapping exercises through the year. You can read more about these challenges and steps we are taking to overcome them in the Sustainable Forest Management section of this report.

For our mills, the focus remains on managing and reducing the intensity of carbon, energy, water and waste from our production processes, and driving forward with initiatives that will improve health and safety performance.

MONITORING AND REPORTING

We draw on a range of tools to monitor and report progress against our Roadmap. Since setting out our Roadmap we first had to understand the current performance of our mills and suppliers. We use mill and supplier sustainability scorecards to make this initial assessment; a process that has been piloted throughout 2014. Not only do the results take into account our current performance, they also help to inform our strategy, recognising that no mill or supplier is identical - each requires tailored expectations and support from APP.

Transparent communication of our activities and progress is central to the philosophy of our Roadmap. Our annual sustainability reports provide an overview of our progress, aligned to GRI reporting guidelines, the globally recognised standard in sustainability reporting. APP's sustainability reports are also externally assured by an independent assurance provider. Our sustainability website includes a library of more up to date information, including press releases and news items related to sustainability. For more detailed information on our Forest Conservation Policy a dedicated Sustainability Monitoring Dashboard⁷ is available online. Developed in partnership with The Forest Trust (TFT), the dashboard provides full mapping of our suppliers' concessions, in-depth data, field reports, operating procedures and monthly updates.



⁷ <http://www.fcpmonitoring.com/>

EXTERNAL EXPERTS

APP cannot deliver on its commitments without the support of external experts. Since 2012, we have worked with TFT, a global non-profit organisation whose main focus has been to support APP in developing and implementing the FCP, including HCS assessments as well as our supplier and mill scorecards. TFT supported the development of APP's Sustainability Dashboard, our channel for progress updates relating to our FCP commitments. Two partners, Ekologika and APCS have worked with APP to carry out HCV assessments since 2013, providing resources 'on the ground' through their team of expert consultants. Working closely alongside our partners has helped to build capacity within our own organisation to carry out supplier assessments.

STAKEHOLDER ENGAGEMENT

As a global organisation APP has a diverse range of stakeholders. We engage on a variety of levels, from formal engagement platforms including our Focus Group Discussions (FGDs) that form part of our FCP, through to much more informal communications, such as discussions within our host communities or listening to feedback from an overseas customer. Ensuring we have channels to engage and respond in an appropriate manner is a constant challenge. Engaging with an indigenous host community requires a very different approach to a global NGO.

Stakeholder engagement at APP is coordinated by our Sustainability and Stakeholder Engagement (SSE) team, based in Jakarta, who is supported by regional representatives across our key overseas markets; Europe, US and Australasia. Our dedicated regional stakeholder engagement team works to support the sales function, handling customer enquiries and working with local stakeholders in the market, such as NGOs and trade associations.

ENGAGING WITH THE GLOBAL SUSTAINABILITY COMMUNITY

We play an active role in supporting organisations such as the United Nations Global Compact under the Indonesia Global Compact Network, Indonesian Business Cooperation for Sustainable Development (IBCSD), Indonesia Pulp and Paper Association (APKI) and The Sustainability Consortium. In 2014 Aida Greenbury presented at the Sustainable Brands conference in San Diego on the subject of engaging stakeholders to realise zero deforestation, just one example of APP engaging publicly with wider stakeholders.



EMPLOYEES



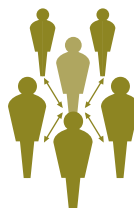
GOVERNMENTS



CUSTOMERS



CONTRACTORS



SUPPLIERS



EDUCATIONAL ESTABLISHMENTS



UNIONS



MEDIA



NGOS



HOST COMMUNITIES

MATERIALITY

In line with global best practice, and in response to recommendations made by the assurers of our 2013 Sustainability Report, we have updated our process of determining materiality issues and their relative priority. We surveyed our global Sustainability and Stakeholder Engagement SSE team, who are directly responsible for day to day engagement with our stakeholders, in order to understand issue prioritisation from the perspectives of local communities, NGOs, local government and local media. The results were considered against wider industry and societal trends, before being finalised into a materiality matrix through an externally facilitated workshop, attended by APP employees responsible for stakeholder engagement.

We intend to continue to develop our approach to materiality, using the outputs to identify trends and emerging issues, and to inform the evolution of our sustainability strategy, in response to stakeholders’ needs.

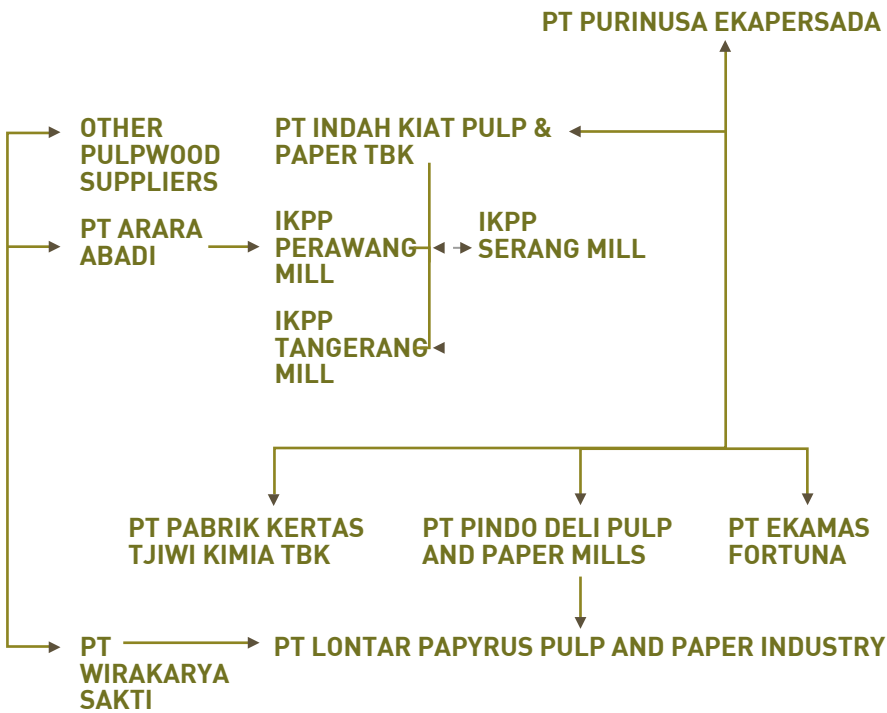


GOVERNANCE

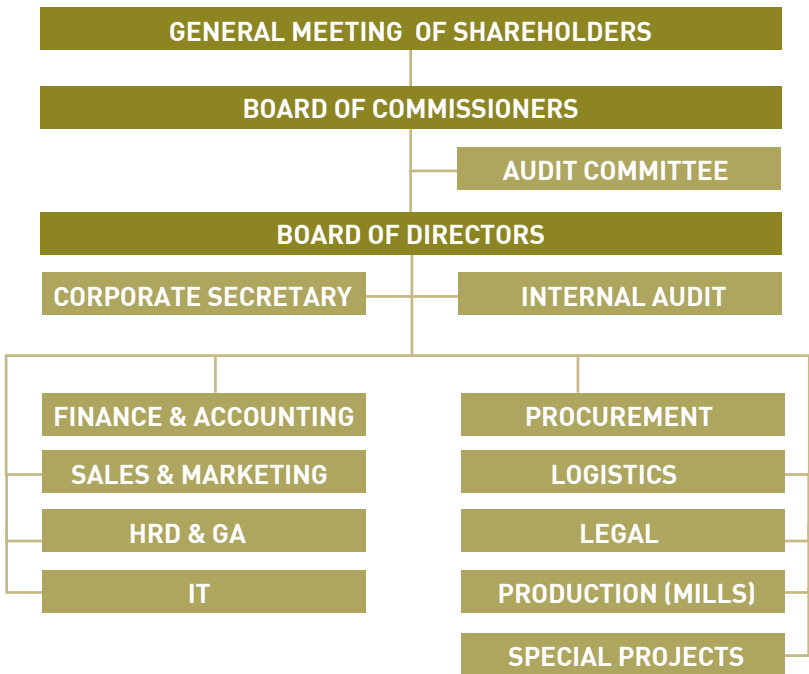
Asia Pulp & Paper Group (APP) is a trade name for a group of pulp and paper manufacturing companies in Indonesia and China. For APP Indonesia operations, each mill or group of mills that operates under the APP brand operates individually as a legal entity with its own individual shareholders. APP Indonesia’s sole fibre supplier, Sinar Mas Forestry is a wholly owned company belonging to the same holding company; Purinusa Ekapersada.

Governance arrangements for each legal entity broadly follow the same structure.

COMPANY STRUCTURE



MILLS' GOVERNANCE STRUCTURE



The Board of Commissioners holds ultimate responsibility for the delivery and management of our financial, economic and social performance. Responsibilities are divided into a number of functions; implementing the company’s policies and strategy, risk management, Good Corporate Governance (GCG), and monitoring performance of the Board of Directors. The nomination process for the Board of Commissioners are conducted through the General Meeting of Shareholders and voted upon by shareholders. In line with local regulation, at least 30% of the Board of Commissioners are independent from the company.

The SSE team are responsible for the development of APP’s sustainability strategy and the implementation and monitoring of sustainability initiatives, reporting to the Board of Commissioners. They are also responsible for communications to all international stakeholders. Based in Jakarta, the team have a network of representatives across the world that supports local stakeholder engagement in their respective regions. The team is responsible for stimulating and facilitating these conversations, being both responsive and proactive in their approach.

The Corporate Affairs and Communications (CAC) team are responsible for corporate communications, governance and CSR. They engage in the regulatory landscape, monitoring trends and engaging government via industry associations on various policy issues related to pulp and paper manufacturing and product export. Issues of a more regional nature, such as minimum wages and labour unions are handled by each mill respectively. National media relations are handled by the CAC team, whereas local media is the responsibility of each mill individually. In terms of CSR, the CAC team have the oversight of all the mills’ individual initiatives and support them through elevated exposure of their programmes, particularly with local and national government.



EXTERNAL STAKEHOLDER REPRESENTATION

The Joint Steering Committee (JSC) consisting of APP, Sinarmas Forestry, and TFT as the external stakeholder representative, was established in 2013 with the specific purpose of assessing progress against the FCP. JSC reports to APP top management, undertaking the role of overseeing the implementation of the FCP. The committee reviews all FCP grievances and meets with stakeholders.

The Solutions Working Group (SWG) was established in 2013. It brings together APP and its outside experts with civil society groups working to conserve Indonesia's forests and wildlife and secure community rights in an informal, non-legally binding forum. The SWG serves as a venue for addressing concerns on both sides and provides a mechanism for effective communication in relation to APP's Sustainability Roadmap, FCP and the performance targets and milestones developed by the Environmental Paper Network (EPN). NGO members are Greenpeace, WWF, Rainforest Action Network (RAN), Environmental Paper Network (EPN) and Wahana Bumi Hijau (WBH).

MONITORING PERFORMANCE

Due to the decentralised nature of APP, a dedicated MBOS (Management By Olympic System) team plays a vital role in maintaining alignment of the mill business units from top management. The function is responsible for setting targets and KPIs at the mills, monitoring their performance and reporting the mills' progress to APP management. The data not only provides management with a view on progress, it also supports investment decisions that will be vital in realising our Roadmap commitments. Making targets relevant to each mill is a complex task. Given the unique nature of each production unit or function it would be inappropriate to set group wide targets for each mill to adhere to. Careful consideration is given to the type of product produced, technological maturity of assets, and economic and market climate before targets are set. The process also facilitates knowledge sharing sessions, bringing the similar functions at each mill together to share best practice and discuss process improvements.

INTERNAL AUDIT

The Internal Audit Division (IAD) provides the critical role as an independent team to provide objective assurance across our business. Based on risk mapping and audit plans, IAD performs reviews on business processes and compliance to procedures in group and mill level, investigating cases to reveal any misconduct through audit findings and provide audit recommendations. The function delivers significant improvements to operational activities. IAD also monitors the implementation of audit recommendation to ensure it has been implemented cross all mills. Audit findings are regularly disclosed in a unique report to each mills. The reports are also shared with management and responsible parties.

ETHICAL BEHAVIOR

To support APP's commitment to Good Corporate Governance (GCG), the APP Business Code of Conduct (APP BCoC) was established in 2014 to set out how all employees and directors should behave in areas such as workplace safety, fair competition, conflicts of interest, fraud prevention, gifts and entertainment. The APP BCoC handbook is accessible to all APP employees through the internal portal.

To facilitate the reporting of misconduct, APP Ethics Call Center (ECC) was established in 2008, under the responsibility of IAD. Reports are accessible and can be made by phone, emails or whistleblower portal. Issues reported via the ECC are investigated by independent investigators while keeping the whistleblower's identity safe. APP also encourages its business partners to support this program by whistleblower program training and awareness raising to vendors, carriers, customers and other business partners. During 2014, there were 127 issues reported to ECC. Each case is categorised into five criteria (abuse of authority, collusion, conflict of interest, fraud of company asset and violation of SOP or system or procedure).

Other program designed to support Good Corporate Governance is e-Kinship, an online system to declare any employee relationship that may raise conflict of interest. Every employee has to declare family relationship as set out by a family relationship matrix. IAD also designed e-Gift & Entertainment portal for employees to declare any gift or entertainment received to avoid conflict of interest, underpinning our drive for ethical business behavior.



SECTION 4

SUSTAINABLE FOREST MANAGEMENT

SECTION

4

This chapter of our Sustainability Report 2014 explains what we at APP are doing to halt deforestation and improve the management and conservation of forestry relating to our own operations and our supply chain.

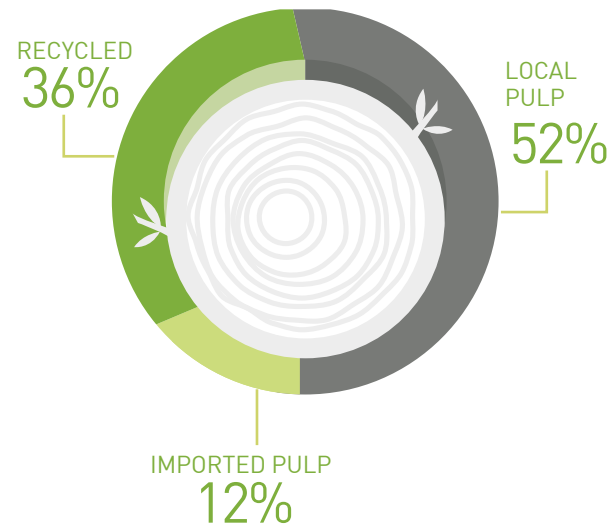
Our work in this space is, in many instances, pioneering. In an effort to raise the standards and pace of forest conservation beyond our own remit, we are committed to publicly sharing our methodologies with our peers. However, the extent of our efforts can only extend so far. In line with the UN's acknowledgements, we are now calling upon support from governments around the world to help us improve the protection and management of forests, globally.

Our Vision 2020 Roadmap includes four commitments related to our fibre sourcing. We are on track, or ahead of our targets for all four of these commitments.

OUR SUPPLY CHAIN

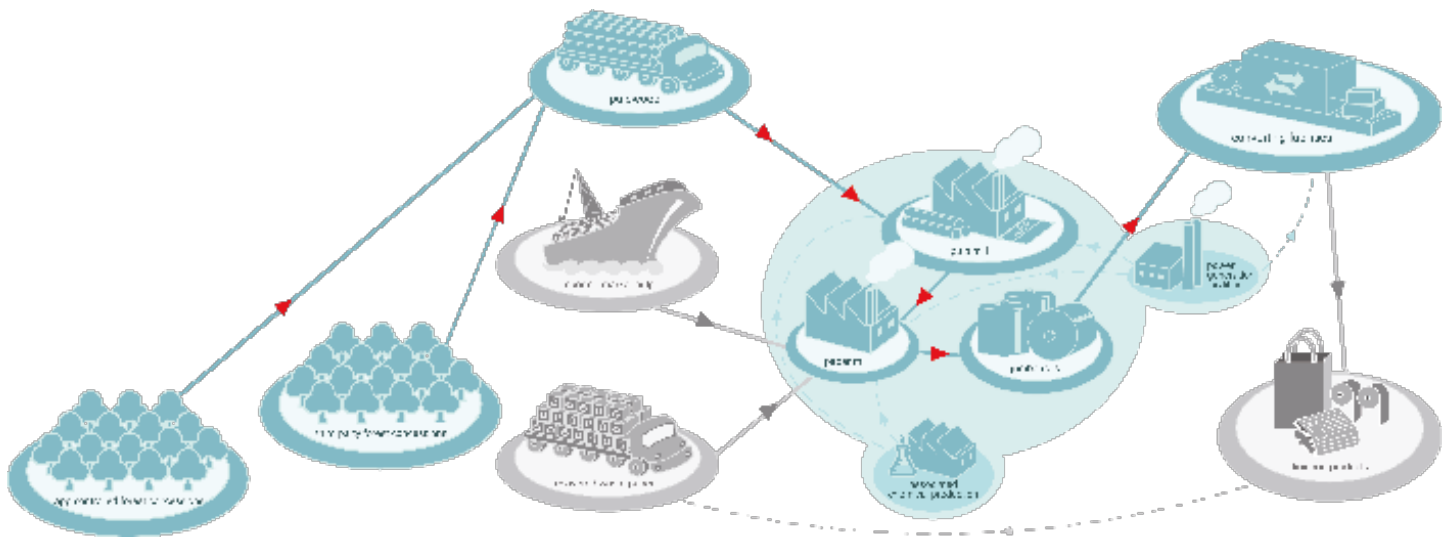
APP does not directly manage any production forest concessions. Instead, we procure pulpwood from Sinarmas Forestry that manages and coordinates supply from forest concession owners. Of the 38 concessions, APP's role is to manage and support them in delivering upon the commitments we have set. APP mills import a small proportion of virgin fibre to compliment local plantation pulp, as well as recycled fibre in the case of Ekamas Fortuna and Indah Kiat Serang mills. The variance in the composition of the imported and recycled fibre, helps APP to produce different types of paper products, each with characteristics influenced by the type of raw material used.

SOURCES OF PULP IN 2014



Plantation pulpwood from our suppliers is used by our two integrated pulp and paper mills, Lontar Papyrus and Indah Kiat Perawang. The pulp produced by these two mills is used both on site for their own paper production and sent to other mills within the group.

APP SUPPLY CHAIN



MAP OF APP PULPWOOD SUPPLIERS' CONCESSION





FOREST CONSERVATION POLICY

On February 5th 2013, we launched our Forest Conservation Policy (FCP). This included a moratorium on all natural forest clearance by our Indonesian suppliers and a commitment to zero deforestation. It marked the commencement of large-scale High Conservation Value (HCV) and High Carbon Stock (HCS) assessments to identify natural forest for protection, and it also defined a need for peatland management and a wood supply study (previously we referred to this assessment as 'Growth and Yield'), and respecting local rights through social conflict mapping and applying FPIC (Free, Prior, Informed Consent).

The FCP is a new business model, developed through the recognition that our business, and those of many of our customers, will not survive over the longer term if we do not escalate the extent to which sustainable forest management principles are embedded into the core of our business.

2013 and 2014 can be defined by two years of practical implementation, during which our HCS, HCV, social conflict mapping, peatland management and wood supply studies took place within our suppliers' concessions. The results are being used to develop Integrated Sustainable Forest Management Plans (ISFMPs) for each of our suppliers' concession areas.

As with any new endeavour, we have experienced challenges along our journey, some of which have caused us delays and others, the development of a renewed approach. In the spirit of any pioneering project, we anticipate many more challenges along the way, and we are prepared to adapt and engage as we continue to improve.

Achieving a culture of continuous improvement is a particular aim of ours. What is widely recognised as acceptable practice today may not be acceptable tomorrow, and so it is our duty to ensure that each and every one of our employees, from top management down to the forestry workers, understands the FCP and its importance to the continuation of our business.



OUR FOREST CONSERVATION POLICY COMMITMENTS	PROGRESS BY END OF 2014	UPCOMING ACTIONS FOR 2015
<p>POLICY COMMITMENT 1: APP and its suppliers will only develop areas that are not forested, as identified through independent HCV and HCS assessments.</p>	<ul style="list-style-type: none">• HCV field assessments complete for all 38 concessions.• HCS assessments, using the revised approach, complete for six concessions.• Prepare for ISFMP development.	<ul style="list-style-type: none">• Complete subsequent phases of the HCV assessments by February 2015, and implement HCV management recommendations.• Complete remaining HCS assessments using the revised approach.
<p>POLICY COMMITMENT 2: APP will support the Government of Indonesia's low emission development goal and its target to reduce greenhouse gas emissions.</p>	<ul style="list-style-type: none">• Through zero deforestation policy implementation APP will avoid GHG emission from land use change• Formed a Peat Expert Group (PET) and undertook an initial peatland assessment• Through implementation of peatland best management practices APP will reduce GHG emission from peatland degradation• Through best practices in sustainable forestry management and improved plantation forest productivity APP will increase carbon sequestration	<p>Identify next steps following initial gap analysis by the Peat Expert Group (PET) to support the development of Peatland Best-Management Practices (PBMPs).</p>

OUR FOREST CONSERVATION POLICY COMMITMENTS	PROGRESS BY END OF 2014	UPCOMING ACTIONS FOR 2015
<p>POLICY COMMITMENT 3: In order to avoid and resolve social conflicts across its supply chain APP will actively seek and incorporate input and feedback from a wide range of stakeholders, including civil society.</p>	<ul style="list-style-type: none">• Developed a process for categorising, prioritising and decision-making into our Conflict Resolution Procedure.• Implemented Key Performance Indicators (KPIs) for wood suppliers' staff with responsibility for implementing Social Conflict Action Plans in our supplier concessions.• Introduced social sub-working group to our NGO Solutions Working Group (SWG) to allow for more focused discussion of our implementation of APP's FCP commitments.	<ul style="list-style-type: none">• Integrate our FPIC protocol, social conflict mapping, resolution and grievance procedures into one suite of social measures.• Ongoing training and support in our supplier concessions to ensure correct understanding and implementation of our FPIC.• Communicate and build external awareness around our FPIC commitment.• Clarify and re-socialise our grievance procedure.• Review our current CSR programmes carried out by suppliers to ensure alignment with community needs.
<p>POLICY COMMITMENT 4: APP sources fibre from all around the world and is developing measures to ensure that this sourcing supports responsible forest management.</p>	<ul style="list-style-type: none">• APP Responsible Fibre Procurement & Processing Policy was developed to include imported pulp, we commit to purchasing only legal and environmentally sound pulp that has been sourced from sustainability managed forestry sources.• Revised and implemented APP's Association Procedure and revised SERA (Supplier Evaluation Risk Assessment).• In 2014 83% of our imported pulp was from certified sources. The remaining has been verified as low risk through SERA and is classified as non-controversial as per the PEFC standard.	<p>Continue to procure imported fibre that meets the minimum requirements set out in the APP Responsible Fibre Procurement & Processing Policy.</p>

INTEGRATED SUSTAINABLE FOREST MANAGEMENT PLAN (ISFMP)

The purpose of the extensive assessments undertaken as part of our FCP commitments- HCV, HCS, wood supply study, social conflict mapping and peatland management best practice - was to understand the conditions in which we currently operate, and to identify areas of high environmental or social value that must be protected. The next stage of our journey has been to combine the results of these assessments, and create long-term action plans to help us in meeting our goal of achieving sustainably and responsibly managed plantations. We call these action plans 'Integrated Sustainable Forest Management Plans' (ISFMPs), and we believe our approach is pioneering in the forestry sector. Key to our ISFMPs is our emphasis on broader landscapes, rather than focusing only within each concession boundary. As such, each plan has been tailored to take into account the unique environmental and social situation of our suppliers' concession areas.

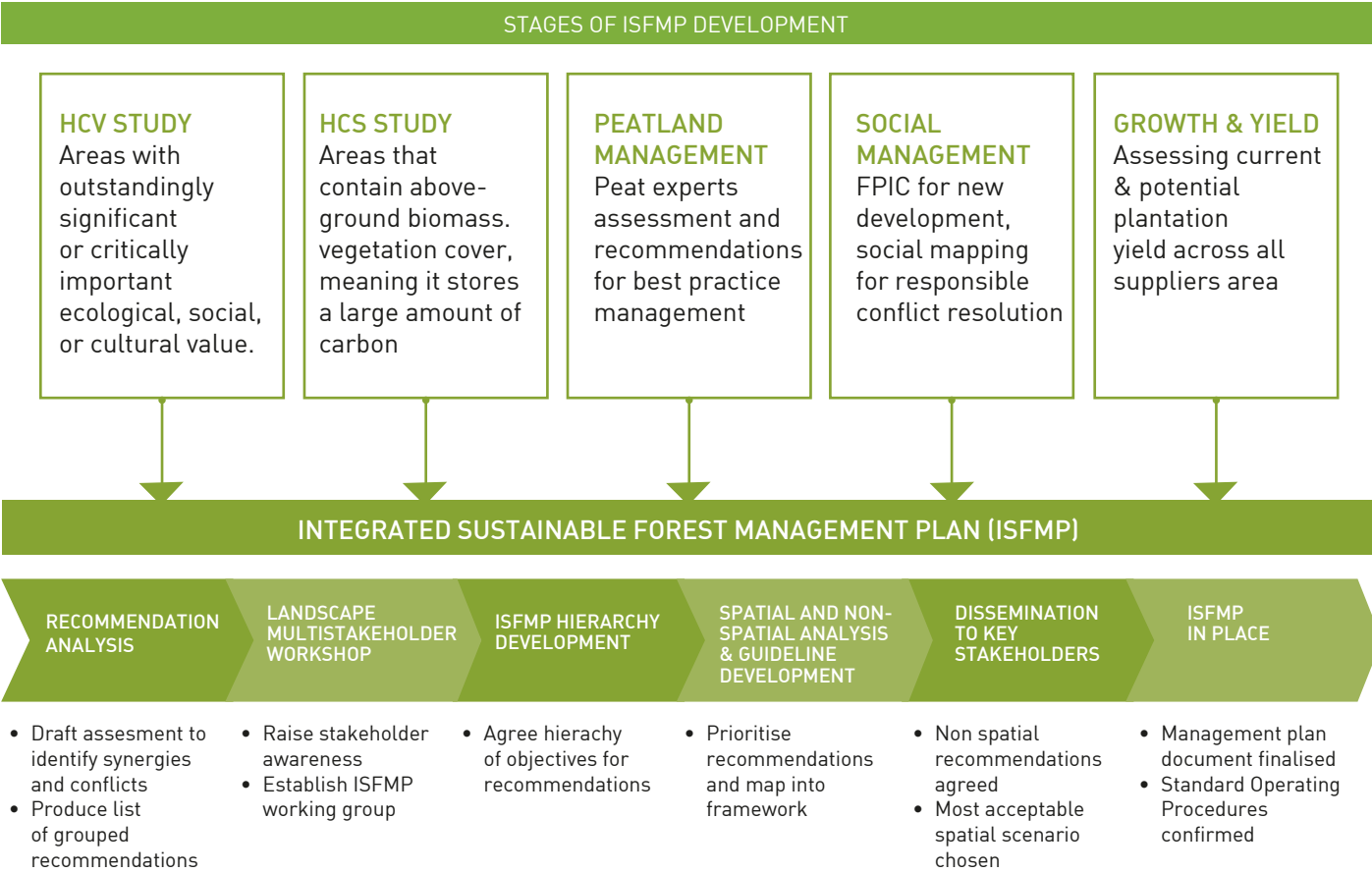
In 2014 we learned through pilot ISFMPs that the results of our assessments, which all feed into the development of the ISFMPs, in many cases yielded conflicting recommendations. For example, where an HCV assessment may recommend that an area need to be conserved due to biodiversity reasons, our social conflict mapping in the same concession area may recommend that the indigenous community living nearby has a customary right to develop it into agriculture.



Consequently, we had to adapt our approach to further assess the hierarchy of conflicts arising from the very different nature of our assessments, and inevitably, trade-offs have been made.

How did we do this? Stakeholder input was essential. By working collectively with our stakeholders, we took time to understand the opinions of each stakeholder group. When it came to making our ultimate decisions on the prioritisation and trade-off of conflicts for each plan, we were able to justify our decision using the feedback received from our stakeholders, in a transparent manner. In all regions, we have set up a specific ISFMP working group, consisting of representatives from various stakeholder groups, to aid this process.

We had intended to complete all of the ISFMPs by the end of 2014. However, we faced a number of unforeseen challenges, and spent time overcoming these in order to perfect our approach. The ISFMP in Jambi is the most progressed of all our plans, where we are at the stage of agreeing the hierarchy of recommendations.



THIRD PARTY CLEARANCE

As part of our FCP implementation we have developed a number of measures to address the issue of third party forest clearance. The root cause of such activity is complex, and tends to originate from lack of clear land boundaries, forest fires, illegal logging, and encroachment. We revised our procedures and developed the Forest Protection and Security Manual to help guide our suppliers on maintaining concession areas and undertook threat mapping to identify risk areas. We involve local communities and enlist their support in prevention and monitoring of concession boundary areas too. Above all, we have been calling on governments, NGOs and other companies to work together to find common solutions since these challenges cannot be addressed by one company in isolation.

HCV STUDY

Identifying areas of High Conversation Value in each of our 38 suppliers' concessions, which total 2.6 million hectares, was the first step in our journey towards sustainable forest management. In 2013 we undertook initial assessments of 11 concessions with our partner APCS. Responding to a need to accelerate the process, we also engaged Ekologika from June 2013 to continue the HCV assessments in parallel. By the end of 2014, field assessments for all 38 suppliers were complete. The resulting reports identify and map the conservation value of the land in each concession, and make recommendations regarding the management of these areas, in order to maintain and enhance biodiversity and conservation. Following the field assessments, the HCV process requires stakeholder consultation, peer review and report finalisation. We aim to finalise these steps by February 2015, and a public summary of the results will be released onto the Dashboard in Spring 2015.

In our Sustainability Report 2013, we communicated our intention to complete the HCV assessments by July 2014. Our progress has been hindered by the length of time it has taken to complete each assessment, and the lack of resources available. By engaging both APCS and Ekologika in parallel, we have been able to complete the field assessments in September 2014.

The assessments themselves include technical evaluation, as well as a critical stakeholder consultation stage with the community and wider stakeholders. The purpose of the consultation is to gain stakeholders' input on the conservation value of each area, and to discuss and resolve any issues identified. Our assessments always apply the precautionary principle; if there is any doubt as to the status of a particular area of land, activities are halted until agreement is reached between all parties.

We have already begun reviewing and categorising the results and recommendations of the completed assessments. Some of the recommendations have been embedded into our suppliers' current SOPs and processes. Additional recommendations will be addressed in two ways:

1. Spatial: HCV recommendations that may affect a concessions' spatial plan will be addressed through the ISFMP spatial plan development process.
2. Non-spatial: a number of the non-spatial HCV management recommendations have already been addressed within our current operating procedures. We have also developed and implemented some recommendations that relate to specific concessions, such as the management of endangered Sumatran elephants in a concession in Jambi province.



INDICATOR	DEFINITION	PRESENT IN ASSESSMENT AREA
HCV 1	High biodiversity value	Species diversity
HCV 2	Significant ecosystem with high ecological value	Landscape-level ecosystems and mosaics
HCV 3	Rare or endangered ecosystem	Ecosystems and habitats
HCV 4	Provides high value environmental services	Ecosystem services
HCV 5	Critical for meeting basic needs of local people	Community needs
HCV 6	Critical for maintaining cultural identity of local communities	Cultural values

NATURAL FOREST WOOD

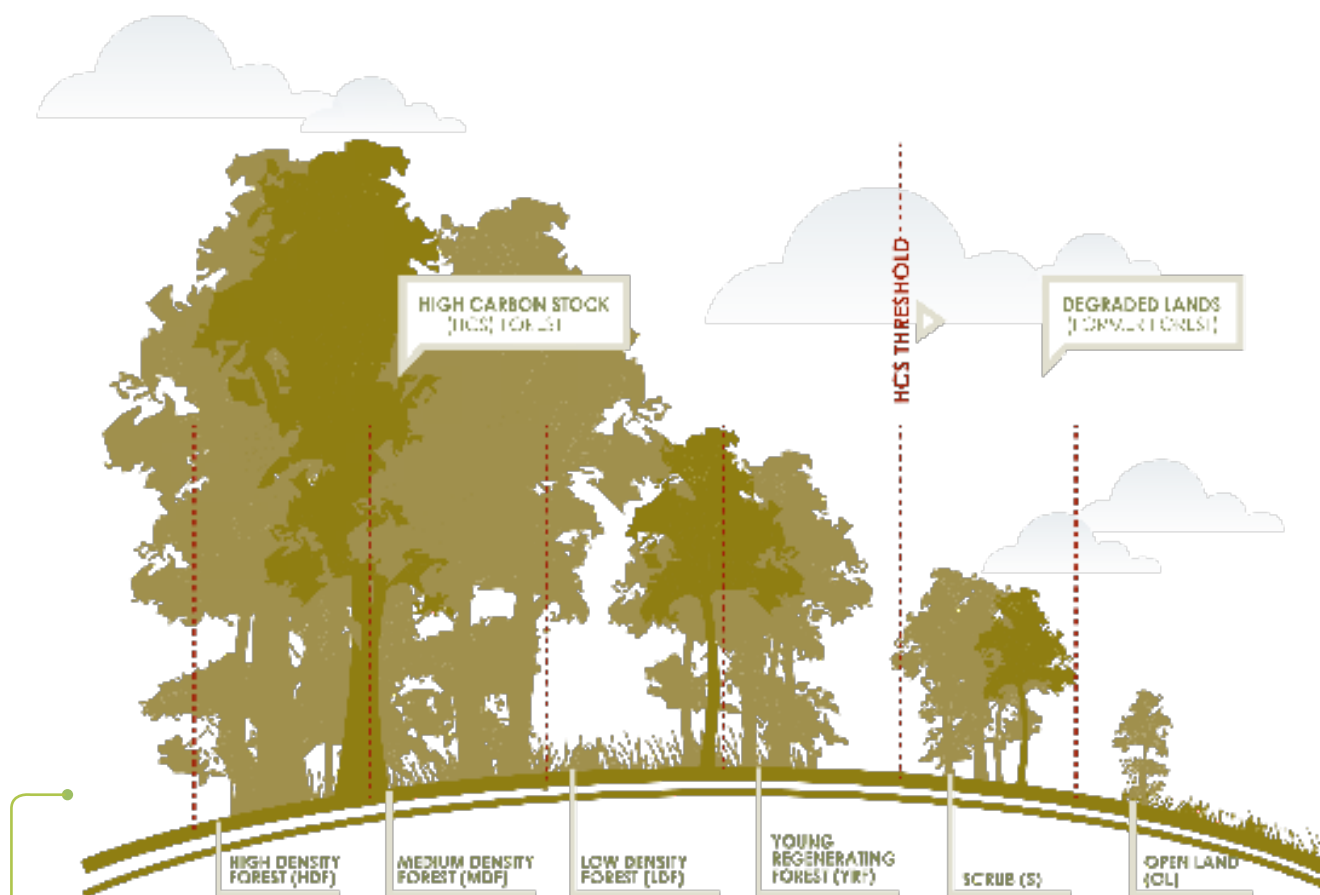
A key component of our Forest Conservation Policy when announced was the immediate halting of any natural forest wood (NFW, also known as mixed tropical hardwood, MTH) in our supply chain. We reported last year that around 400,000 m³ of this material, harvested prior to our February 1st forest clearance moratorium, remained within the concession area and under no circumstances will this material enter our pulp mills. We are working with NGOs and stakeholders to find an alternative use for the material stockpiled at APP’s suppliers’ concessions. Possible solutions include internal use for concession infrastructure development and donations to the community for uses such as furniture or construction projects. A small percentage of the wood will be sold, and a proportion of the wood which has suffered severe decay has been removed from the NFW inventory table.

HCS

High Carbon Stock areas are those where the land has a high concentration of plant organic matter above ground. As organic matter stores carbon, the protection of these areas is critical in mitigating against climate change.

Our HCS assessments assist us in the identification of natural forest areas, which we have committed to protecting. Our assessment approach was initially developed for the palm oil sector by Greenpeace, Golden Agri Resources (a sister company of APP) and TFT, and we have adapted it to suit our plantation forest business. It involves a combination of satellite analysis, observation on the ground and aerial surveys to categorise the land owned by our pulpwood suppliers into six classes. These classes are used to distinguish natural forest, which has a high carbon stock, from degraded land and former forest, where only small trees, scrub or grassland remain.





THE SIX CLASSES OF VEGETATION

- HIGH DENSITY FOREST (HDF)
- MEDIUM DENSITY FOREST (MDF)
- LOW DENSITY FOREST (LDF)
- YOUNG REGENERATING FOREST (YRF)

THRESHOLD

- SCRUB (S)
- OPEN LAND (OL)

However, as we reported in 2013, the approach taken for the initial 20 assessments required additional refinement to improve the correlation between the desktop and field level data. To rectify this, we recognised a need to collaborate with business, NGOs and conservation experts to improve our approach. We engaged Ata Marie, a forestry technical consultancy, in addition to TFT, to support us in moving forward and participate in the HCS Steering Group which was established in September 2014, whose objective is to provide governance and standardisation of the HCS methodology. APP consulted the HCS methodology it utilised across its pulpwood suppliers with the HCS Steering Group which consists of NGOs, such as Greenpeace and WWF, and companies such as APP.

In 2014, we have conducted six assessments using this revised approach. We have completed the field assessment by the end of 2014. Analysis and final report is targeted to be finalised by March 2015 to be fed to the ISFMP.

PEATLAND MANAGEMENT

Peatlands store a significant amount of carbon, both above and below ground. Responsible management of these areas maintains this vital global carbon store and minimises emissions from decaying biomass.

Within our FCP, we have pledged to protect naturally forested peatland areas and implement best practices in peatland management on plantation forest that are on peatland, throughout our pulpwood supply chain. This commitment aligns to the Government of Indonesia’s low emission development goal.

Our approach is two-fold: our Inception Phase, which we completed in 2014, analysed the current peat management issues and opportunities within APP supplier concessions. It identified a need for the rapid collection of new, high quality data before Peatland Best Management Practices (PBMP) could be developed and implemented. The second phase builds on the result of the Inception Phase, and involves the development and implementation of the PBMPs in and around APP suppliers’ concessions. Phase Two will be conducted over a two-year period. Initial data gathering and testing began in late 2014.

Our team of independent peat experts, which include experts from Wageningen University and Research (WUR) centre, Deltares, and Euroconsult Mott-MacDonald, have been involved in our management approach since January 2014, and have been instrumental in the delivery of our Inception Phase.

The second phase of our peatland management approach comprises three stages and is being led by Deltares.



STAGE 1:

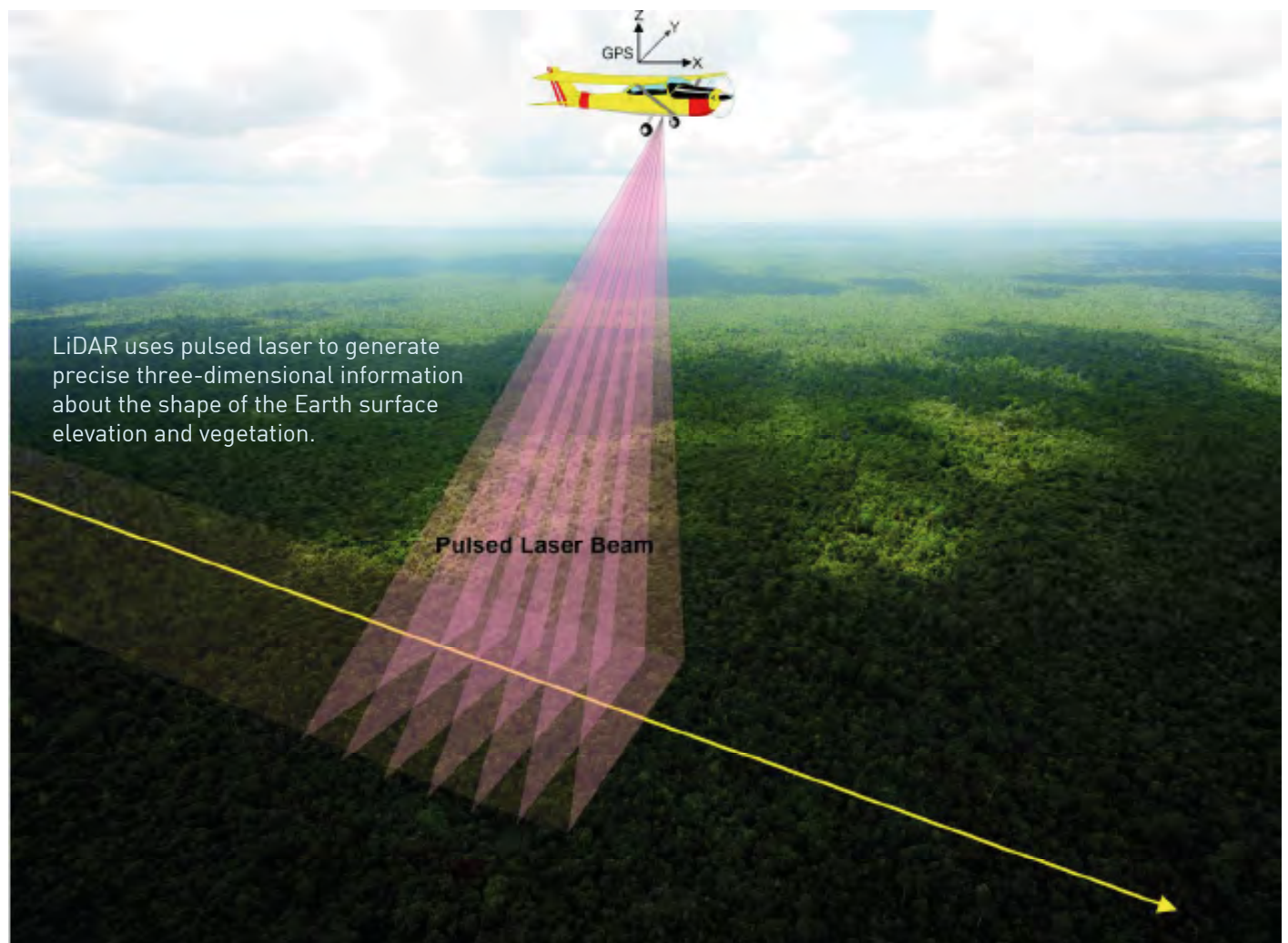
Mapping and assessment of peatland cover, trends and fire threats. This will include the mapping of water table depths across APP suppliers' concessions, as well as determining current and projected fire risk. This stage is uncharted territory, not just within APP, but more broadly within Indonesia's forestry sector. Data does not exist in the level of detail required to undertake our research; maps are out of date, and topography data is not available in sufficient detail to develop effective plans. Therefore, we will use aircraft to follow pre-determined track lines with Light Detection and Ranging (LiDAR) Technology at 5km intervals crossing the concessions' landscape. The use of LiDAR technology, which will provide peat data across 4.5 million hectares of land in Sumatra and Kalimantan islands, is a significant investment on APP's part in the data collection stage alone.

STAGE 2:

The peatland mapping using LiDAR Technology, in Stage 1, will produce a digital elevation model on a 25m x 25m grid, which will be used as the basis for testing and modelling, to develop the PBMPs. Our testing and analysis will include mapping areas of peatland cover, peat surface subsidence and carbon emissions modelling, as well as mapping of water table depths and flood risk across each concession. We will also model current and potential fire risk.

STAGE 3:

Lastly, we will develop methods and pilots for addressing peatland recommendations from our PBMPs, unique to particular areas of our suppliers' concessions. We will conduct alternative species modelling, with the intention of proposing flood-tolerant plantation species, and we will begin to rehabilitate critical peatland ecosystems.



SOCIAL AND COMMUNITY ENGAGEMENT

Balancing the goals of forest protection and commercial success, with the development needs of the community and local and customary rights is a highly complex challenge, and one that we actively seek to address.

Forest concessions are typically located in remote and economically depressed areas, and social conflicts with communities frequently stem from their livelihood needs. The majority of conflicts relate to land tenure between our suppliers and the communities in and around the concession areas. Lack of clarity around land allocation and precise boundaries remains a key issue, and further complicates the process of licence applications. Often the original boundary agreements and approvals by the Ministry of Forestry are challenged, making dialogue to resolve the conflict necessary. Distinguishing illegal forest encroachment from legitimate land claims and rights, through a combination of fair judgement and effective law enforcement, is imperative.



FPIC AND CONFLICT RESOLUTION

In our Sustainability Report 2013 we reported on the development of our conflict resolution procedure, which includes Free, Prior and Informed Consent (FPIC). In 2014 we have focused on strengthening our systems, policies and procedures, in response to stakeholder feedback and the lessons learned through implementation in the field. Notably, our conflict resolution procedure has been fortified with the addition of a process to support suppliers' field staff in categorising, prioritising and implementing the conflict resolution process.

Key Performance Indicators (KPIs) have also been developed for all our staff with responsibility for the implementation of social conflict action plans in our suppliers' concessions. These KPIs will assist in ensuring prompt, appropriate steps are taken to resolve conflicts.

Furthermore, following feedback from members of our NGO Solutions Working Group, we introduced a social sub-working group to facilitate more concentrated discussion, feedback, and ideas on our FCP social commitments.

Through the use of our conflict resolution procedure, 56 conflicts were resolved in 2014. A particular focus in 2014 has been the training and development of our staff in the resolution of conflicts; a strong team, and effective processes for resolving conflicts are key in accelerating the conflict resolution process in each concession.

FPIC AT OGAN KOMERING ILIR (OKI)

Communicating with our stakeholders and implementing FPIC, has been imperative throughout the consultation and development of APP's new pulp and paper mill in the Ogan Komering Ilir (OKI) district in South Sumatra. In 2013 we committed to applying the principle of FPIC with communities in the vicinity of the mill, before construction began on the site.

Our FPIC process has comprised four-stages:

1. Land tenure study. Initial assessment of current status of ownership rights and land use of the area in question.
2. Pre-assessment, late 2013. Following our FPIC Standard Operating Procedure (SOP), and through a combination of desk-based research, an initial field study, data from the government and our Environmental Impact Assessment (AMDAL), APP identified seven villages in the OKI district close to the new mill, which we consider relevant for FPIC, on the basis they could potentially be impacted by APP's operations. The communities residing in two of these villages have land rights to the area where the mill is located.
3. Village interaction, February 2014. During meetings with representatives from each village, known as the Village Monitoring and Communication Team, APP presented and verified the information collected during our pre-assessment, and distributed it to relevant parties. The purpose was to establish effective communication and coordination between the villages, and OKI.
4. Agreement. Using the results of our stakeholder mapping, we invited community representatives to participate in the FPIC process. This involved informing the communities of our objectives, and gaining consent from landowners. Where agreement could not be reached, APP revisited our plans, conducted further participation mapping, and continued to engage with community members and landowners to reach a resolution.

WOOD SUPPLY STUDY

APP is one of the largest pulp and paper companies in the world. We rely on a continuous and reliable supply of plantation wood for our pulp mills to maintain sustainable business operations over the long term.

In 2014 we completed our wood supply study, previously known as our 'growth and yield' assessment. The study highlighted inefficiencies in some of our mills and concessions' activities. Following the study, we have initiated a comprehensive action plan to help drive efficiency improvements and more effective management practices in three areas: optimising the supply from our existing plantations, through improved silviculture practices and pest and disease management; minimising losses in our supply chain during harvesting and transportation; and addressing threats to our plantations, such as forest fires and land conflict issues.

Implementing the suggestions in the Plantation Productivity and Wood Supply Efficiency Plan could substantially increase the wood yield from the existing land base of our pulpwood suppliers.



PROTECTION AND RESTORATION OF 1M HECTARES OF FOREST

Setting out our commitment to support the protection and restoration of 1m hectares of forest in April 2014, we used input from our stakeholders to select five priority landscapes to focus on from the ten originally identified. APP will act as a facilitator, following the pioneering model used in the GSK-BB reserve which uses a landscape level conservation model that involves multi-stakeholder coordination and cooperation between business, society and government. In our efforts to date we have sought support from these stakeholders; in many cases actions were already underway within these landscapes, and APP helped to bring the various initiatives together. A task force has been developed for each of the five priority landscapes to oversee the planning stages. By the end of 2014 we were in the process of selecting a consultant to assist us in preparing a master plan. The master plan will be used as a guideline for the implementation of APP commitment, as well as for other stakeholders within each landscape to support and compliment their conservation efforts. A final master plan covering all landscapes will be in place by July 2015.

APP's new Foundation model will underpin the financing of these conservation efforts. APP has established the Belantara Foundation with an initial investment, but we also actively encourage partners to join us, including our customers and both global and local businesses, to contribute and work alongside us.



CASE STUDY – BERBAK SEMBILANG

Contributing to our commitment to preserve and restore 1 million hectares of forest, the Berbak-Sembilang landscape refers to a large area in the east coast of South Sumatra and Jambi province which covers 1,136,758 hectares. It is a combination of peat swamp forest, freshwater swamp forest, mangroves, and lowland forest ecosystems. There are two national parks in this landscape. The Sembilang National Park (202,896 hectares) extends northward from the mouth of Musi Banyu Asin estuary to the River Benu on the Jambi border where it meets the Berbak National Park. The Sembilang National Park is the largest remaining area of mangroves in western Indonesia. The Berbak National Park (162,700 hectares) predominantly consists of peat swamp and freshwater swamp forests.

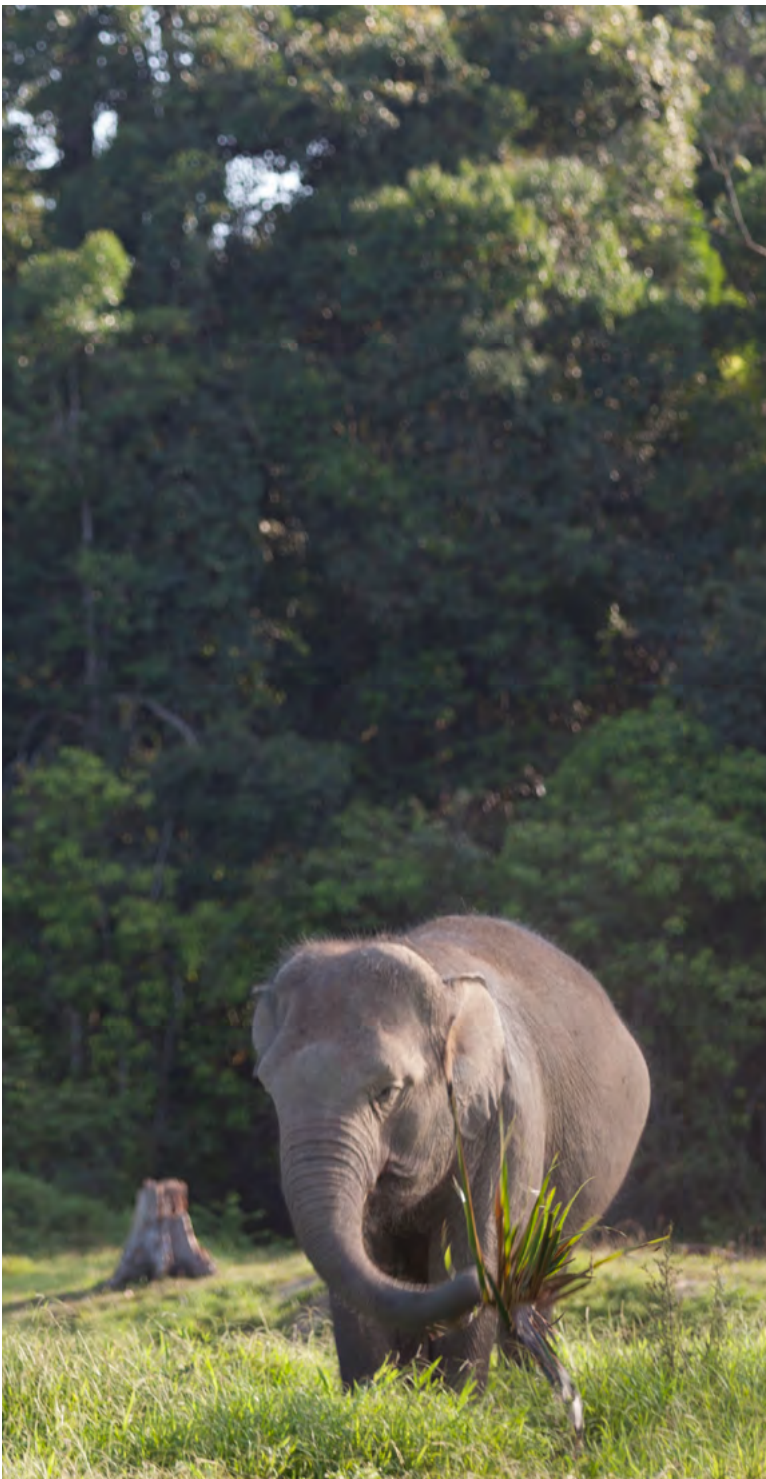
The Berbak-Sembilang landscape has been identified as a priority landscape for Sumatran tigers, with a population that is viable for protection. Other important species in the landscape include white-winged duck, milky stork, helmeted hornbill, Sumatran elephant, clouded leopard, Asiatic golden cat, tapir, binturong/bear cat, Malayan sun bear, pangolin, finless porpoise, agile gibbon, common bottlenose dolphin, and Chinese white dolphin. Both Berbak and Sembilang National Parks are also known as wetland conservation areas and listed as RAMSAR sites which indicate that these areas are important globally, and recognised for their critical role in north-south bird migration.

CASE STUDY – BUKIT TIGAPULUH

Bukit Tigapuluh landscape spans an area of 1,067,002 hectares, featuring moderately undulating and steep hilly terrain. The area stretches across Riau and Jambi provinces in Sumatra Island, dominated by lowland forest and is a landscape recognised to have high biological diversity. Central to the landscape is the 144,223 hectares Bukit Tigapuluh National Park where one of the few remaining primary tropical lowland forest in Sumatra can be found. The Bukit Tigapuluh landscape is also known to be one of the few remaining habitats for critically endangered species such as the Sumatran tiger, elephant, and orangutan. Other scientifically important species include the white-winged duck milky stork, helmeted hornbill, clouded leopard, Asiatic golden cat and the Malayan sun bear. The landscape is also home to the Talang Mamak and Suku Anak Dalam indigenous people.

CASE STUDY - GIAM SIAK KECIL

Managed using the UNESCO Man and Biosphere concept, where key stakeholders work together to sustainably manage the area's resources. Giam Siak Kecil - Bukit Batu (GSK-BB) landscape which covers 941,200 hectares located in Riau province, Sumatra. The reserve is a contiguous landscape established in 2009 during the 21st Session of the International Coordinating Council of the Man and the Biosphere Programme, UNESCO. The area is managed using the UNESCO Man and Biosphere concept where key stakeholders work together to sustainably manage the area's resources. The biosphere reserve consists of three main zones, 1) a 178,722 hectares core area designated for conservation and research; 2) a 222,245 hectares buffer zone for activities compatible with sound forest management practices including APP pulpwood suppliers plantation forest; and 3) a 304,123 hectares transition zone for intensive cultivation or production activities. The core conservation area of the biosphere reserve is a tropical peat swamp forest containing significant amounts of above and below ground carbon, a wealth of flora and fauna including protected flora species and endangered mammals such as the Sumatran tigers and elephants.





INTERNAL ENGAGEMENT

We must work hard to integrate our Forest Conservation Policy into our day to day operations. This means ensuring our employees understand the FCP and making sure that as an organisation we have the capacity, skills and motivation to deliver our commitments on the ground. To date we have provided training for our suppliers' employees through formal courses and workshops, targeting the core elements of the FCP and procedures related to its implementation. Looking forward, we will continue to build long term capacity to support the FCP implementation and begin to embed FCP objectives into the incentive programmes of our existing employees.

CERTIFICATION, VERIFICATION & CHAIN OF CUSTODY

To demonstrate to our stakeholders that our suppliers follow the principles of sustainable forest management, we apply third party certification and verification, covering both forest management and the traceability of raw material through our supply chain. This is known as our chain of custody.



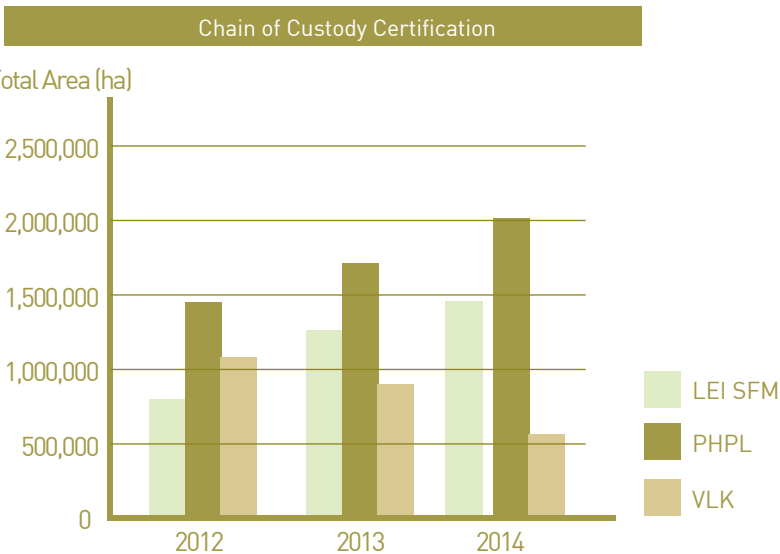
THE SUSTAINABLE FOREST MANAGEMENT AND CHAIN OF CUSTODY SCHEMES WE USE TODAY

SVLK (Timber Legality Verification System) is a government mandatory certification scheme that ensures that wood products are produced, distributed and marketed legally, based on Indonesian laws and regulations. It is a stepping stone to achieving the full mandatory sustainable forest management certification. The system has been approved by the European Union as Indonesia's Voluntary Partnership Agreement (VPA) to meet the due diligence requirement of EU's Forest Law Enforcement, Governance & Trade (FLEGT) regulation.

PHPL (Sustainable Production Forest Management) certification is a mandatory Sustainable Forest Management scheme that is independently verified by a nationally accredited certification body. Plantation area certified to this standard already meets the VLK verification standard.

LEI-SPFM (Indonesian Eco-labeling Institute - Sustainable Plantation Forest Management) is a voluntary scheme that includes indicators that examine the sustainability of production and its environmental, social and economic impact.

TOTAL PLANTATION AREA	HA	2,621,643
LEI CERTIFIED		56%
PHPL CERTIFIED	%	77%
VLK VERIFICATION (ONLY)		23%



FSC RE-ASSOCIATION

In October 2007 the Forest Stewardship Council (FSC) dissociated with APP due to concerns regarding our forestry practices. Following the implementation of our FCP the FSC has decided to continue its discussions with us as we work towards possible re-association. APP's goal is to be formally re-associated with FSC and will work with the organisation to achieve this.

PROGRESS IN 2014

- SVLK audit completed in all 10 mills
- LEI Chain of Custody internal audit for 5 mills
- PEFC Chain of Custody training and internal audit for 8 mills
- Active stakeholder in PEFC standard development working group

A key development in 2014 was the endorsement of the Indonesian Forestry Certification Cooperation (IFCC) by PEFC. The IFCC, introduced in 2011, sets sustainable forest management and chain of custody requirements for the Indonesian forestry industry, taking into account local, national and global requirements. APP continues to play an active role in the continued development of IFCC and it will play an important role in delivering upon our Vision 2020 target of 100% Sustainable Forest Management certified pulpwood.

PULPWOOD SUPPLIER SCORECARDS & SERA

APP’s Supplier Evaluation Risk Assessment (SERA) is a tool we have developed to screen new suppliers, to assess if the proposed supplier has the capacity to develop to meet our requirements. It is a pre cursor to using the supplier, after which our supplier scorecard would be applied. The SERA tool considers the level of resources the supplier has, their track record, certification and presence and quality of their Standard Operating Procedures.

For existing suppliers, or once a new supplier enters a commercial contract with us, we use our pulpwood supplier Scorecard to check that each supplier meets our requirements across seven areas; social, environment, health and safety, planning, human rights, chain of custody and administration. The Scorecard includes over 800 criteria that every supplier is expected to meet, aligned to the necessary APP policy requirements and certification schemes. Each of the criteria is assigned a weighting according to its relative importance.



RAINFOREST ALLIANCE INDEPENDENT ASSESSMENT

APP engaged an independent third party, the Rainforest Alliance, to independently evaluate our progress in implementing the FCP. From January through to August 2014 the Rainforest Alliance reviewed the progress of our FCP and other related commitments we made, using specific Performance Indicators and Measures. The evaluation was conducted using independent auditing procedures, including evidence submissions by APP and other observers, field visits in concessions supplying APP, and stakeholder consultations with affected communities, individuals and organisations.

The findings of the assessment, published in February 2015, recognised the progress APP has made in halting the cutting of natural forest and ceasing the development of any new canals in peatland areas. It also recognised the establishment of APP's Responsible Fibre Procurement and Processing Policy and our implementation of this policy through the elimination of one non-cooperating supplier. Significant progress in completing HCV and HCS assessments, establishing a Peatland Expert Team and building constructive dialogue with stakeholders are other positive findings from the report.

Areas for improvement include addressing third party land clearance, increasing the speed of implementing FPIC and conflict resolution process across the forestry concession area, and accelerating the development of the ISFMP and Peatland Best Management Practices. APP welcomed the report findings and will use these alongside wider stakeholder feedback to continue to develop and improve our FCP implementation plan. You can read about the challenges faced in the above activities and what we did in the late 2014 to overcome some of these challenges in our Dashboard.

[Read the Rainforest Alliance report](#)

[Read APP's response to the report](#)

PROCESS FOR RAISING AND RESPONDING TO GRIEVANCES

In 2014 we received 13 grievances raised by our stakeholders. These were received through a variety of channels including direct communications with APP or SMF management, through our partners TFT or through media or NGO reports. Our response is to investigate each grievance in accordance with our Grievance Handling protocol, and to consult the relevant stakeholders directly or through relevant forums such as the Focus Group Discussions (FGD). If a case requires verification we conduct site visits and/or publish a formal verification report. These are available to view on our Sustainability Dashboard. Of the 13 cases raised in 2014, 11 have been resolved, with investigations ongoing in the remaining two.

SECTION 5

OUR MILLS AND PEOPLE



SECTION
5

PEOPLE AT A GLANCE

The success of our business heavily relies on our relationships with our employees and with the communities surrounding our mills. The majority of our employees live in local host communities where our mills are located. Employment opportunities provided by APP are critical in sustaining the livelihoods of local people, particularly in some of the remote regions where we operate.

Providing host communities with a healthy, safe and prosperous environment around our mills is therefore essential to secure our social licence to operate. Ongoing stakeholder engagement helps us to identify and meet community needs, and we have a number of initiatives to build capacity within local communities (see page 56-59).

Beyond the direct impact of our operations on our employees and host communities, we have a far reaching influence through the opportunities created by our suppliers and other services required to sustain a growing population around each of our mills. Although suppliers are selected primarily on price, quality and availability, 71% of our transactions are with suppliers local to our mills.

EMPLOYEE GENDER/AGE/DIRECT AND INDIRECT

		< 30	30-50	< 50
Management	M	7	1,059	355
	F	0	88	17
Non-management	M	7,351	23,322	1,357
	F	503	4,218	97

NEW EMPLOYEE AGE/GENDER

		< 30	30-50	< 50
Number	M	995	119	13
	F	112	6	0
Rate (%)	M	13.5	0.5	0.8
	F	22.3	0.1	0

TURN OVER AGE/GENDER

		< 30	30-50	< 50
Number	M	853	1,100	381
	F	113	249	57
Rate (%)	M	11.6	4.5	22.3
	F	22.5	5.8	50

EMPLOYEE WELFARE

Updated as part of our Roadmap commitments in 2012, APP's Employee Welfare Policy is the cornerstone of our approach to employee health and wellbeing.

Offering competitive remuneration and benefits is central to maintaining our position as an attractive employer. The base pay for our employees across all our mills is equal to local minimum wage. APP also provides annual holiday entitlement and medical benefits, in addition to pension provision for all employees, which follows Indonesian government regulation. We will set up a remuneration committee in 2015, whose remit will include the implementation of the new government regulations concerning remuneration, which were launched in 2014.

The manual nature of much of the production based roles available at APP means we attract a high proportion of male employees. Although this is typical of the global pulp and paper sector, encouraging a greater number of female employees to join the company is a continuous aim of ours. Our Employee Welfare Policy outlines our approach to equal opportunities and we offer identical base salaries for male and female employees.

We do not currently have a specific policy for recruiting women into senior management roles, other than the general Equal Opportunities Policy, which is part of the APP Employee Welfare Policy and applicable across the organisation. The male to female ratio across our company is 87:13, which is consistent with 2013. Women represent 7% of management roles, a proportion unchanged from 2013.

Hiring local employees is also very important at APP. Our hiring policy is based primarily on candidates' suitability for the role, and we favour local applicants where candidates are of equal competence. This reinforces our commitment to the local communities where we operate, while also ensuring that our employees have first-hand knowledge of the local culture. In 2014, 8% of our senior management team were hired locally.

Our employees are free to join labour unions, and our management teams work closely alongside union representatives. In 2014, issues raised by labour unions included wage adjustments to align with the increase of provincial minimum wage and the availability of housing loans. We responded by adjusting employee wages across all mills to align with the new legislation and reviewed housing loan provisions that are in place at a number of mills already, with the view of expanding to all mills in the future. All our employees are covered by collective bargaining agreements.

As part of our long-term commitment to our employees, we offer end-of-career support aimed at helping their transition to retirement, or re-training to develop additional skills required to embrace a career change. The nature of this support varies at each of our mills and includes both internal and external training courses, and retirement pay that accounts for age and length of service. In the event of operational changes, APP allows a minimum of seven days' notice, as per the Government of Indonesia's regulation.

HEALTH AND SAFETY

		2014	2013	2012
Injury rate ^a	M	11.2	4.6	5.7
	F	1.9	2.4	1.8
Lost day rate	M	180	146	54
	F	31	24	260
Fatalities	M	8	9	5
	F	0	0	1
Absentee rate		161	118	437
Frequency rate		17	22	21
Severity rate		81	19	315

Health and safety is paramount at APP. Our goal of zero accidents reflects our commitment to providing the safest working conditions possible. The use of heavy and potentially dangerous machinery is inherent to many of the jobs at our mills, which reinforces the importance of effective training and the provision of necessary protective equipment to ensure our employees remain safe at all times.

Regretfully, eight employees lost their lives in 2014. Six accidents were caused by electrocution, crushing, mechanical failure, falling from height and two cases were traffic accidents inside the mills' perimeter. We strongly believe every employee has the right to return home safe from work at our mills. We will continue to make every effort to address the operational and behavioural root causes of each and every incident with a goal of achieving zero incidents across all our mills.

Our approach to health and safety management is twofold: we have overarching policies and systems at Group level, and a decentralised management approach at mill level. This allows each mill to focus on the most significant areas, in order to achieve the best results.



From a Group level perspective, every one of our mills adheres to SMK3, a mandatory management system in Indonesia for companies that employ over 100 workers, to implement health and safety standards.

We also aim to achieve OHSAS 18001 certification in all our mills by 2020. In 2014, Indah Kiat Serang mill attained the certification, followed by Indah Kiat Perawang and Pindo Deli Perawang in January 2015.

At operational level, each mill has a team responsible for managing health and safety in their own way. The APP Health and Safety Improvement Programme encourages every mill to share their best practice approaches to health and safety, to facilitate cross learning. Our mill safety teams are also reviewed at Group level to identify areas for improvement, which are then monitored on an ongoing basis. Examples of H&S improvement areas in 2014 include an ICAD led programme to facilitate mills sharing best practice and experiences in safety KPIs, standards of PPE, HIRADC and fire equipment standards.

In 2014 the overarching focus of all health and safety initiatives at APP's mills was to improve workers' attitudes towards safety. Our Group level health and safety team built a new training programme in 2014, the objective of which is to instil the correct health and safety culture across our operations. At Tjiwi Kimia 80% of the mill's workers participated in the training programme in 2014, which includes typical accident and injury scenarios. But the training doesn't stop at a one-off course; regular meetings known as 'safety watch' monitor progress at the mill, and an internal campaign on health and safety procedures, launched in 2013, continues to reinforce the message that safety is everybody's responsibility.

At Indah Kiat Perawang, the 'five minutes for safety' programme ensures that potential health and safety hazards are considered before commencing work in each unit. Indah Kiat Serang enforced LOTO (Lock Out Tag Out) procedures to improve safety in the operational environment around equipment. Meanwhile Tjiwi Kimia improved employee communications around safety with improved monitoring of hazards and more regular reviews of performance to drive behavioural change. Pindo Deli Karawang received the 'Zero Accident Award' in 2014 from the Ministry of Labour and Transmigration in recognition for the mills achievement of no lost time accidents in 2014.

Traffic safety remains a significant issue across many of our mills, and we continue to provide training to instil a better culture. Indah Kiat Perawang sends an e-memo to all employees to emphasise the speed limit inside the mill area, and penalties are issued to anyone caught in violation of the limit.

Similarly, Lontar Papyrus conducts routine inspections on vehicle speed within the mills.

Our mills rely on a large number of contractors, in addition to our own employees. Managing health and safety is the responsibility of our mills and the contractor's company; the specific approach varies across each of our mills, depending on the nature of the operations. One of the key difficulties faced by our mills is the high turnover of contractors, in part due to the short-term nature of their contracts, which impedes our ability to run successful training and to build a sense of accountability and responsibility across our entire workforce. This is an area we intend to work with our suppliers to address. All our contractors are required to attend a safety induction prior to commencing work at APP.

Health and safety training is fundamental in our efforts to improve employees' behaviour towards health and safety, in addition to building competence. The nature of our training varies across our mills, allowing flexibility to focus on key challenges unique to each operation. Commonly, our training includes general health and safety, fire safety, first aid, emergency response, and road safety. The latter is particularly important in light on the number of road related incidents at many of our mills over the past few years. We also offer safety training related to employees' specific roles, including chemical, boiler and pressurised vessels, electrical, hoist crane and forklift safety courses.

Other communications platforms include the use of computer screensavers, posters and meetings, to remind our employees on a constant basis of the critical importance of health and safety.

At Tjiwi Kimia we identified that a large proportion of preventable accidents arise from improper use of forklift trucks. As a result, new safety measures have been implemented, including daily safety checks for vehicle operations, logged through an online system, and regular training sessions.

Each mill has a joint safety committee, which in total represent our entire workforce. The committees ensure safety concerns and suggested improvements at an operational level are communicated between employees and senior managers, and they are responsible for regular updates on incidents, in addition to responding to, and communicating improvement measures. Engagement between mills and labour unions also focuses on health and safety; typical discussions include training, education and the provision of personal protective equipment.

AWARDS ACHIEVED BY INDAH KIAT TANGERANG IN 2014:

- Best Safety & Health Committee Award from Banten province government.
- Award from the Government of Indonesia through the Ministry of Labor and Transmigration for HIV/AIDS Prevention and Combat in the Workplace. Indah Kiat Tangerang was the only company in Banten province which received this award.

Providing healthcare facilities to help maintain and improve the health and wellbeing of our employees and their families also benefits APP by reducing the level of employee absence. Each of our mills has at least one medical clinic on site and annual health check-ups, including screening for occupational diseases, are compulsory for all employees working at our mills. Members of the communities surrounding our mills are also eligible to access our health programmes. APP's health campaigns dedicated to HIV/AIDS and endemic diseases such as dengue fever are usually run in collaboration with relevant government institutions within the region.

MAJOR INCIDENTS IN 2014

Our Indah Kiat Perawang mill suffered a chlorine gas leak, resulting in breathing difficulties affecting 81 employees and contractors. We responded immediately by evacuating the affected area and repairing the faulty equipment. Those affected were provided with treatment at local medical centres and they were fully recovered by the next day.

The incident investigation resulted in mitigation actions that included replacement of all flange screws, additional Cl₂ gas detectors, revised safety inspection procedures and additional training on emergency response system.

Heavy rainfall caused disruption to Indah Kiat Tangerang mill's operation. Cisadane River which flows near the mill flooded and a high volume of water breached the barrier which separates the mill from the river bank. The flooding caused the production line to stop for two weeks as well as affecting other areas such as warehouses operations and the mill's main office building. The mill responded by rebuilding and strengthening the wall barrier.

ATTRACTING AND RETAINING TALENT

APP's current and future success depends to a large extent on our employees. Offering competitive salaries, career development opportunities, paid leave, performance management, health insurance, pensions and scholarship programmes helps to position APP as an attractive place to work. We also provide health insurance, bonus schemes and sabbatical leave. A number of these benefits are available only to permanent employees, and some vary by mill.

Our portal, i-suggest, is an important platform for employees to provide feedback. Submissions range from small suggestions regarding components of a machine, to queries relating to employment issues and performance improvement. The suggestions assist us in understanding areas for improvement, while at the same time enhancing employee satisfaction and safety. Each mill incentivises employees to use the i-suggest portal in a different way, for example at Tjiwi Kimia employees are awarded cash for every suggestion that is used. The most successful suggestions from each mill are nominated for inclusion in an annual APP-wide competition, the winner of which receives up to US\$10,000.

In 2014 Tjiwi Kimia undertook its first employee satisfaction survey, as part of a transformation programme launched in March. The survey, called 'Pulse Check' invites staff to communicate their views on current management and organisational changes, using stickers on a publicly displayed board presenting current topics. The results will help us to focus our efforts on the areas our employees feel offer the most room for improvement.

Attracting and retaining young people remains a key challenge at APP, largely because of the remote location of many of our mills and the increasing number of opportunities available to talented young people in Indonesia. In an effort to improve our retention rates, we offer increased daily allowances to employees working at mills outside of their local vicinity, and higher incentives and rewards for higher performing employees. APP's scholarship programme, in cooperation with the University of Surabaya, is geared towards attracting top talent to the mill. In 2014 Tjiwi Kimia hired five new employees as a result of the strategic partnership. At Indah Kiat Perawang a new approach was adopted in 2014, whereby graduates are employed in more senior roles from the outset, in recognition of their learning from the start.

Return to work rates after parental leave in 2014 were 99% and 89% for male and female employees respectively. 95% of our male employees who took parental leave in 2013 were still employed in 2014, this compares to 43% for female employees.

Discrimination of any form is not tolerated at APP. The APP Employee Welfare Policy includes commitments covering harassment or discrimination, and each mill emphasises this commitment in their Collective Labour Agreements, which also include mechanisms to report any grievances or harassment of any description. There were no reported incidents of discrimination in 2014.

TRAINING

By offering continuous learning and development opportunities, we help ensure that our employees remain informed, engaged, motivated and adequately skilled. In 2014 we conducted an average of 35 hours of training per employee, compared to 50 hours in 2013. All of our employees received annual performance reviews. Training included general training on topics such as safety, as well as technical training specific to our employees' different roles, and specialist training such as negotiation and sales training for area and regional managers.

"Empowering People Performance", our cross-mill training programme focusing on management and business skills, has trained over 250 section and department heads since its beginnings in 2011.

APP's Skill Development Centres at Indah Kiat Serang, Indah Kiat Perawang and Tjiwi Kimia have become our training hubs, attracting employees from other mills across Indonesia, and further afield from our Chinese operations. The training centres take a technical focus, with facilities equipped for training on skills such as welding and operating motor, hydraulic and pneumatic systems that are typically found in a pulp and paper mill. Simulations are used to create a safe and controlled environment to gain practical understanding on equipment operations. Technical laboratories are complemented with training rooms and libraries to support the learning environment.

DEVELOPING TALENT FOR TOMORROW

The APP Skill Development Centre at Indah Kiat Perawang opened in summer 2014. Located within the mill site, the centre is one of our core CSR programmes for the mill. A training academy has now been established, offering additional training to employees once they have joined the company. Each student is provided with a donation to attend courses predominantly focussed on mechanical engineering. An internal diploma is awarded at the end of the three year course. Currently 19 students are enrolled; we expect this to grow with a further intake of students in 2015.

HUMAN RIGHTS

APP is committed to respecting human rights within all of our operations throughout our business and our broader value chain, including the communities where we operate. We adopt the United Nation's "Protect, Respect and Remedy" framework, acting responsibly and with due diligence to avoid infringing on the rights of others. This forms an essential part of our Roadmap commitments. Our Employee Welfare Policy, which is compliant with the International Labour Organisation (ILO) convention, forms the umbrella of APP's commitment to human rights. The policy is explained further in APP's Framework on Human Rights Compliance. We aim to align our human rights performance to international best practice, within the context of Indonesia's challenges.

Our Ethical Business Code of Conduct is based on many standards, including the UN Guiding Principles on Business and Human Rights. Each of our mills has tailored the Employee Welfare Policy to their own operations, to express their commitment to human rights. Our Code of Conduct was distributed in 2014, and employees have been tested on its content to check their understanding.

Ensuring our operations and those of our suppliers are free from child labour is part of our human rights commitment. The minimum age for employment at our mills is 18, and our Employee Welfare Policy includes specific child labour clauses. Our greatest risks relating to child, forced or compulsory labour lie within our supply chain, particularly our pulpwood suppliers.

Our template of service agreement, which is used during our vendor selection process, has been revised to include human rights compliance. In addition, our mill grievance system has been strengthened to improve the way that grievances and their resolutions are documented. Furthermore, our new sustainability scorecard will be used as a human rights monitoring system, which will improve consistency in our approach to human rights and wider sustainability issues across all of our mills and concessions.

COMMUNITY ENGAGEMENT

Our approach to community engagement is two-fold: on one level we engage with local people in the communities surrounding our mills, and on another we engage in community programmes in partnership with our pulpwood suppliers by providing financial support, knowledge and resources in formal joint projects.

APP’s mill level engagement involves a series of projects to support the local economy and to enable local residents to prosper and increase their financial stability. Our approach creates shared value, by also helping us to secure and maintain our social licence to operate. Every mill is responsible for developing its own community engagement policy, based on the Millennium Development Goals (MDGs) and tailored to local requirements. Many of our mills’ initiatives have been ongoing for many years, and continue to develop in response to changes in the expectations of the community.

Our community programmes with our pulpwood suppliers are intertwined with our commitments to sustainable fibre sourcing. Including community development programmes within our conservation and biodiversity initiatives helps to educate and empower people about the importance of sustainable forest management, in addition to supporting communities with alternative incomes, to help them sustain their livelihoods without resorting to illegal logging and other environmentally destructive practices.

MILLS AND THEIR COMMUNITY

Microfinance is a technique employed to great effect within our CSR programme. Indah Kiat Perawang has applied this approach to strengthen the mills position as a centre for economic, socio-cultural and religious development in the vicinity of the mill, particularly for those who do not have direct employment at the mill. Of the 120,000 people that live in the immediate vicinity, 40% live below the poverty line. The mill offers small loans with no interest for those wishing to establish small businesses. Each applicant provides us with a business plan which is assessed, and if approved the financial support is provided. We also provide ongoing assistance and support in setting up and running the business, while the loan is repaid to us. To date, over 50 individuals have successfully applied for such financing.

We believe that empowerment is the vital ingredient for community initiatives to have a long term impact. In partnership with our pulpwood suppliers we run community training centres that provide fertiliser, a variety of seeds, tools and most importantly the technical training to establish their own production, either for consumption or sale. Our most successful programmes support existing skills already present amongst the community; we simply act as the means to initiate and facilitate community development programmes, both at our mills and within our pulpwood suppliers’ operations.

Pindo Deli Karawang adopts this approach, tailored to the needs of the community. Crucially, land is provided and through the local farmers association, fertilisers and seeds donated to establish a crop rotation programme throughout the year. Sales from rice, peanut, soya bean and corn go directly back to the community. In a separate programme, land, equipment and training is provided to local farmer groups to support bee keeping. The mill works closely with the community, empowering them to maintain land and equipment for economic return. Honey output almost doubled in 2014, with profits from sales returned directly to the community.



WATER – A FOCUS FOR 2014

To underpin our CEO water mandate commitment, APP is an active stakeholder in the Indonesia Global Compact Network (IGCN), whose chosen area of focus in 2014 was water. Water is a critical issue in Indonesia, where the latest studies suggest only 61% of the population have access to adequate sanitation, and 67% to clean drinking water.

In March 2014, along with our IGCN partners, we launched a community sanitation project in North Jakarta, aiming to improve the environment of a slum area of the city. 70 community members were trained and registered to collect and segregate household waste, some of which is now reused as materials for handicraft and some is recycled. The result is a cleaner living environment, reduced breeding places of mosquito and lower incidence of sickness within the community.

Working with the NGO Habitat for Humanity, we have worked at improving water and sanitation facilities in three communities. Starting at Indah Kiat Serang, we developed facilities to clean river and ground water through sand filtration, providing water for sanitation. APP provides financial support to establish the infrastructure and training for the community on hygienic behaviour. In total, 19 sanitation facilities have been constructed, to the benefit of 150 people.

A similar project spans across four separate communities in the area surrounding the Indah Kiat Perawang mill. 228 bio sand filtration units have been installed, three public sanitary facilities refurbished and we have improved housing water and washing facilities for 24 households. Hygiene training has also been provided for 100 people. In 2015 a similar programme will be rolled out across the neighbouring community at our Pindo Deli Karawang mill.

PULPWOOD SUPPLIERS AND THEIR COMMUNITY

Located near APP’s pulpwood suppliers in Riau province, Sumatra, the Giam Siak Kecil Bukit Batu (GSK-BB) biosphere reserve has been established in collaboration with YAPEKA (the Foundation for Community Empowerment and Nature Conservation Education). Together, APP and YAPEKA work to educate and enable communities living in and around the reserve to live more sustainable lifestyles and protect the environment.

THE BIOVILLAGE CONCEPT

APP and Sinar Mas Forestry have constructed biogas digesters in the villages of Temiang and Tanjung Leban, which lie in the transition area of GSK-BB and form part of APP’s Biovillage concept.

Before the project was initiated, firewood, kerosene and LPG were used for cooking purposes. Not only does this drive the use of fossil fuels, it also encourages communities to remove trees from the areas around their villages. At the same time, livestock breeding, a key source of income, results in livestock to roam within in the village – a hygiene hazard.

Biogas digesters were introduced to convert abundant cow manure from the villages into biogas, a form of renewable energy. By reducing the community’s dependence on wood and kerosene, the biogas digesters will reduce the level of deforestation in the surrounding area, and decrease the daily cost of fuel in numerous households. The residue of the manure after conversion into biogas can be used as fertilizer for enhancing the community’s farming activity. The project also covers education about environment preservation, as well as a hygiene campaign through schools, community health centres and women’s groups.

BENEFITS OF THE BIOVILLAGE CONCEPT:

1. Provides renewable, lower cost energy for cooking. Savings can be directed to other uses, such as education and economic development;
2. Prevents tree cutting for fuel;
3. Provides a cleaner and safer source of energy;
4. Provides a clean and healthy environment now that cow manure is put to use;
5. Improved cattle health through a better living environment
6. Avoids the conflict between cattle and plantation owners, because the cows are housed and unable to enter the plantation areas;
7. The residue of the cow manure can be used as fertiliser for organic farming and as pellets for fishery (fish food), driving further economic development within the community.



This section of our report has described a small selection of the CSR programmes run by our mills. Guided by the Millennium Development Goals, each mill selects the projects to invest in each year, focussing on addressing the goals that meet the needs of the local community the most. Other examples of over 100 projects run in 2014 across our mills include:

- Health screening for employees, their families and the local communities
- HIV/AIDS education for high school students
- Infant health education for mothers
- Supporting local schools through infrastructure investments and supplies of equipment such as textbooks, chairs and tables
- Renovating community housing
- Providing student facilities for technical training
- Hosting tutoring sessions for university entrance tests
- Empowering women through handicraft training

OUR MILLS – AN INTRODUCTION

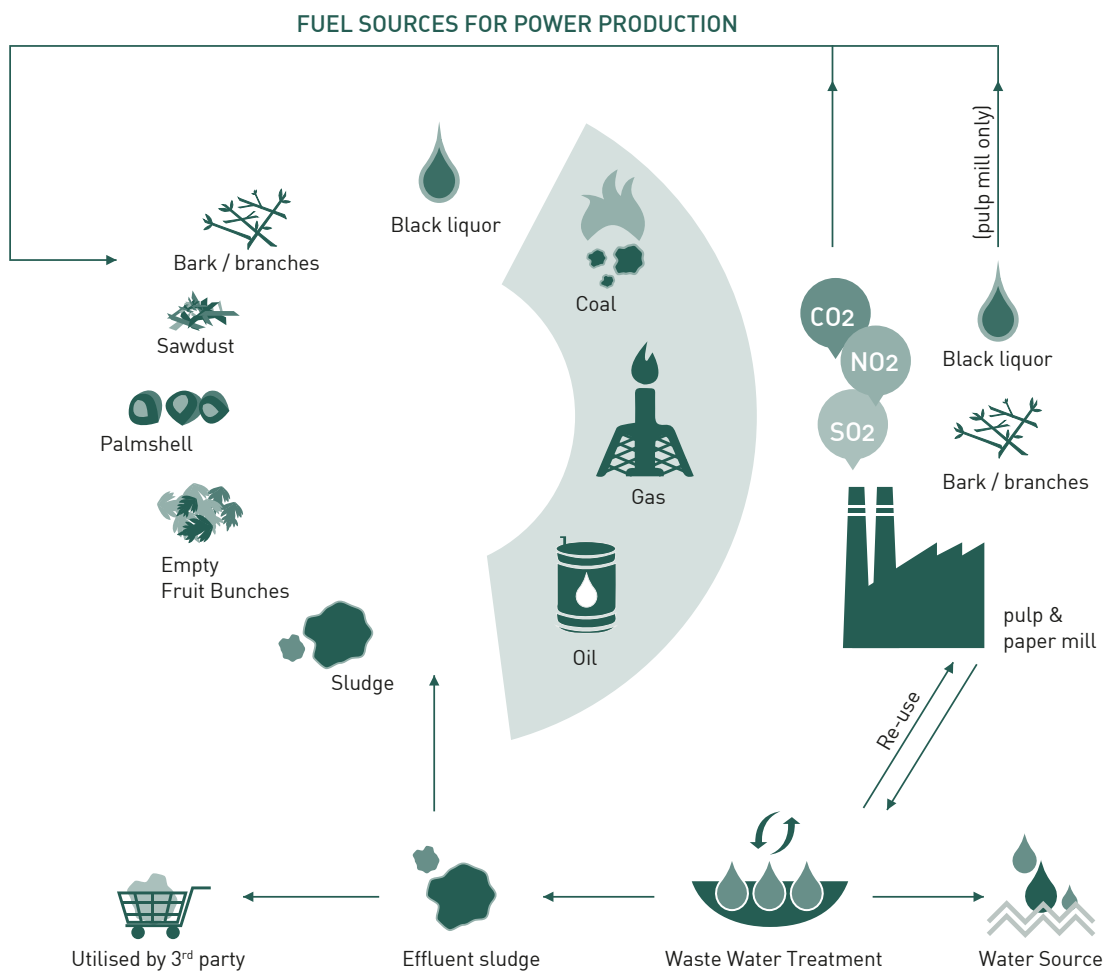
Achieving our ambition of sustainable production relies on the efficiency of our pulp and paper mills, and our ability to manage and minimise environmental impacts. Our most significant environmental impacts - waste, water and emissions to air, are predominantly associated with the manufacturing processes and the production of energy on site to power these. Within our Roadmap, we have set targets to minimise these impacts. All our mills employ an environmental management system, certified to the globally recognised ISO 14001 standards. Our ultimate goal is to align to global best practice by performing over and above the requirements of local Indonesian environmental standards.

In 2014 we completed a Sustainability Database Programme for all our mills. The online database provides a platform for mills to regularly report on environmental and social performance. By more closely monitoring our environmental performance across the group, we are able to highlight areas where corrective action is required, as well as identifying best practice that can be shared across our mills.



While the Sustainability Database Programme looks purely at performance data, we also use a scorecard system to understand broader issues such as management approach and data quality, and compliance against APP’s various standards including legality, Code of Conduct, environment, social impacts and health and safety. Covering around 380 specific metrics we use this information to support each mill in the most appropriate way and to ensure all mills are contributing towards our Roadmap goals. The results also allow us to compare performance between mills.

Our approach is to maintain a culture of knowledge sharing between APP’s mills, ensuring gains at one mill can be replicated in others. Competition between mills is actively encouraged, as it helps to continually raise standards and drive performance improvements. Our mill management teams meet on a monthly basis to share best practice and discuss areas for improvement. A dedicated team of environmental experts, EnviTech, are based in APP’s head office. This team provides support to all mills to improve environmental performance and drive knowledge sharing across the group.



PROPER is a voluntary environmental initiative launched by Indonesia's Ministry of Environment in 1996, which all APP mills, (with the exception of Indah Kiat Serang and Tjiwi Kimia in 2014) are assessed against. By encouraging public disclosure and awarding the best performers, the scheme seeks to enhance environmental standards across industry in Indonesia. Pindo Deli Karawang mill 2 successfully achieved green level for the fifth time and was nominated to receive gold level in 2014.

ENERGY AND CARBON EMISSIONS

Pulp and paper production requires energy in the form of electricity and steam. Our mills generate their own power on site, with additional electricity provided from the national grid, if required. Energy use at each mill is largely determined by the type of product produced and the technology of the equipment installed. Energy efficiency is a key metric, both in terms of environmental impact and financial performance of the mill, so it is something we monitor closely and constantly strive to improve.

One of the most significant sustainability opportunities for APP is the ability of our pulp mills to utilise renewable energy from waste products. Black liquor and bark, by-products of the onsite pulp production process, are used to meet their energy needs. The carbon emissions generated from these sources are considerably lower than fossil based fuels. APP is in the fortunate position to be able to generate a large proportion of our fuel use from renewable sources; 46% was generated from renewable sources in 2014, a figure slightly decreased from the previous year, due to the availability of the biofuel.

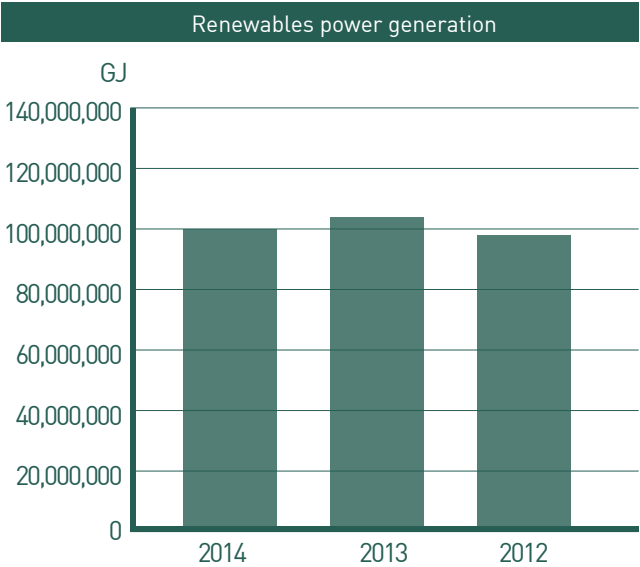
Many of our initiatives demonstrate savings in energy use, directly improving mill efficiency, and carbon emissions. At Indah Kiat Perawang we implemented a project in 2014 to increase the amount of biofuel the mill could utilise, in order to reduce its reliance on fossil fuels. Today the mill uses around 700 tonnes of biofuel a day, a level achieved following installation of a bark shredder to improve consistency of bark size, and a new bark conveyor to increase fuel throughput. Further improvements to the storage and preparation of bark helped us to reduce its moisture content and improve boiler efficiency. In the future, the mill plans to increase the use of empty fruit bunches from the palm oil production with the potential to reduce coal use by 500 tonnes a day.

While our integrated pulp mills are able to benefit from bark and black liquor as a renewable fuel source, mills without pulping processes on site largely rely on local fuel sources available to them; predominantly coal and gas. Wherever possible, we use fuels with the lowest environmental impact by switching to low sulphur, high calorie coal or by using fuels with lower carbon intensity, such as natural gas or diesel oil.

Not all energy improvement projects require significant investment and savings to be feasible. Our mills are always looking for small incremental gains that, when collectively deployed, contribute to significant energy savings. Examples include replacing and updating equipment, installing variable speed drives (VSDs) and identifying improvements in our work processes.

At Pindo Deli Karawang, a mill that requires a mixture of onsite and purchased electricity, we now assess our energy needs on a daily basis to improve efficiency and reduce costs. We evaluate the optimum fuel mix on-site alongside the price of purchased electricity, factoring in the mill's power demand for that day and any planned maintenance. These procedures helped the mill to achieve ISO 50001 certification for their Energy Management System. In the future we will look at selling surplus power back to the national grid.

In 2014 we finalised our carbon footprint assessment across all our mills, providing us with a clear historic profile of our products emissions. We will use this to set a group-wide emissions reduction target and enhance the level of detail we provide to our customers.

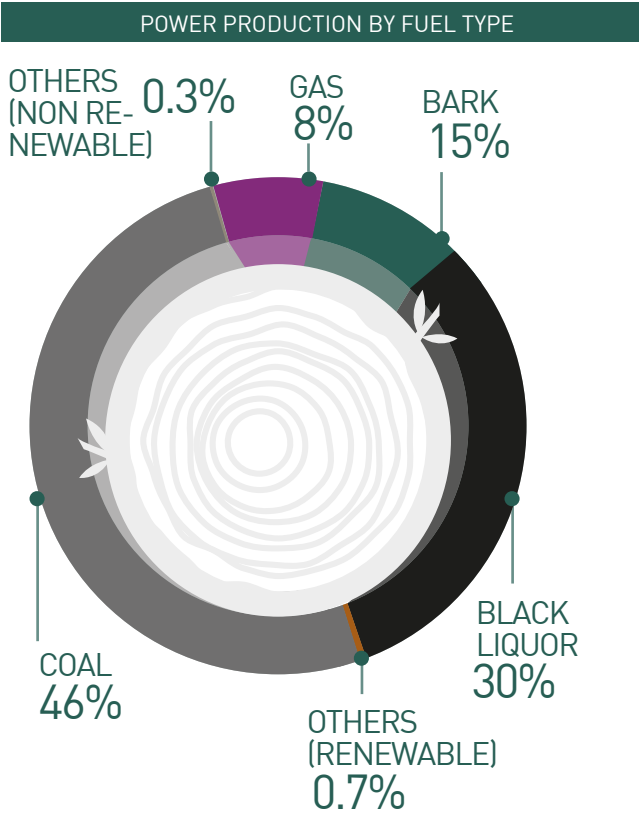


Scope 1 emissions refer to emissions from power generation on site at our mills. Scope 2 emissions relate to purchased electricity from the national grid network. In line with the WRI/WBCSD Greenhouse Gas Protocol we calculate our emissions from renewable fuels separately. These predominantly comprise bio-based materials such as black liquor and bark. We do not calculate employee commuting and business travel (scope 3 emissions) in our greenhouse gas calculation, since it is estimated that the number will be insignificant compared to the emissions from our manufacturing activities. Instead, we focus our efforts on reducing greenhouse gas emissions within APP's manufacturing process, where the majority of our emissions are generated.

The intensity of carbon emissions increased slightly in 2014, mainly due to unplanned maintenance at the Lontar Papyrus mill. This decreased annual production while at the same time increasing fuel consumption, negatively impacting carbon intensity.

In terms of other air emissions, on site fuel combustion creates CO₂, NO₂, SO₂ and other particulates. We are committed to constantly staying 10% below the targets set by the Ministry of Industry in Indonesia. We measure our emissions on our more modern equipment using Continuous Emissions Monitoring Systems (CEMS). Older equipment relies on manual measurements, in which case we use an independent third party to collect and analyse our emissions.

Some of our most innovative sustainability solutions are derived from reducing carbon emissions.



GREENHOUSE GAS EMISSION IN 2014 ⁸				
		2014	2013	2012
scope 1	tCO ₂ e	10,371,326	9,834,678	9,588,406
scope 2	tCO ₂ e	1,055,166	1,072,572	1,072,572
intensity	tCO ₂ e/t	1.37	1.36	1.36

⁸ GHG data was calculated based on APP Carbon Footprint Assessment refer to IPCC Guideline and GHG Protocol.

WATER

The UN Global Compact CEO Water Mandate programme, of which APP is a member, requires us to set an example on a responsible approach to water management. It is one of our strategic goals highlighted in our Roadmap and a key metric measured by our mills.

Water is an important resource that we are committed to managing responsibly, as outlined in our Roadmap. Recognising water as a vital ingredient for our mills' processes, we must carefully control the amount we extract from source and the quality of the water we return post-treatment. The pulp and paper making processes offer a high degree of water reuse. By using the latest technology and process design we reused 19% of our water in 2014.

BOD and COD levels (Biochemical Oxygen Demand and Chemical Oxygen Demand), which measure organic pollutant levels, and Total Suspended Solids (TSS) are constantly measured and monitored.

All APP mills will have undertaken detailed water footprint analysis by the end of 2015. For the mills that have already completed the analysis the opportunities are currently being implemented.

At Indah Kiat Perawang, the results of the water footprint analysis helped the mill to identify over 60 improvement opportunities across the mills operations, from raw water treatment, through to the pulp and paper mill equipment. Major improvements include:

- Using condensate water from the pulp mill evaporator, reducing fresh water consumption and saving energy – the condensate has a higher temperature compared to fresh water, so the process requires less heating energy too;
- Optimising fresh water treatment process;
- Reusing process water on the paper machine;

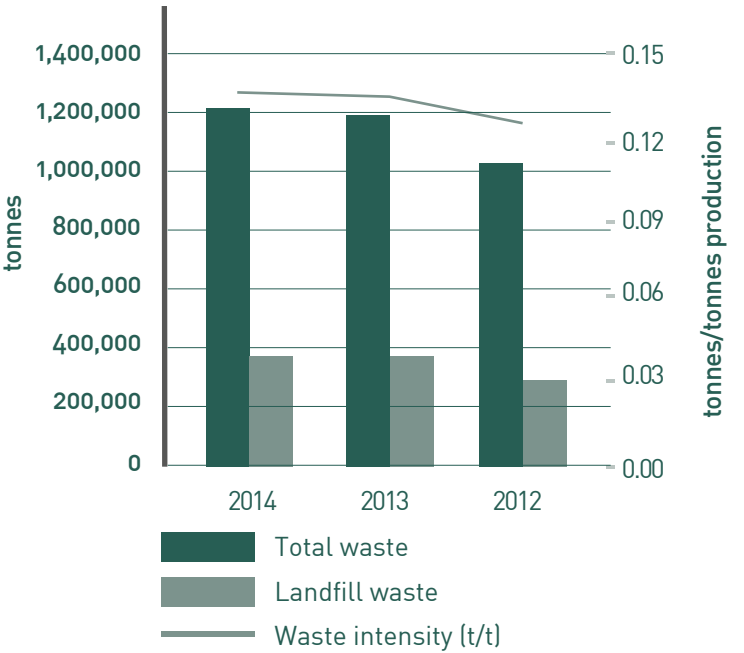
The mill was able to save 50,000m³ of water a day. Compared to 2011, the mill reduced water intensity 21% for pulp production and 8% for paper production in 2014.

WASTE

Diverting waste from landfill is a goal for all our mills. With waste generated from pulp and paper production, and from on-site fuel production, we are constantly looking for new and innovative ways to reduce, re-use and recycle. Gaining the required permits for diverting waste is a particular challenge for APP; even when a sustainable solution has been found we must undertake a time consuming approval process to take a project from pilot phase to full implementation.

Indah Kiat Tangerang reduced total waste production by 37% in 2014. Key projects included using diverting sludge from waste water treatment for chipboard manufacture.

Pindo Deli Karawang ran a waste utilisation programme in 2014, focussing on improving the handling of waste sludge from the mill's waste water treatment system. Impacted by the high cost of handling sludge, the mill wanted to improve the quality of the waste material to make it more attractive to third parties willing to purchase it. The mill focussed on improving the handling process to allow improved drying time (a 3-4 day process) and modified belt press filters to remove water more efficiently prior to storage. Lower moisture content provides a product more attractive to third parties to purchase.





For our integrated pulp and paper mills, waste generated from the process of producing pulp can be used as a fuel. This black liquor, bark and other residue directly replaces fossil fuels, so not only does the process re-use a waste product; it also reduces the use of carbon intensive alternative fuels. During 2014 our integrated mills produced 67% of their power from such sources.

SECTION 6

ABOUT THIS REPORT

SECTION
6

ABOUT THIS REPORT

Asia Pulp and Paper’s Sustainability Report 2014, published in October 2015, sets out our approach and performance against our Vision 2020 Roadmap and, within the roadmap, our Forest Conservation Policy (FCP) commitments.

REPORT SCOPE AND BOUNDARY

Unless stated otherwise, information in this report relates to the calendar year 2014.

APP is a brand name under which our products are sold. Purinusa Ekapersada is the brand holder of APP. The scope of the report covers APP pulp and paper manufacturing operations in Indonesia. Sites which do not manufacture pulp or paper, head office and our Chinese operations are excluded (our [Sustainability Report for APP China](#) can be downloaded here). The following operational facilities are within scope of this report.

LEGAL ENTITY	MILL
PT Indah Kiat Pulp & Paper TBK	Indah Kiat Perawang Indah Kiat Serang Indah Kiat Tangerang
PT Pabrik Kertas Tjiwi Kimia TBK	Tjiwi Kimia
PT Pindo Deli Pulp and Paper Mills	Pindo Deli Karawang (mill 1 & 2) Pindo Deli Perawang
PT Lontar Papyrus Pulp and Paper Industry	Lontar Papyrus
PT Ekamas Fortuna Industry	Ekamas Fortuna
PT The Univenus	Univenus Perawang

One of the highest priority issues for our stakeholders is the activities of APP pulpwood suppliers. Sinar Mas Forestry is the management team that represents APP pulpwood suppliers, currently covering 33 pulpwood suppliers who between them manage 38 concessions (forest management units based on government forest concession licenses).

Despite not being under APP’s direct ownership (although we have shared ownership in six of our suppliers) we have a responsibility to manage and monitor their activities, therefore details of our approach are included in the scope of this report.

DEFINING REPORT CONTENT

The content and quality of this report is guided by the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines (version 3.1). We apply the guidelines and associated indicators to ensure we report against our relevant economic, social and environmental impacts and mitigation activities. We also carry out our own materiality analysis, details of this process and results are shown on page 22.

This report also serves as our Communication on Progress (COP), as part of our commitment to the UN Global Compact, its ten principles and additionally the CEO Water Mandate.

The report has been externally assured to the internationally recognised AA1000 (AS) 2008 standard and meets the requirements of GRI Application Level A+, demonstrating the highest level of disclosure. We continue to use independent external assurance of our report to ensure its credibility and the accuracy of our data and claims.

The assurance statement covering this report is presented on page 74. Information on how we responded to recommendations from the assurance statement in our previous report is addressed in relevant sections.

If you have any questions or feedback on our Sustainability Report we would be pleased to hear from you.

SUSTAINABILITY@APP.CO.ID

DATA TABLES AND ASSURANCE STATEMENT



GROUP ENVIRONMENTAL DATA TABLE

			2014	2013	2012
PRODUCTION	Pulp	tonnes	3,606,000	3,377,832	3,226,186
	Paper		4,927,750	5,151,996	3,028,000
	Stationery		189,000	-	226,000
	Tissue		359,000	329,000	253,537
	Packaging		-	-	227,835
	Total (excl chemicals)		9,081,750	8,858,828	8,336,057
	Chemicals produced		1,819,936	2,027,761	2,873,087
	Total		10,901,685	10,886,590	11,209,144
MATERIALS	Total raw material for pulp	tonnes	14,776,456	11,015,816	13,701,737
	Total raw material for chemicals ⁹		1,351,159	3,224,391	1,359,561
	Total raw material for paper		4,545,298	4,442,432	4,649,329
	Total raw material packaging		158,411	66,679	109,914
ENERGY	Coal	GJ	100,705,720	97,733,021	91,189,837
	Diesel Oil		715,372	366,501	518,323
	Industrial Diesel Oil		32,142	9,508	24,241
	Marine Fuel Oil		104,488	93,222	1,909,130
	Marine Diesel Fuel		0	13,759	4,889
	Gas		17,771,724	16,509,972	11,147,875
	Total non renewable (direct)		119,329,448	114,725,983	104,794,296
	Bark		33,967,199	23,007,187	23,029,866
	Black Liquor		65,245,030	79,001,567	72,669,613
	Sawdust		222,393	163,194	137,758
	Palmshell or Crushed		123,258	268,021	2,156,241
	Palm Shell				
	WWT sludge (compost)		1,135,871	703,794	415,583
	Biogas		70,245	49,573	
	Empty fruit bunches (tankos)		23	38,177	258,131
	Total renewable (direct)		100,764,018	103,368,821	99,251,724
	Purchased electricity		4,096,733	4,267,117	4,623,112
CARBON ¹⁰	scope 1	tCO ₂ e	10,371,326	9,834,678	9,588,406
	scope 2		1,055,166	1,072,572	840,168
	biomass		10,275,009	10,350,087	9,982,444
	intensity	tCO ₂ e/t	1.37	1.36	1.36
WATER	Total water withdrawn by source	m ³	243,258,925	247,313,902	238,078,861
	Percentage water recycled	%	19	31	29
	Effluent discharge to river	m ³	199,093,214	198,094,416	190,485,061

⁹Chemical consumption for paper production.

¹⁰Data collected in line with WRI / WBCSD Green House Gas Protocol.

WASTE	Landfill	tonnes	369,606	335,850	283,635
	Composting		0	40,889	70,844
	Utilised by licensed third party		238,819	186,701	214,072
	Recycled		401,518	337,360	236,943
	Incinerated		34,932	30,639	37,009
	Recovered		0	944	157
	Reused ¹¹		0	28,236	13,132
	Others		3,508	498	682
	Total Hazardous Waste		1,048,382	961,117	856,475
	Landfill		0	35,117	20,094
	Composting		0	0	24,465
	Utilised by licensed third party		88,983	28,892	53,856
	Recycled		80,328	48,271	43,688
	Incinerated		0	2	39
	Recovered		0	0	0
	Reused		0	94,791	53,200
	Others		5,303	29,279	1,199
	Total non hazardous waste		174,614	236,353	196,541
	ODS Emissions		52,422	32,416	32,874
ENVIRONMENTAL EXPENDITURE	Waste disposal, emissions treatment, and remediation costs	US \$	31,988,955	33,504,735	36,537,641
	Prevention and environmental management costs	US \$	11,196,958	44,572,504	4,912,060



MILL ENVIRONMENTAL DATA TABLE

		UNIT	INDAH KIAT PERAWANG			INDAH KIAT SERANG			INDAH KIAT TANGERANG			LONTAR PAPYRUS		
			2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
WATER EMISSIONS	pH	mg/L	7.4	7.4	7.4	7.5	7.7	7.6	7.3	7.8	7.6	7.0	6.8	6.8
	TSS		75.5	75.2	81.2	24.4	18.0	11.3	10.9	8.0	3.8	55.2	42.4	38.9
	BOD		76.2	48.6	83.4	36.6	49.0	35.5	16.9	18.8	12.6	66.6	64.2	60.0
	COD		288.1	193.7	303.0	109.4	119.7	110.5	68.8	42.8	38.6	251.3	151.3	148.6
	AOX		8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AIR EMISSIONS ¹²	NO ₂	mg/Nm ³	103.3	115.7	122.4	523.1	230.5	317.3	126.8	81.9	181.8	206.9	81.5	103.8
	SO ₂		291.7	149.3	174.4	266.1	169.9	249.8	91.3	15.1	36.2	71.9	65.1	113.8
	ClO ₂		17.2	-	9.8	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.2	1.0
	HCl		5.0	-	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.1	0.1	1.1
	Cl ₂		4.1	0.1	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.1	0.4
	Opacity		< 20	16.7	16.4	12.5	10.3	10.0	< 20	12.5	10.0	16.7	13.4	11.6
	TRS		16.0	2.1	1.7	0.0	0.0	0.0	0.0	0.0	0.0	2.4	1.5	2.2
	Total Particulate		113.2	86.9	157.3	44.6	44.3	56.3	47.7	85.7	31.9	120.0	70.4	429.8
OTHER	Distance to protected area	km	Tesso Nilo National Park (50)			Halimun Mountain National Park (40)			Rawa Danau Tukung Gede Conservation Area (20)			Bukit Tigapuluh National Park (30)		
	Local water source		Siak River			Cijung River			Cisadane River			Pangabuan River		

¹² Air emissions data follows Indonesia law on reporting against this parameter. Due to the complexity of the interlinked power generation to various pulp and paper making facilities in several mills it is impos sible to report the air emission using unit measurement required by GRI.

MILL ENVIRONMENTAL DATA TABLE

		UNIT	PINDO DELI KARAWANG			PINDO DELI & UNIVENUS PERAWANG			TJIWI KIMIA			EKAMAS FORTUNA		
WATER EMISSIONS	pH TSS BOD COD AOX		2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
			mg/L	7.2	7.2	7.3	Discharge via Indah Kiat Perawang			7.3	7.5	7.7	7.5	7.8
		43.2	19.5	18.0				8.6	22.2	14.3	20.9	17.7	19.4	
		43.0	27.8	25.3				19.2	25.0	20.8	14.4	16.4	29.9	
		99.7	82.3	77.1				47.2	61.9	50.0	81.8	49.0	72.0	
		0.0	0.2	0.2				0.0	0.2	0.2	0.0	0.0	0.0	
AIR EMISSIONS	NO ₂ SO ₂ ClO ₂ HCl Cl ₂ Opacity TRS Total Particulate	mg/Nm ³	142.4	243.3	127.7	Discharge via Indah Kiat Perawang			232.0	53.1	53.5	28.0	79.3	27.9
			45.5	85.4	14.1				128.0	103.4	137.8	330.6	428.3	276.2
			0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
			0.3	0.4	0.3				1.2	1.4	1.0	0.0	0.0	0.0
			0.3	0.2	1.5				0.0	<0.9	0.0	0.0	0.0	0.0
			< 10	12.0	0.0				3.0	4.4	10.0	1.6	3.0	2.8
			0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
			0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
			14.2	10.0	10.7				178.0	18.6	19.3	24.5	87.7	70.0
OTHER	Distance to protected area	km	Nature Reserve of Tangkuban Perahu Mountain (40)			Tesso Nilo National Park (50)			Bromo Tengger Semeru National Park (80)			Pulau Sempu Nature Reserve (30)		
	Local water source		Citarum River			Siak River			Brantas River			Lesti River		

ASSURANCE STATEMENT

SGS REPORT ON SUSTAINABILITY ACTIVITIES IN THE APP INDONESIA SUSTAINABILITY REPORT 2014

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Indonesia was commissioned by Asia Pulp & Paper Indonesia ('APP Indonesia') to conduct independent assurance of the APP Indonesia Sustainability Report 2014 issued in September 2015 ('the Report').

The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included APP Indonesia's pulp & paper operations in Indonesia and those of its key raw material suppliers and the associated text, statements, graphs and data in accompanying tables, contained in the Report.

The information in the Report for Indonesia and its presentation are the responsibility of the directors or governing body and management of APP Indonesia. SGS Indonesia has not been involved in the preparation of any of the material included in the Report for Indonesia. However during the audit process the text of the Report was revised to reflect some of SGS Indonesia's findings.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of assurance set out below with the intention to inform all APP Indonesia's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines, G3.1 (2011) and the AA1000 Assurance Standard (2008). These protocols allow for different options for assurance depending on the reporting history and capabilities of the Reporting Organization. The Report has been assured at a moderate level of scrutiny using SGS protocols for:

- evaluation of the veracity of report content;
- a Type 2 evaluation of report content and supporting management systems against the AA1000 Accountability Principles (2008) using the AA1000 Assurance Standard (2008). The specified data included the environmental and social performance of APP Indonesia's mills
- report evaluation against the Global Reporting Initiative Sustainability Reporting Guidelines G3.1 (2011).

The assurance comprised a combination of pre-assurance research, interviews with relevant accountable managers and employees at APP Indonesia's headquarters in Jakarta, and visits to three operating facilities: PT. Indah Kiat Pulp & Paper Tbk. operations in Perawang and Tangerang and PT. Pindo Deli 1 and 2 Tbk in Karawang. In addition the assurance team carried out a review of supporting documents and records. The following external bodies and stakeholders were also interviewed:

- APP Indonesia's major pulpwood supplier at PT. Arara Abadi in Perawang.
- Community beneficiaries of Indah Kiat Perawang's CSR programme in Riau.
- NGOs and issue experts including The Forest Trust, Habitat for Humanity, Greenpeace and Ekologika.

Financial data drawn directly from independently audited financial accounts have not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and included auditors registered with the Programme for the Endorsement of Forest Certification (PEFC) or the Forest Stewardship Council (FSC) as auditors and with the International Register of Certificated Auditors (IRCA) as Environmental Management System (EMS) Lead Auditor, Quality Management System (QMS) Lead Auditor or Occupational Health and Safety Assessment Series (OHSAS) Lead Auditor. Some members of the assurance team have completed the IRCA Corporate Responsibility Training Programme and have experience of auditing Forestry, Pulp and Paper operations. The team also included experienced sustainability report assurers with significant international experience of the development or use of the AA1000 AS and GRI standards including their use in assurance.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Report is reliable and provides a fair and balanced representation of APP Indonesia's sustainability activities in 2014.

The assurance team is of the opinion that the Report can be used by APP Indonesia's stakeholders and we believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES
(2008) CONCLUSIONS, FINDINGS
AND RECOMMENDATIONS

• MATERIALITY

APP Indonesia has in place a materiality process that has identified the key impacts for which it is responsible and which concern stakeholders globally. In its disclosures on the Forest Conservation Policy and Integrated Sustainable Forest Management Plans the Report covers the most high-profile material issues for which it is responsible: the stewardship of forest resources. APP Indonesia has taken responsibility for the performance of its supply chain in this area. This includes the challenges faced by local communities as a result of changing land use patterns. This demonstrates a high and welcome level of transparency.

However outside the forest-related area and in connection with other stakeholders, the materiality process and level of disclosure is more limited. Nevertheless APP has reported on important issues for some stakeholders in both mills environmental and social aspects.

• STAKEHOLDER INCLUSIVENESS

The inclusion of stakeholders within the governance of sustainability is extensively integrated into the Forest Conservation Policy process. This includes working with NGOs and with local communities to resolve conflicting interests over land between different groups and the reconciliation of community needs with those of APP 's business. This represents global best practice. There is a room for improvement on the disclosure of engagement with other stakeholders, including customers and employees.

• RESPONSIVENESS

APP has demonstrated a high level of sensitivity to stakeholders' interests in the forest concessions and in relation to forestry more widely. This has included recognition of the conflicting needs of different stakeholder groups and working to reconcile these with the needs of its business.

There are relatively few benchmarks for social and environmental performance in the Report. However the implementation of targets appears to be effective, although there is little explanation in the Report of the process by which they are set.

The language of the Report, while helpful for an international audience, is not readily accessible to community stakeholders.

GLOBAL REPORTING INITIATIVE REPORTING
GUIDELINES G3.1 2011 CONCLUSIONS,
FINDINGS AND RECOMMENDATIONS

In our opinion the APP Indonesia Sustainability Report 2013 fulfills the content and quality criteria for GRI G3.1 (2011) Application Level A+.

- **PRINCIPLES:**
In our opinion the content and quality of the Report has been produced in line with the ten GRI Principles.
- **STANDARD DISCLOSURES:**
All the standard disclosures required for reporting at an application level A+ are included or referenced in the report.
- **INDICATORS:**
All the indicators required for reporting at an application level A+ are included in the Report.
- **RECOMMENDATIONS**

APP Indonesia has made significant progress on its sustainability journey in the last two years but recognises that there is still a lot of work ahead. Interviews with stakeholders suggest that progress so far is viewed as positive. However, APP Indonesia's goal of establishing leadership in addressing the complex issues it faces will be demonstrated by continuing to maintain the Vision 2020 commitment and further developing its accountability over the coming years.

The following opportunities have been identified for future reporting cycles to support continued improvement in APP Indonesia's sustainability reporting.

1. Future reports work towards more extensive benchmarking of performance. Examples could include benchmarking against other companies (not necessarily in the same industrial sectors) and against total forest cover in Indonesia. Environmental performance should be benchmarked against international standards such as those of the IFC or of the Pulp and Paper sector.
2. The reporting process in future years should ensure that the protocols used to evaluate indicators are documented and their alignment with GRI protocols is clear.
3. APP should report on the social and environmental risks it faces. While risks are included in the disclosures related to the FCP, there is little on risks relating to other areas

4. APP identifies 10 main stakeholder groups, however some receive little attention in the Report. Future reports should cover a wider range of stakeholders, even if some stakeholders are covered in less detail than others. Attention should also be given to the needs and interests of sub-categories of stakeholders. APP should carry out further stakeholder consultations, beyond those connected to the ISFMP and related processes. This should include consulting with employees and could also include consultation with customers
5. The Report describes the materiality process, but its description is not extensive. Future reports should provide a fuller description of the materiality process.

Signed:
For and on behalf of PT SGS Indonesia

Shashibhushan Jogani
Business Manager
September 2015

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SECTION 8

GRI AND UNGC INDEXES



SECTION
8

GRI INDEX

PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
1. STRATEGY AND ANALYSIS				
1.1	Statement from the most senior decision-maker of the organization	Chairman's Statement (5)		F
1.2	Description of key impacts, risks, and opportunities.	Sustainability Management(17)		F
2. ORGANISATIONAL PROFILE				
2.1	Name of the organization.	Company Profile (6)		F
2.2	Primary brands, products, and/or services.	Company Profile (10)		F
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Company Profile (14), Sustainability Management(17)		F
2.4	Location of organization's headquarters.	Company Profile (14)		F
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Company Profile (9)		F
2.6	Nature of ownership and legal form.	Company Profile (8)		F
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Our Products (9)		F
2.8	Scale of the reporting organization.	About this Report (67)		F
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	GRI Table	No significant changes in reporting period	F
2.10	Awards received in the reporting period.	Company Profile (14)		F
3. REPORT PARAMETERS				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About this report (67)		F
3.2	Date of most recent previous report (if any).	About this report (67)		F
3.3	Reporting cycle (annual, biennial, etc.)	About this report (67)		F
3.4	Contact point for questions.	About this report (67)		F
3.5	Process for defining report content.	About this report (67)		F
3.6	Boundary of the report	About this report (67)		F
3.7	State any specific limitations on the scope or boundary of the report	About this report (67)		F
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	About this report (67)		F
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Data table		F
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Our Mills & People (63)	Explanation of changes are explained per relevant indicators. For this year, it is only about GHG calculation method.	F
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	About this report (67)		F
3.12	Table identifying the location of the Standard Disclosures in the report.	GRI Table		F
3.13	Policy and current practice with regard to seeking external assurance for the report.	About this report (67)		F
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Sustainability Management (23)		F
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	GRI Table	The Chair of the highest governing body is the Chairman, who is not an executive officer.	F
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	GRI Table	Refer to mill Annual Report	F

* F=Full disclosure
 P=Partial disclosure
 NR=Not reported

PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT				
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	GRI Table & Annual Report	Minority shareholders: General meeting of shareholders relevant with Government Regulation Clause 19 of article of association of the company and the Regulation of Indonesian Capital Market Supervisory Board - National Financial Institution (Bapepam-LK) Refer to mill's Annual Report (The company will form Remuneration Committee in 2015) Refer to mill's Annual Report, Good Corporate Governance part, point 3 (Conflict of Interest)	F
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.	GRI Table & Annual Report	Refer to mill Annual Report	F
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	GRI Table & Annual Report	Refer to mill Annual Report	F
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Sustainability Management (24) & Annual Report		F
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Sustainability Management		F
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Sustainability Management (24) & Annual Report		F
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Sustainability Management		F
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Sustainability Management (24)		F
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Sustainability Management (23)		F
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	Sustainability Management (17)		F
4.14	List of stakeholder groups engaged by the organization.	Sustainability Management (21)		F
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainability Management (21)		F
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainability Management (21)		F
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Sustainability Management (25)		F

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PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
ECONOMIC				
DMA	Disclosure of management approach	Sustainability Management		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Company Profile (9)		F
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	GRI Table	Refer to mill Annual Report	P
EC3	Coverage of the organization's defined benefit plan obligations.	GRI Table	Refer to mill Annual Report	P
EC4	Significant financial assistance received from government.	GRI Table	No financial assistance received.	F
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Our Mills & People (51)		F
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Our Mills & People (51)	Local means procured within the same islands	F
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Our Mills & People (51)		F
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Our Mills & People (56-59)	Throughout section, multiple references	F
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Our Mills & People (56-59)		P
ENVIRONMENTAL				
DMA	Disclosure of management approach	Sustainability Management		
EN1	Materials used by weight or volume.	Data table		F
EN2	Percentage of materials used that are recycled input materials.	Sustainable Forest Management (27)		F
EN3	Direct energy consumption by primary energy source.	Data table		F
EN4	Indirect energy consumption by primary source.	Data table		F
EN5	Energy saved due to conservation and efficiency improvements.	Our Mills & People (62-63)		F
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Our Mills & People (62-63)		F
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Our Mills & People (62-63)		
EN8	Total water withdrawal by source.	Data table		F
EN9	Water sources significantly affected by withdrawal of water.	Data table		F
EN10	Percentage and total volume of water recycled and reused.	Data table		F
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Sustainable Forest Management (43,44)		F
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Sustainable Forest Management (43,44)		F
EN13	Habitats protected or restored.	Sustainable Forest Management (43,44)		F
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Sustainable Forest Management (30-31, 43-44)		F
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	GRI Table	Refer to Sustainability Report 2010/2011	F
EN16	Total direct and indirect greenhouse gas emissions by weight.	Data table Our Mills and People (63)		F
EN17	Other relevant indirect greenhouse gas emissions by weight.	GRI Table	APP is currently not calculating indirect GHG emission since the amount is estimated to be insignificant compared to GHG from manufacturing process.	NR

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PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
ENVIRONMENTAL				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Our Mills and People (57-59)		F
EN19	Emissions of ozone-depleting substances by weight.	Data table		F
EN20	NOx, SOx, and other significant air emissions by type and weight.	Data table		F
EN21	Total water discharge by quality and destination.	Data table		F
EN22	Total weight of waste by type and disposal method.	Data table & Our Mills and People (60)		F
EN23	Total number and volume of significant spills.	GRI Table	None in reporting period	F
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		Not material	NR
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Data table		P
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Our Mills and People (56-61)		F
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		As per APP's nature of business, this is irrelevant because most of our products are intermediate products	NR
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Data table	None in reporting period	F
EN29	Total environmental protection expenditures and investments by type.			F
SOCIAL: LABOR PRACTICES AND DECENT WORK				
DMA	Disclosure of management approach	Sustainability Management		
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	Our Mills and People (57)		F
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Our Mills and People (57)		F
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Our Mills and People (50)		P
LA4	Percentage of employees covered by collective bargaining agreements.	Our Mills and People (47)		F
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	GRI Table	In the event of operational changes, APP allows a minimum of seven days' notice, as per Government of Indonesia regulation.	F
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Our Mills and People (47)	100%	F
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender.	Our Mills and People (47)	8 fatalities occurred in IKP, IKS, IKT, LP, TK, and PD PRW	F
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Our Mills and People (47-48)		F
LA9	Health and safety topics covered in formal agreements with trade unions.	Our Mills and People (48)		F
LA10	Average hours of training per year per employee by gender and by employee category.	Our Mills and People (51)		F
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Our Mills and People (47)		F
LA12	Percentage of employees receiving regular performance and career development reviews by gender.	GRI Table		F
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Sustainability Management & Our Mills and People (47)		P
LA14	Ratio of basic salary of men to women by employee category.	Our Mills and People (46)	100%	F
LA15	Return to work and retention rates after parental leave, by gender.	Our Mills and People (50)	In addition, refer to mill annual reports	P

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PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
SOCIAL: HUMAN RIGHTS				
DMA HR1	Disclosure of management approach Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	Sustainability Management GRI Table	Definition of significant investment for APP is investment that will require the mill to update their Environmental Impact Assessment (AMDAL) document as per government regulation. Based on the definition, there is no significant investment occur in APP mills within the scope of the report in 2014. There is no significant investment occur in APP mills within the scope of the report in 2014.	F
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken.	Our Mills and People (52)		P
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GRI Table	Policies and procedures concerning aspects of human rights are socialized to the employees through induction training, which took 374.5 hours in 2014 for 37% of new employees.	F
HR4	Total number of incidents of discrimination and corrective actions taken.	Our Mills and People (50)		F
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		None identified in company wide human rights risk assesment	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	GRI Table	None identified in company wide human rights risk assesment	F
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	GRI Table	None identified in company wide human rights risk assesment	F
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	GRI Table	Not material	F
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	GRI Table	For up to date information on cases, refer to Sustainability Dashboard on the APP website.	NR
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	GRI Table	100% - company wide human rights assesment carried out in 2013.	P
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Sustainable Forest Management (49)		F

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PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
SOCIAL: SOCIETY				
DMA S01	Disclosure of management approach Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Sustainability Management Our Mills & People	100%	F
S02	Percentage and total number of business units analysed for risks related to corruption.	GRI Table	In 2013 we assessed all of APP's mills for risks relating to corruption.	F
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	GRI Table	All employees receive anti-corruption training as part of their induction.	F
S04	Actions taken in response to incidents of corruption.	Sustainability Management (25)		F
S05	Public policy positions and participation in public policy development and lobbying.	Sustainability Management (24)		P
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	GRI Table	No contributions given.	F
S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	GRI Table	None in reporting period.	F
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	GRI Table	No significant monetary fines in reporting period.	F
S09	Operations with significant potential or actual negative impacts on local communities.	Our Mills & People (56, 60)		F
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Our Mills & People (56, 60)		F
SOCIAL: PRODUCT RESPONSIBILITY				
DMA PR1	Disclosure of management approach Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Sustainability Management Company profile (11)		F
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	GRI Table	None in reporting period	F
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Company profile (11)	Third party certification and labelling predominately apply to sourcing and content life cycle stages.	F
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	GRI Table	None in reporting period	F
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Company profile (10)		F

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PROFILE DISCLOSURE	DESCRIPTION	SECTION (page numbers)	RESPONSE	LEVEL OF DISCLOSURE*
SOCIAL: PRODUCT RESPONSIBILITY				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	GRI Table	For marketing products we comply with Indonesian law on advertising. Our global sales offices also develop their own material relevant for their own market and adhere to the respective advertising laws. This is managed by the marketing division.	F
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	GRI Table	Not material	NR
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	GRI Table	Not material	NR
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	GRI Table	Not material	NR

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UNGC INDEX

INDICATORS	DESCRIPTION	SECTION (page numbers)	LEVEL OF DISCLOSURE F=Full disclosure P=Partial disclosure NR=Not reported
COP P1	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	Our Mills and People (55)	F
COP P2	Principle 2: make sure that they are not complicit in human rights abuses.	Our Mills and People (55)	F
COP P3	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Our Mills and People (51)	F
COP P4	Principle 4: the elimination of all forms of forced and compulsory labour;	Our Mills and People (55)	F
COP P5	Principle 5: the effective abolition of child labour;	Our Mills and People (55)	F
COP P6	Principle 6: the elimination of discrimination in respect of employment and occupation	Our Mills and People (51)	F
COP P7	Principle 7: Businesses should support a precautionary approach to environmental challenges;	Our Mills and People (60)	F
COP P8	Principle 8: undertake initiatives to promote greater environmental responsibility; and	Our Mills and People (60-65)	F
COP P9	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Our Mills and People (62-65)	F
COP P10	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Sustainability Management	F

UNGC CEO WATER MANDATE INDEX

INDICATORS	DESCRIPTION	SECTION (page numbers)	LEVEL OF DISCLOSURE F=Full disclosure P=Partial disclosure NR=Not reported
UNGC Water COP Direct Operations	<ul style="list-style-type: none"> Conduct a comprehensive water-use assessment to understand the extent to which the company uses water in the direct production of goods and services. Set targets for our operations related to water conservation and waste-water treatment, framed in a corporate cleaner production and consumption strategy. Seek to invest in and use new technologies to achieve these goals. Raise awareness of water sustainability within corporate culture. Include water sustainability considerations in business decision-making – e.g., facility-siting, due diligence, and production processes. 	Our Mills and People (64)	F
UNGC Water COP Supply Chain and Watershed Management	<ul style="list-style-type: none"> Encourage suppliers to improve their water conservation, quality monitoring, waste-water treatment, and recycling practices. Build capacities to analyze and respond to watershed risk. Encourage and facilitate suppliers in conducting assessments of water usage and impacts. Share water sustainability practices – established and emerging – with suppliers. Encourage major suppliers to report regularly on progress achieved related to goals. 	Our Mills and People (64)	F
UNGC Water COP Collective Action	<ul style="list-style-type: none"> Build closer ties with civil society organizations, especially at the regional and local levels. Work with national, regional and local governments and public authorities to address water sustainability issues and policies, as well as with relevant international institutions – e.g., the UNEP Global Programme of Action. Encourage development and use of new technologies, including efficient irrigation methods, new plant varieties, drought resistance, water efficiency and salt tolerance. Be actively involved in the UN Global Compact’s Country Networks. Support the work of existing water initiatives involving the private sector – e.g., the Global Water Challenge; UNICEF’s Water, Environment and Sanitation Program; IFRC Water and Sanitation Program; the World Economic Forum Water Initiative – and collaborate with other relevant UN bodies and intergovernmental organizations – e.g., the World Health Organization, the Organisation for Economic Co-operation and Development, and the World Bank Group. 	Our Mills and People (57)	F

INDICATORS	DESCRIPTION	SECTION (page numbers)	LEVEL OF DISCLOSURE F=Full disclosure P=Partial disclosure NR=Not reported
UNGC COP Public Policy	<ul style="list-style-type: none"> Contribute inputs and recommendations in the formulation of government regulation and in the creation of market mechanisms in ways that drive the water sustainability agenda. Exercise “business statesmanship” by being advocates for water sustainability in global and local policy discussions, clearly presenting the role and responsibility of the private sector in supporting integrated water resource management. Partner with governments, businesses, civil society and other stakeholders – for example specialized institutes such as the Stockholm International Water Institute, UNEP Collaborating Centre on Water and Environment, and UNESCO’s Institute for Water Education – to advance the body of knowledge, intelligence and tools. Join and/or support special policy-oriented bodies and associated frameworks – e.g., UNEP’s Water Policy and Strategy; UNDP’s Water Governance Programme. 	Our Mills and People (57)	F
UNGC COP Community Engagement	<ul style="list-style-type: none"> Endeavor to understand the water and sanitation challenges in the communities where we operate and how our businesses impact those challenges. Be active members of the local community, and encourage or provide support to local government, groups and initiatives seeking to advance the water and sanitation agendas. Undertake water-resource education and awareness campaigns in partnership with local stakeholders. Work with public authorities and their agents to support – when appropriate – the development of adequate water infrastructure, including water and sanitation delivery systems. 	Our Mills and People (57)	
UNGC COP Transparency	<ul style="list-style-type: none"> Include a description of actions and investments undertaken in relation to The CEO Water Mandate in our annual Communications on Progress for the UN Global Compact, making reference to relevant performance indicators such as the water indicators found in the Global Reporting Initiative (GRI) Guidelines. Publish and share our water strategies (including targets and results as well as areas for improvement) in relevant corporate reports, using – where appropriate – the water indicators found in the GRI Guidelines. Be transparent in dealings and conversations with governments and other public authorities on water issues. 	Our Mills and People (64), Data Table	F

GLOSSARY



Chain of Custody	System of physical and documented traceability of fibre based products, from forest through to final product use
Concession	An area of forest where a commercial arrangement exists between a forest owner and a buyer of harvested wood from within the forest area
ECC	Ethics Call Centre
FCP	Forest Conservation Policy
FPIC	Free Prior Informed Consent
FSC	Forest Stewardship Council
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GSK-BB	Giam Siak Kecil Bukit Batu Biosphere Reserve
HCS	High Carbon Stock: areas where the land has a high concentration of organic matter above ground
HCV	High Conservation Value Forest, contain biological, ecological, social or cultural values which are considered critically important
HIRADC	Hazard Identification, Risk Assessment & Determining Control
ICAD	Internal Control and Audit Division
IFCC	Indonesian Forestry Certification Cooperation
ISFMP	Integrated Sustainable Forest Management Plan
LBKP PULP	Leaf Bleached Kraft Pulp
LEI	Ecolabelling Institute of Indonesia: Issues voluntary Sustainable Forest Management and Chain of Custody certification
Moratorium	The halting of natural forest clearance across all APP suppliers, accounted in February 2013, also referred to as Forest Moratorium
MTH	Mixed Tropical Hardwood
NFW	Natural Forest Wood, also known as MTH
Peatland	Forests characterised by waterlogged soil, with a thick layer of peat on the surface
PEFC	Programme for the Endorsement of Forest Certification

PHPL	Pengelolaan Hutan Produksi Lestari/Sustainable Production Forest Management: A mandatory Sustainable Forest Management (SFM) system (SVLK is the initial step to achieve full PHPL SFM certification)
Plantation fibre	Fibre originating from forests that have been planted for commercial purposes
PPE	Personal Protective Equipment
PROPER	Programme for Pollution Control, Evaluation and Rating
Pulpwood	Wood suitable for processing into pulp for paper manufacture
Recycled pulp	Non virgin fibre, obtained from pre or post-consumer waste
SFM	Sustainable Forest Management: the ongoing management of forest areas according to environmental, social and economic needs
SVLK	Sistem Verifikasi Legalitas Kayu/Timber Legality Verification System: a mandatory verification system enacted in 2009 for wood legality
Wood free	Paper produced from chemical pulp that is free from wood based impurities, such as lignin that occurs naturally in wood





APP

USE OUR PAPER, WE PLANT MORE TREES.



A ZERO DEFORESTATION COMMITMENT
We believe in creating a sustainable future through our products and we are doing our part to chart the path ahead through our new Forest Conservation Policy launched on 5 February 2013.
For more information please visit www.asiapulppaper.com