

## F0. Introduction

### F0.1

**(F0.1) Give a general description of and introduction to your organization.**

Asia Pulp & Paper (APP) Sinar Mas is a trade name of pulp and paper manufacturing company which delivers quality products to meet the growing global demand for paper, tissue, and packaging. Beginning as a caustic soda producer in 1972, we have grown into a global business with operations across Indonesia and China with an annual combined pulp, paper, packaging product and converting capacity of over 20 million tons per annum. Today, Asia Pulp & Paper (APP) Sinar Mas markets its products in more than 150 countries across six continents.

This growth is guided by our vision of a better future. It is what keeps us moving forward, creating new ways of living and innovating. Over the years, we have expanded our operations through the acquisition and expansion of our pulp and paper mills. It is 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.

As part of our vision for a better future, the integrity of our supply chain and our commitments to our Sustainability Roadmap Vision 2030 are crucial to our operations. Every day, we do our best to achieve sustainable forest and peatland management, market-leading product environmental footprints, and people-first sustainable operations. This vision extends beyond the countries where we operate.

We believe that the growth of our business is dependent on the support of the people around us: partners, employees, communities, and you. Together, we are growing our tomorrow.

### F0.2

**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	January 1 2020	December 31 2020

### F0.3

**(F0.3) Select the currency used for all financial information disclosed throughout your response.**

USD

### F0.4

**(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.**

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Production Processing Manufacturing	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

### F0.5

**(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

No

## F1. Current state

## F1.1

### (F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

#### Timber products

##### Activity

Growing/production of raw materials  
Harvesting  
Using as input into product manufacturing

##### Form of commodity

Pulp  
Paper  
Primary packaging  
Secondary packaging  
Tertiary packaging

##### Source

Owned/managed land  
Smallholders  
Single contracted producer  
Multiple contracted producers  
Trader/broker/commodity market

##### Country/Area of origin

Australia  
Canada  
China  
France  
Indonesia  
New Zealand  
United States of America

##### % of procurement spend

100%

##### Comment

In order to ensure that we maintain deforestation-free supply chain, APP requires that all of our pulpwood suppliers to comply to the Forest Conservation Policy (FCP). This includes the supporting policies such as the Responsible Fibre Procurement and Processing Policy (RFPPP), which provides overarching framework for the processes and criteria used in evaluating the suppliers' compliance with our FCP. In implementing the commitment, we developed tools such as the Suppliers Evaluation and Risk Assessment (SERA), which provides a system to screen the pulpwood suppliers, to ensure that they are in compliance with the SRV2030 and the FCP. SERA was developed using the global Sustainable Forest Management standards as reference, as well as the commitments under the FCP. 100 % of the raw materials in the form of pulpwood come from owned & independent supplier plantation, continuous & one-time suppliers and smallholder in Indonesia, but we use 18% of imported pulp for production in the mills.

## F1.2

### (F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber products	100%	As the leading pulp & paper industry, our revenue is highly dependent on the raw materials. Our revenue is more than 7,112,000,000 USD in year 2020
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F1.3

**(F1.3) Provide details on the land area you control and/or manage that is used for the production of your disclosed commodity(ies).**

**Forest risk commodity**

Timber products

**Type of control**

Concession/lease

**Country/Area**

Indonesia

**Land type**

Tree plantations

**Area (Hectares)**

1018497

**% Area certified**

100

**Certification scheme**

PEFC Sustainable Forest Management certification

Other, please specify (PHPL (Mandatory Sustainable Forest Management Certification in Indonesia))

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

<Not Applicable>

**% covered by natural forests**

<Not Applicable>

**Please explain**

All of APP's owned and suppliers' concession area were develop before February 2013, which was when APP launched its Forest Conservation Policy (FCP), which commits us to no deforestation throughout out fiber supply chain. The total 1,018,497 hectare is the production as per 2020, in addition to the production area, APP set aside 22% of the total concession areas for the community areas, 21% for conservation areas and only uses 57% as industrial forest plantations. This distribution is based on the Integrated Sustainable Forest Management Plan (ISFMP) and this exceeds the Indonesian government's requirements. The ISFMP was developed through a long collaborative process that involved compiling and consolidating data and recommendations gathered through various assessments as well as input from all relevant stakeholders including local communities, government, academia, and civil societies. The document detailed pulpwood suppliers action plans for improving sustainability and management practices, to ensure that our Forest Conservation Policy commitments have been considered and adhered to.

**F1.4**

**(F1.4) Provide details on the land you control and/or manage that was not used for the production of your disclosed commodity(ies) in the reporting year.**

**Forest risk commodity**

Timber products

**Country/Area**

Indonesia

**Type of control**

Concession/lease

**Land type**

Set-aside land

**Area (hectares)**

600000

**% covered by natural forests**

78

**Please explain**

A key aspect in APP Sustainability Roadmap is balancing the production activity and the protection of the natural forest within APP and its suppliers concession areas. As a result of the High Conservation Value (HCV) and High Carbon Stock (HCS) assessments conducted from 2013 to 2015 across all concessions supplying to APP , more than 600,000 hectares have been set aside for conservation purpose. From those area, more than 480,000 hectares is covered by natural forest.

**F1.5**

**(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	Data availability/Disclosure
Timber products	Consumption data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

## F1.5a

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### (F1.5a) Disclose your production and/or consumption data.

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

24558494

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

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## F1.5b

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### (F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

**Forest risk commodity**

Timber products

**Country/Area of origin**

Indonesia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Jambi, South Sumatra, Riau, West kalimantan, East Kalimantan)

**% of total production/consumption volume**

100

**Please explain**

All of our fibre suppliers, both continuous and one-time, must first be approved through our Supplier Evaluation and Risk Assessment (SERA) process. SERA indicators are including the information regarding the location of the supplier (Country/District/Region) which in 2020 all of pulpwood supplier located in Indonesia such as in Jambi, South Sumatra, Riau, West kalimantan, East Kalimantan Province. We only accept wood fibre sourced from area that was not converted from forest area identified as High Conservation Value (HCV) and High Carbon Stock (HCS) after of February 2013. Our continuous pulpwood suppliers currently comprise 33 pulpwood supplier companies who manage 39 concessions (forest management units based on government forest concession licenses) which located in 5 provinces in Indonesia such as in Jambi, South Sumatra, Riau, West Kalimantan and East Kalimantan. APP has shared ownership in 9 of these 33 pulpwood supplier companies and in addition, there are Community Forest suppliers and one-time suppliers. The complete list of APP pulpwood suppliers is available in our sustainability dashboard (<https://sustainability-dashboard.com>). The pulpwood from the supplier, 100% use for consumption in APP mills.

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## F1.6

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### (F1.6) Has your organization experienced any detrimental forests-related impacts?

Yes

## F1.6a

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**(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.**

**Forest risk commodity**

Timber products

**Impact driver type**

Physical

**Primary impact driver**

Forest fires

**Primary impact**

Fines, penalties or enforcement orders

**Description of impact**

We acknowledge forest fire has substantive impact to our pulpwood suppliers because most of APP pulpwood suppliers' concession areas are located on peat which have a high risk of fire. APP and its suppliers are committed to a strict no-burn policy and absolutely have no commercial interest in fire as it is costing us millions of dollars in terms of damaged plantation resources and the cost of firefighting, let alone the damage being done to others elsewhere in the region. With our Zero Deforestation policy in place, our plantation development activity only occurs on non-forested land. We are determined to extinguish all fires in our supplier concessions and our firefighting teams are working around the clock. Fires are burning inside or around our concessions area in Indonesia for several reasons; primarily this is due to (illegal) activity outside of our control. If the forest fire happen inside our concession it can lead us to fines, penalties and possibilities to loss the license to operate.

**Primary response**

Implementation of environmental best practices in direct operations

**Total financial impact**

350000

**Description of response**

APP developed and implement Integrated Fire Management strategy which consists of Prevention, Preparedness, Early Detection and Rapid response. Through 2020, our focus has been on improving the capacity of our firefighters as well as the efficiency of our response in the field. Certainly, the pandemic in 2020 puts many restrictions to our plans, especially in the socialization and education efforts to the communities as well as when deploying our team to tackle fire. We addressed this by developing and distributing printed copies of the socialization materials to the communities, and by adding equipment and resources to ensure that our firefighters can respond to the fire issues on the ground while also observing the strict health protocols to mitigate pandemic risks. To improve the efficiency of our early detection of fire, we have also added more fire towers as well as deploying drones in locations that are considered as 'blank spots', which are monitored through the fire towers. We engaged the community to take active participation in preventing and monitoring fire incidences. To calculate the total financial figure, we have accounted for the fines or penalties and the cost that we use to improved Integrated Fire Management strategy including for equipment, personnel incentive and implementation of supporting program. In 2020 we managed to keep areas affected by fire to 0.01% of the total pulpwood suppliers' concessions areas which is improved than last year (1.69%).

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**Forest risk commodity**

Timber products

**Impact driver type**

Reputational and markets

**Primary impact driver**

Negative media coverage

**Primary impact**

Brand damage

**Description of impact**

For more than a decade, we have experienced negative coverage from environmental press and there was growing awareness of the environmental and social costs of development through the exploitation of natural resources. Most of our customers come from US and European countries which have high concern related to the environmental issue. Where there will be concern from our customers due to the bad publicity, there's a possibility of reduced sales. Bad media coverage could affect the attitudes and feelings of customers toward a product or company or a brand. Such bad media coverage damages our brand company name and creates concerns with both our existing and potential customers. When brand association is negative, negative attitudes are more likely to come into a consumer's mind before positive ones. Bad publicity can contribute to negative brand association, which can in turn reduce sales over time and possibility to include APP into their blacklisted company. Damaged brand also leaves room for competition to move in on a customer base, which can also reduce sales and become substantive impact to APP.

**Primary response**

Establishment of new no-deforestation/no-conversion commitments

**Total financial impact**

1000000000

**Description of response**

The raising public awareness and concern of environmental and social impact of business has led us down a new path that balanced our economic model with our responsibilities as stewards of the land and our obligation to support the economic development of Indonesia and its people. This resulted in the development of our Sustainability Roadmap Vision 2020 in June 2012, which laid out specific targets and components, and followed by APP's Forest Conservation Policy in February 2013. APP Sustainability Roadmap Vision 2020 then evolved into APP Sustainability Roadmap Vision 2030, launched in July 2020. We are aware that we have a long and challenging journey ahead to ensure that our sustainability commitments are implemented. To calculate the total financial figure, we have accounted for a rough estimation of what we lost due to damage to brand image, which is sales reducing and our investment to implement our sustainability commitments.

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**F2. Procedures**

**F2.1**

**(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

## F2.1a

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### (F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

#### Timber products

##### Value chain stage

Direct operations  
Supply chain

##### Coverage

Full

##### Risk assessment procedure

Assessed in an environmental risk assessment

##### Frequency of assessment

Annually

##### How far into the future are risks considered?

> 6 years

##### Tools and methods used

Internal company methods  
External consultants  
Sustainability Policy Transparency Toolkit (SPOTT)  
Other, please specify (Third party certification including PEFC)

##### Please explain

The foundation of our supply chain is wood legality. To be a responsible consumer of wood fibre we have to go a step further to secure a sustainable source of wood. We use our internal tools called Supplier Evaluation and Risk Assessment (SERA) in identifying, assessing and managing risks related to our pulpwood suppliers. SERA assesses all the potential supplier, not only supplier from Indonesia, before approval and inclusion in our supplier list. APP's current suppliers are also assessed by SERA annually as part of surveillance audit. The main indicator of SERA is No Natural Forest conversion after 1 February 2013. Furthermore, we only accept wood fibre sourced from area that was not converted from forest area identified as High Conservation Value (HCV) and High Carbon Stock (HCS) after of February 2013. By tracking transparency, SPOTT incentivises the implementation of corporate best practice. SPOTT assesses commodity producers, processors and traders on their public disclosure regarding their organization, policies, and practices related to environmental, social and governance (ESG) issues. SPOTT is one of the tools that is effective to use, because its scoring is based on the information that available in public. Through SPOTT we can understand the transparency of our company in public. SPOTT assessment is conducted annually, assess through public documentation of our suppliers located in Jambi, South Sumatra, Riau, West Kalimantan and East Kalimantan. We use SPOTT assessments to inform stakeholders on how we manage ESG risk, and increase transparency across multiple industries. We maintain systems and procedures to reasonably ensure that wood from illegal sources shall be rejected before it enters the mill. These systems and procedures will be regularly verified and certified under Government of Indonesia mandatory certification which is PHPL-VLK and/or the voluntary certification, PEFC, by independent 3rd party auditors. All of our long-term pulpwood supplier located in Jambi, South Sumatra, Riau, West Kalimantan and East Kalimantan are 100% certified under the mandatory certification (PHPL-VLK) and 100% compliant with PEFC SFM scheme. For our imported pulp consumption, we are committed to purchasing only certified pulp, which has been produced from sustainably managed forestry sources and achieved relevant certifications.

## F2.1b

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### (F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?

#### Availability of forest risk commodities

##### Relevance & inclusion

Relevant, always included

##### Please explain

As a pulp & paper business, it is critical that we ensure that our suppliers' pulpwood plantation would be able to supply us with sufficient pulpwood for years to come. The quality of timber from pulpwood plantation is also very important as it will impact the quantity of the production. We have the Forestry Research & Development (R&D) team to improve the quality and the yield of our pulpwood plantation, in order to ensure the availability of the pulpwood supply. The R&D team focuses on identifying superior pulpwood species clones and ways to improve the growth and yield of the plantations through improving volume, improving survival rate, and reducing pests and disease risks. The information will be used to develop a strategic planning and business of the company in regards to production capacity for the coming year.

#### Quality of forest risk commodities

##### Relevance & inclusion

Relevant, always included

##### Please explain

Good quality wood fiber is crucial to our business and it's identified as one of the current main risk factors that can materially affect the company's business. The quality of timber from pulpwood plantation is very important as it will impact the quality of the production. We have Forestry Research & Development (R&D) team to improve the quality of the pulpwood supply. The R&D team focuses on identifying superior pulpwood species clones and ways to improve the growth and yield of the plantations through improving volume, improving survival rate, and reducing pests and disease risks. The information will be used to develop a strategic planning and business of the company in regards to production capacity for the coming year.

## Impact of activity on the status of ecosystems and habitats

### Relevance & inclusion

Relevant, always included

### Please explain

Approximately 50% of APP's pulpwood suppliers' concessions are on peatland forests. These are delicate ecosystems that must be carefully managed to protect the forest area and minimize carbon dioxide emissions, supporting the Government of Indonesia's low emissions development goals. We have been working with global experts in peatland forestry, hydrology and remote imaging techniques to develop and implement best practice peatland management practices. In 2020, our suppliers have had their revised work plan approved by the Government, which include the zonation of areas that needs to be retired for conservation purposes. These areas are located on critical peat dome peaks, and restoration works will commence when the current planting cycle has ended. Based on the work plan, it is expected that by 2024, all plantation located on critical peat dome peaks to have been retired. In order to ensure successful restoration effort, APP now is working with leading international research university in determining effective and efficient restoration strategies. From the research collaboration, it is found that the natural succession approach considered the most feasible approach for restoration effort on large area.

## Regulation

### Relevance & inclusion

Relevant, always included

### Please explain

APP is exposed to a wide range of laws and regulations since our business requires the use of various natural resources such as wood fibre, energy, and water. To maintain sustainability in our operation, we are committed to carefully and responsibly manage these resources. Our facilities shall meet and exceed the regional and national environmental regulation requirements where we operate and relevant international standards. Regulation is very important for our business as we have to comply with local and national laws and regulations as a responsible corporate citizen. We keep ourselves constantly aware and updated of current and proposed laws and regulations, as well as any of their revisions. The relevant law and regulations are also adapted to our business and operations, because any changes to relevant regulations might have an impact to our operation. We do continued dialog and engagement with decision makers through our Government Relation Department and are actively involved in associations such as the Indonesian Pulp & Paper Association and the Association of Indonesian Forest Concessionaires. Gathered information is used on both short and long-term decision making. APP's environment related processes and management are based on full compliance with such laws and regulations, and environmental investments, audits and measurements are carried out on a continuous basis. APP is currently not involved in any major proceedings concerning environmental matters, but the risk of substantial environmental costs and liabilities is inherent in industrial operations.

## Climate change

### Relevance & inclusion

Relevant, always included

### Please explain

Climate change exposes APP to variety of risks and it's identified as one of the current main risk factors that can materially affect the company's business, financial results and non-financial performance. There are regulatory and physical risks related to climate change. Unpredictable regulation and subsidies may distort raw material and final product markets, and costs of greenhouse gas emissions may influence APPs financial performance. APP takes account of climate change (future impacts and adaption) in corporate risk management processes. Floods and droughts are a common issue in Indonesia and are becoming more frequent. In response, we have mapped out which operations we think are vulnerable to climate change and developed long term adaptation plans that considers business continuity and disaster recovery plans for our assets. These plans consider our supply chain too, and how risks to power supplies or telecommunications could impact those critical products and services that our business relies upon. The investment implications of these plans are considered within our long-term financial planning processes. APP plays a major role in climate action. It is a strong priority of ours to ensure our carbon footprint and emissions do not exceed the previous year's values. APP is committed to preserving forests by choosing not to convert natural forest in our operations. Furthermore, we are working to reduce carbon and all waste materials. We do this not only to meet the regulations of the industry but also to make a positive impact in combatting the climate change.

## Impact on water security

### Relevance & inclusion

Relevant, always included

### Please explain

Water is a vital resource in our operations since we use it in various stages of the pulp and paper manufacturing process. We constantly work to reduce our water consumption through the use of the latest technology and various techniques of reducing usage. We apply the same '3R' strategy to the resource of water as we do materials—reduce, reuse, and recycle. At the end of 2020, we had achieved a water intensity reduction of 30%, as compared to a 2013 baseline in our manufacture area. We improve management of water use in line with the UN Global Compact CEO Water Mandate Programme. Approximately 50% of APP's pulpwood suppliers' concessions are on peatland forests. These are delicate ecosystems that must be carefully managed to protect the forest area and minimize carbon dioxide emissions, supporting the Government of Indonesia's low emissions development goals. Over recent years we built more than 5,000 perimeter canal blocks to maintain near-natural water level in the protected areas bordering to our suppliers' concession areas, as well as undertaking research to identify alternative tree species that thrives in peat with high water level for both conservation and production purposes. Canal water level monitoring continues the ground. Field measurements are fed into our overall plans to compliment and improve water level management. Reducing water levels reduce subsidence, reduce emissions, and form a key component in avoided carbon emissions and APP's contribution to supporting the Government of Indonesia meeting carbon reduction targets.

## Tariffs or price increases

### Relevance & inclusion

Relevant, always included

### Please explain

Tariff or price increases become risk because it affects our pricing and our profit margins based on the government directive and the market fluctuation. It determines how we should increase/lower pricing to stay competitive in the market. Risk of price increases are thus considered for the whole supply chain. APP recognized that increased cost of raw materials would impact upon manufacturing operations, for example, by interrupting or resulting in the down-scaling of production or a change in the product mix. They could also cause price increases for critical inputs or shifts in the availability and price of wood.

## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

Loss of market is important risk because it impacts our revenue and market share. We assess it from reduction or loss of sales - We use this information to address the gaps and market demands, and improve our business and operations

## Leakage markets

### Relevance & inclusion

Relevant, always included

### Please explain

Leakage market is important risk because it has potential impact for environmental damage and reputation risk. International market leakage is mainly caused by supply and demand imbalance in market with possible risk to impacts our revenue and market share, We assess the regular demand and supply in our customer market, and we use information to address the gaps.

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

Brand damage is considered as a risk related to non-compliance in APP's risk assessment and it is identified as one of the main risk factors that can materially affect the company's business, financial results and non-financial performance. APP's sustainability performance and social responsibility have a significant role in company's ability to operate and influence the long-term success of its businesses. Brand damage related to forest risk commodities is important because it impacts our revenue and market share. We assess it from reduction or loss of sales as well as from media and stakeholders' feedback. We use this information to address the gaps and market demands, and improve our business and operations. For more than a decade, we have experienced negative coverage from environmental press and there was growing awareness of the environmental and social costs of development through the exploitation of natural resources. Bad media coverage can have effect to the attitudes and feelings of customers toward a product or company and cause brand damage. When brand association is negative, negative attitudes are more likely to come into a consumer's mind before positive ones. Bad publicity can contribute to negative brand association, which can in turn reduce sales over time. Brand damage also leaves room for competition to move in on a customer base, which can also reduce sales. We have media monitoring team inside the corporate affair communication division to monitor APP media coverage. From the monitoring, we can prepare and share the statement based on the facts from our side and prevent the issue from getting wider.

## Corruption

### Relevance & inclusion

Relevant, always included

### Please explain

Corruption is relevant and included in our forest-related risk assessment because APP policies uphold that we will not trade our integrity for a business opportunity. During 2020, some policies were revised such as the Business Code of Conduct, and the Anti-Bribery and Anti-Corruption Policy (note that this is not yet implemented; still in the final executive sign-off stage). In 2021, it is probable that several new policies will be implemented but these are still in the design stage. We have continued to implement our four-pillar approach that consists of asset protection, integrity management, fraud prevention, and business ethics. To overseeing ethics and risk management, APP have the Corporate Risk and Integrity Division (CRI) which responsible for the monitoring of company performance in these areas by conducting regular internal audits and assessments. The result of the assessment become our information on the gaps/findings and will determine the solution to close the gaps and prevent it to happen again.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

We conduct the Social Impact Assessment (SIA) as one of the way to determine the program for Company Social Responsibility. SIA conducted on a local level in the areas where we operate; this helps determine the suitable empowerment programme that needs to be implemented in the area. These investments are a realization of our commitment to support the UN Sustainable Development Goals (SDGs). APP's CSR Programme emphasizes community empowerment. We aim to deliver long-term sustainable livelihood improvement to the community and foster good relations between the company and the community.

## Other, please specify

### Relevance & inclusion

### Please explain

## F2.1c

### (F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

#### Customers

### Relevance & inclusion

Relevant, always included

### Please explain

Customer guidance and consultation is critical in our business operations, for organic growth and also for new business. We do direct engagement through our Global Sales Team and Stakeholder Engagement Team. 2020 was a challenging year due to the global pandemic, but we managed to maintain cooperation internally and with our valued customers. Through cooperation and collaboration, we can deliver world-leading services, despite the magnitude of any external challenges. This fact is greatly helped by how 80% of the customers we serve are long-standing clients of APP. This means the vast majority of our relationships are built on a solid foundation of trust. With that said, APP immeasurably values new customers, and with our reputation preceding us, typically builds strong relations with new customers at an accelerated pace. APP is always on the lookout for mutually beneficial and potentially long term working relationships. APP's location in Asia and the fact that it exports to nearly 100 countries on five continents make the Company a powerful force in the Asian market. In addition, APP has become one of the longest-running and consistent companies in the paper industry. Hence, prior to a new working relationship, APP will fully explain the process of collaboration. Customers are always kept informed on Company matters, not only in Indonesia but in the world.



## Employees

### Relevance & inclusion

Relevant, always included

### Please explain

Our people including employees and communities are at the heart of everything we do at APP—they are our most appreciated and valued stakeholders. Our commitment to our people's health and safety in the workplace is demonstrated in our Employee Welfare Policy, which exceeds the requirements of the International Labour Organization (ILO) standards. The global pandemic meant that 2020 was a difficult year with several unprecedented hurdles. Despite the challenges, APP was able to have a good year, overcoming various problems with cooperation both internally and with external stakeholders. The good working relationship between APP as a company and APP employees also proved to be a strength during this time. With our dedication and the unwavering commitment of our stakeholders, and the company itself, APP will continue to prosper through any challenges presented currently or in the future.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

Investors are a key stakeholder of APP. Responsibility environmental practice or sustainability issues have become a key component for investors in determining whether or not they are going to invest in certain organizations. Many investors consider environmental including forestry issues as a source of portfolio risk and seek to invest on sustainable companies. APP seeks open and transparent dialogue with investors. We have annual report that available as well in our website and investors annual meeting. We aim to provide a balanced view of the economic, environmental and social aspects of our business activities to the investors.

## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

The Sustainability Roadmap Vision 2030 guides our policies and actions, as does our responsibility to the communities living in and around our operations areas. We committed to empower and involve communities as part of sustainable practices in our operations in order to achieve landscape-scale sustainable forest management, protection and restoration across APP and supplier operations. If forestry and agri-business corporations can empower communities then forests stand a greater chance of being protected. In common with many systems of forestry around the world, there are people living not only near forests, but within them too. It is important to engage communities so that they can work with us to protect the forests. We impact local communities and societies in many ways. In many cases the community has grown around APP's mill operations & pulpwood suppliers concessions over the years. We create jobs and opportunities for community around our mill and our pulpwood supplier concession. Maintaining good relationship with communities is important for APP. We are committed to developing the vitality of the communities close to our operations through community empowerment program, CSR program and donation when needed. Despite the current challenges and uncertainties created by the global pandemic, APP has not neglected its communities and continues to provide support to local people. We strive to empower and improve livelihoods through our community programmes and do so with specialized approaches based on specific needs. To ensure even greater success, many community programmes are collaborations with various stakeholders.

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

Asia Pulp & Paper (APP) Sinar Mas takes its environmental and social responsibilities seriously. APP understands that it has a particular responsibility to ensure that the rich biodiversity in Indonesia's forests is conserved. The company also bears a deep responsibility to protect the livelihoods of the people who work for it and to respect the views and aspirations of the communities that it interacts with. Like other Stakeholders, NGOs are part of our key stakeholder which we continuously engage to have open discussion. We maintain and continue our communication with them through several platforms and events. We welcomed all inputs regarding the implementation of Forest Conservation Policy and other sustainability initiatives. One of the platforms that we use is Stakeholder Advisory Forum (SAF) which is conducted annually. During the SAF, we present the progress of our Sustainability Roadmap Vision implementation as well as the challenges that we face on the ground. The materials and minutes are made public and can be access in <https://sustainability-dashboard.com/> APP is committed to transparently reporting on its program in implementing these actions. Sustainability is embraced as an important value in all aspects of APP's operations and supply chain. This includes the need to ensure that all APP's supply chain partners' act in accordance with its sustainability values, and APP is taking steps to ensure this is the case. NGOs have an important role as parties that monitor APP operations and their feedback and input are very important. APP welcomes inputs from all stakeholders, including NGOs to focus on solutions.

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Relevant, always included

### Please explain

Deforestation is a problem that we cannot solve alone and we have to work together with multi stakeholders from multi levels including commodity users/producer. Our supplier concession located side by side with other concession holder. If we can work together to reduce the deforestation, the impact could be big in landscape level.

## Regulators

### Relevance & inclusion

Relevant, always included

### Please explain

We engage with government bodies and policy makers to ensure we comply with government regulations as part of our governance framework. APP was actively involved in the stakeholder processes related to sustainable forestry. APP has a public affair and government relation division that work closely with the regulator. Potential risk on engagement with regulators is for example is if our operation does not align with the requirements of the Indonesian Government, particularly if the processes under the peat regulation are not understood. The lack of necessary information about forestry regulation could lead to a potential risk of increased cost of compliance.

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

To ensure that our supply chain is free from deforestation, APP requires all pulpwood suppliers - current and potential, to comply with our Forest Conservation Policy (FCP) as well as our Responsible Fibre Procurement and Purchasing Policy (RFPPP), which provides an overarching framework for the specific processes and criteria that we use in evaluating their compliance with our FCP. To achieve the commitments of our FCP we use various tools to support and guide us, such as Sustainable Forest Management certification and HCV/HCS assessments. Our Supplier Evaluation and Risk Assessment (SERA) tool provides a screening for suppliers, assessing them based on global standards for Sustainable Forest Management. All our fibre suppliers, both continuous and one-time, must first be approved through our Supplier Evaluation and Risk Assessment (SERA) process. We only accept wood fibre sourced from area that was not converted from forest area identified as High Conservation Value (HCV) and High Carbon Stock (HCS) after of February 2013. Despite not being under APP's direct ownership, we have a responsibility to manage and monitor their activities. The FCP applies to all suppliers, irrespective of ownership.

### Other stakeholders, please specify

### Relevance & inclusion

### Please explain

## F3. Risks and opportunities

### F3.1

#### (F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.1a

#### (F3.1a) How does your organization define substantive financial or strategic impact on your business?

In APP, the risk of revenue reduction is considered as strategic/substantial. For the substantial risk factors that can materially affect the company's business, six-monthly follow-up of the status quo is considered adequate. Mitigation, of course, takes place on daily basis. 2020 was a year that saw the Company's performance significantly impacted due to the COVID-19 pandemic. We saw a decrease in operating income in APP but we managed to survive and rise above the unstable conditions through support of a robust management plan together with reliable human resources.

Another substantive impact is disruption in the supply of wood raw material impacting upon manufacturing operations, for example, by interrupting or resulting in the down scaling of production at pulp or paper mill which will have immediate substantive revenue impact. In 2020, there were issues concerning regulations from the Ministry of Environment and Forestry (KHLK) and the Ministry of Trade. The regulations were on the importation of raw materials required in the operations of APP, specifically goods containing hazardous waste. This change in regulations forced us to reevaluate economic and environmental considerations.

Along the effort to increase its performance, the Company faced several major obstacles caused by selling price fluctuations, raw materials price, weak market demands, stiff competition among industry players and currency exchange rate fluctuations, as well as the pandemic situation that affected the Company's operational and performance. In addressing the challenges, the Board of Directors conducted reviews and in-depth analyses to further develop policies and strategic actions. The Company has taken some anticipative action by concentrating on the existing potential market through product mix strategy that has added value contributing to better margin, country mix strategy and developed new market and strengthen the basis for potential new customers, also consistently and continuously improved products quality in order to exceeding our customers' expectations; increasing the productivity level and daily operational efficiency by implementing strong budget control, maintaining balance supply of raw materials as well as implementing the Good Corporate Governance (GCG).

### F3.1b

#### (F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

##### Forest risk commodity

Timber products

**Type of risk**

Physical

**Geographical scale**

Forest management unit

**Where in your value chain does the risk driver occur?**

Direct operation

Supply chain

**Primary risk driver**

Forest fires

**Primary potential impact**

Fines, penalties or enforcement orders

**Company-specific description**

Forest fires are a complex global issue that affects both local communities and the environment. Most of APP's pulpwood suppliers concession area are located in peat which is sensitive to fire. APP and its suppliers are committed to a strict no-burn policy. In order to prevent and mitigate the risk of forest fire, APP developed and implement Integrated Fire Management (IFM) strategy. The IFM which consists of four main pillars of Prevention, Preparedness, Early Detection and Rapid response, puts great emphasis on close synergies with the pulpwood suppliers, local communities and other relevant stakeholders. Our target is to maintain area affected by fire to less than 2% annually, out of APP and its suppliers' total concession areas. When fire incident happen in APP's pulpwood concession and impacted the surrounded area, the government will have the investigation and when the company is found guilty of causing forest fires, sanctions ranging from fines to loss of operating permits can be given.

**Timeframe**

&gt;6 years

**Magnitude of potential impact**

High

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact (currency)**

1000000000

**Potential financial impact figure - minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure - maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial**

The financial impact including sanctions ranging from fines to loss of operating permits that given by the authority if the fire happens inside our concession area based on regulation of Indonesia Government, decreased production because all the man power and budget will be focused on how to suppress the fire and loss of customers due to perceived misconduct with potential loss of revenue. The average financial impact due to the forest fire incident is bigger than the cost of prevention effort.

**Primary response to risk**

Engagement with local community

**Description of response**

Through 2020, our focus has been on improving the capacity of our firefighters as well as the efficiency of our response in the field. Certainly, the pandemic in 2020 puts many restrictions to our plans, especially in the socialization and education efforts to the communities as well as when deploying our team to tackle fire. We addressed this by developing and distributing printed copies of the socialization materials to the communities, and by adding equipment and resources to ensure that our firefighters can response to the fire issues on the ground while also observing the strict health protocols to mitigate pandemic risks. Based of review of our experiences in previous years, to improve the efficiency of our early detection of fire, we have also added more fire towers as well as deploying drones in locations that are considered as 'blank spots', which are unmonitored through the fire towers. We also increase synergies with the social team to improve community engagement as well as implementing additional community empowerment programs in villages that are close to concession or fire-prone areas. In 2020, helped by more skilled firefighters and communities as well as favorable weather, we managed to keep areas affected by fires at 0.01% of the total pulpwood suppliers' concessions areas. This is significantly lower than the 2019 figure of 1.69%.

**Cost of response**

150000000

**Explanation of cost of response**

APP has invested more than USD 150 million to develop and implement Integrated Fire Management (IFM) strategy since 2015. The investment is the cost to complete the firefighter with equipment, personnel incentive, transportation and the implementation of supporting program.

**Forest risk commodity**

Timber products

**Type of risk**

Reputational and markets

**Geographical scale**

Global

**Where in your value chain does the risk driver occur?**

Direct operation

Supply chain

**Primary risk driver**

Local community opposition

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

As any other land-based businesses, APP deals with land disputes across its suppliers concession areas. Since 2013 we have put in place standard procedures and guidelines on responsible dispute resolutions, which is implemented across our operation. Unresolved dispute may cause damage to company assets by the claimant, including facilities, equipment and the timber itself. When staff or contractors have to adjust operating schedules due to claimant disruptions, the company incurs higher operating costs. Disputes with community always reflects negatively to the company whether the claim is warranted or not. Naturally, there are intrinsic challenges in managing conflicts and disputes.

**Timeframe**

4-6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact (currency)**

1000000000

**Potential financial impact figure - minimum (currency)**

<Not Applicable>

**Potential financial impact figure - maximum (currency)**

<Not Applicable>

**Explanation of financial**

The financial impact including the loss of concession licenses, decreasing the production which can have a very big impact on the company and loss of customers due to perceived misconduct with potential loss of revenue. The average financial impact due to land dispute issues is bigger than the cost for prevention since the issues are ever changing. The calculation is based on the experiences with the several disputes that are already resolve.

**Primary response to risk**

Engagement with local community

**Description of response**

Since 2013 we have put in place standard procedures and guidelines on responsible dispute resolutions, which is implemented across our operation. Resolving land disputes requires active collaboration between multiple stakeholders, oftentimes not only the company and the community. Other stakeholders could include local and regional authorities, NGOs, as well as mediators or facilitators. To accommodate this multi-stakeholder approach to land dispute resolutions, since 2017 APP has formed Regional Social Working Group in Riau, Jambi and South Sumatra. In 2020, the Regional Social Working Group in South Sumatra has managed to resolve two dispute cases that has been on-going for fifteen years. Trust building is key in this resolution process – how all parties involved build and maintain their trust to one another and that the process, eventhough taking some time, would reach conclusion. We have been developing new approach to land dispute resolution, based on village-level approach. Through this approach, the company will deal with the village authority in resolution process instead of the individual factions or groups. By using this approach, we hope to avoid competing claims amongst groups from one village, which often undermine the progress that has been made, and also make a bigger positive impact to overall village communities, instead of only the group making the claims. In 2020, we have managed to resolve 55% of the land dispute cases that were mapped in 2013.

**Cost of response**

10000000

**Explanation of cost of response**

Resolving land disputes requires active collaboration between multiple stakeholders, oftentimes not only the company and the community. Other stakeholders could include local and regional authorities, NGOs, as well as mediators or facilitators. To accommodate this multi-stakeholder approach to land dispute resolutions, since 2017 APP has formed Regional Social Working Group in Riau, Jambi and South Sumatra. Trust building is key in this resolution process – how all parties involved build and maintain their trust to one another and that the process, eventhough taking some time, would reach conclusion. Our approach in land dispute resolution is to encourage multiple partnership, in which the company not only pay fee to the community for using their land, but also initiate village-owned enterprise so that the local community can be the company sub-contractor in the pulpwood plantation near to their village. The cost to response is including to implemented several community program including the implementation of Desa Makmur Peduli Api (DMPA) program and partnership with community.

**F3.2****(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F3.2a**

**(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.**

**Forest risk commodity**

Timber products

**Type of opportunity**

Markets

**Where in your value chain does the opportunity occur?**

Direct operation

Supply chain

**Primary forests-related opportunity**

Increased demand for certified materials

**Company-specific description & strategy to realize opportunity**

All APP's pulpwood suppliers in Indonesia are certified under one or more Sustainable Forest Management (SFM) certification scheme. Third party certification is a crucial tool to demonstrate to our stakeholders that our fiber is sourced sustainably. The pandemic in 2020 has forced us to adapt our way in doing certification. Despite some challenges, we have been able to maintain 100% of our pulpwood suppliers to be compliant to the PEFC scheme. APP manages to increase the area certified under the PEFC Sustainable Forest Management scheme to 95% from the total APP's pulpwood suppliers' concession areas in Indonesia currently supplying to APP mills. This is the maximum number of areas eligible for PEFC certification of the total concession area of APP's pulpwood suppliers in Indonesia. The remaining 5% are certified under the Government of Indonesia's mandatory Sustainable Forest Management scheme, called PHPL-VLK. Through this certification, wood harvested from these areas are considered as compliant to the PEFC-SFM standard as PEFC Controlled Sources. This assurance is especially important for our customers, many of whom require that we provide certification as part of their responsible sourcing commitment. Through the availability of certified materials in our supply chain, we can fulfil customer demands and approaching new customer with similar requirement. Increasing demand from customer for certified materials will make opportunity for us to gain customers and will give good financial impact to our business.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Substantive positive and long-term financial impacts is expected with the increased demand of certified materials which can increase the sales and impacted to the revenue calculation. The impact has not been quantified financially

**F4. Governance**

**F4.1**

**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

**F4.1a**

**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Chief Executive Officer (CEO)	The Sustainability Committee Board is headed by APP's CEO, Managing Director, Business Unit heads and the Chief Sustainability Officer. The Sustainability Committee Board meets monthly, reviewing performance, overall direction and strategy, as well as any issues raised from stakeholders. CEO is responsible for APP Sustainability strategy including forest related issues which are included in the Sustainability Roadmap Vision 2030, which have 3 pillars including Production, Forest and People, with the main commitment to end deforestation in our supply chain. CEO is involved by approving the target to be implemented in our operations and also responsible to lead the strategy to achieve the target. For example, we have finished the development of APP Sustainability Vision 2030 in 2020, with the CEO approving the mapping of investment priorities that will assist the Company in reaching our 2030 targets.
Chief Sustainability Officer (CSO)	Chief Sustainability Officer (CSO) manages Sustainability and Stakeholder Engagement Division with have four department including: - Landscape Conservation - HSE Compliance Forestry and Mills - Sustainability Compliance - Forestry and Chain of Custody Certification - head of each department reports directly to the CSO. Our CSO develops sustainability related strategy, policy and financial across APP operations and its supply chain globally. The CSO engages with forest related issue on a daily basis and reports the progress to APP's CEO. The CSO also responsible for the approval of new pulpwood suppliers.

## F4.1b

### (F4.1b) Provide further details on the board's oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation / R&D priorities Setting performance objectives	Our sustainability committee board holds monthly meeting to discuss sustainability issue including forestry. Result of the discussion then will be shared to board management. We also have the regular meetings related to the progress of implementation of Sustainability Roadmap Vision 2030 together with sustainability team and board as well as conduct regular meetings with our stakeholder related. This meeting discuss progress and monitoring related to forest conservation, climate issue, environmental, social and supply chain.

## F4.2

### (F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Executive Officer (CEO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	In our governance structure, we have Sustainability Committee Board (SCB) headed by APP's CEO, members include APP's Deputy CEO, Managing Director, Business Unit heads and Chief Sustainability Officer (CSO) which responsible to oversee our sustainability commitments in APP operations. The SCB meets monthly, reviewing performance, overall direction and strategy, as well as any issues raised from stakeholders. The responsibility of CEO includes monitoring and assessment Key Performance Indicator (KPI) sustainability of CSO, supervise SCB, approval of target and strategy to achieve our sustainability goals which include forest related issues.

## F4.3

### (F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	The performance of the Management Board in regards to sustainability is measured via a common balanced scorecard which focuses on four areas: financial, customer, process, and organisation. The scorecard is reviewed at least annually. The weighting of individual targets vary by role. The results of the balanced scorecard assessments go towards shaping the training needs of the board members. Across the organisation, all employees at a management level and above receive 360-degree feedback.

## F4.3a

**(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Sustainability Officer (CSO) Other C-suite Officer	Achievement of commitments and targets Supply chain engagement	APP has incentive plans that measured through a balanced scorecard approach, covering four focus areas including financial, customer, process and organisational. C suite officer have a common scorecard, which is reviewed at least annually, however weighting of individual targets vary by role. The Individual Targets are based on a balanced scorecard with target that included in APP Sustainability Roadmap Vision 2020. For example one of the target is maintain 100% pulpwood supply only from certified plantation.
Non-monetary reward	No one is entitled to these incentives	Please select	

**F4.4**

**(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?**

Yes (you may attach the report – this is optional)

**F4.5**

**(F4.5) Does your organization have a policy that includes forests-related issues?**

Yes, we have a documented forests policy that is publicly available

**F4.5a**

**(F4.5a) Select the options to describe the scope and content of your policy.**

Scope	Content	Please explain
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	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to remediation, restoration and/or compensation of past harms Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Commitment to stakeholder awareness and engagement Commitment to align with the SDGs Recognition of the overall importance of forests and other natural ecosystems Recognition of potential business impact on forests and other natural habitats List of timebound milestones and targets	Our newest sustainability strategy is detailed in our Sustainability Roadmap Vision 2030. The strategy is broken down into three pillars—Production, Forest, and People. We've set ourselves ambitious targets for each of these pillars, intending to drive improvement in processes that concern our business, wider supply chain and environmental sustainability. Vision 2030 also details our efforts and strategy in our continued support of the UN's Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. Under the Sustainability Roadmap Vision 2030 as well as continue the implementation of APP Forest Conservation Policy, we are committed to zero deforestation, best practice for peatland management, and the improvement of social engagement throughout our entire supply chain. By implementing these commitments, APP is committed to reduce or remove deforestation and forest degradation from our direct operations and/or supply chain. Our forest protection strategy is to end deforestation in APP's supply chain by using only plantation wood, and working to reduce deforestation by third parties, ensure only plantation wood enters our supply chain, reduce third-party deforestation by improving security and monitoring, raise living standards by empowering local communities, and Develop plan for restoration of degraded areas.

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain



	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to remediation, restoration and/or compensation of past harms</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>APP requires all its pulpwood suppliers—both current and potential—to comply with the Forest Conservation Policy (FCP) and Responsible Fibre Procurement and Purchasing Policy (RFPPP); these policies provide a framework for the processes and criteria used to evaluate suppliers' compliance our approach to forestry. These initiatives are enacted to ensure our operations are free from deforestation. In addition to the policies, we also develop Supplier Evaluation and Risk Assessment (SERA) tools to assist the risk of the existing and potential wood supplier. this is a mandatory process for suppliers that screens their operations, ensuring they meet our standard as well as assessing their commitment to the FCP and global standards of sustainable forest management Since 2013, APP does not use wood from tropical rainforests or only accept wood plantations that have been established before February 2013. APP continued our commitment through supporting the protection and restoration of natural forest inside APP pulpwood suppliers' concession and outside concession through landscape approach. We set aside 600,000 ha (approximately 21% of our concessions area) as protected forest within the concession. APP is committed to the international, widely recognized forest-related initiatives such as PEFC forest certification schemes, which do not accept deforestation or forest degradation of any form. APP respects cultural and religious values and promotes harmonious cooperation with the local communities where is operates. Respect on people and human rights are also fundamental requirements in APP's Business Code of Conduct. APP's commitments on sustainability is beyond regulatory compliance in Indonesia. We conduct regular audits annually to ensure policies and procedures are adhered to in our operation area. Additionally, we encourage a culture of collaboration between operations, such as knowledge-sharing across all production units. This approach forms an integral mechanism for monitoring performance against our Vision 2030 Sustainability Roadmap.</p>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

#### F4.6

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**(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**

Yes

#### F4.6a

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**(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?**

New York Declaration on Forests

Bonn Challenge

#### F4.6b

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**(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.**

**Forest risk commodity**

Timber products

**Criteria**

- Zero gross deforestation/ no deforestation
- Restoration and compensation to address past deforestation and conversion
- Avoidance of negative impacts on threatened and protected species and habitats
- No trade of CITES listed species
- No land clearance by burning or clearcutting
- No conversion of High Conservation Value areas
- No conversion of High Carbon Stock forests
- Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
- Promotion of gender equality and women's empowerment
- Adoption of the UN International Labour Organization principles
- Resolution of complaints and conflicts through an open, transparent and consultative process
- Facilitate the inclusion of smallholders into the supply chain
- No sourcing of illegally produced and/or traded forest risk commodities
- No sourcing of forest risk commodities from unknown/controversial sources
- Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

**Operational coverage**

Direct operations and supply chain

**% of total production/ consumption covered by commitment**

100%

**Cutoff date**

2012

**Commitment target date**

>2030

**Please explain**

To ensure that we maintain our no deforestation commitment, APP requires that all of our pulpwood suppliers comply with the Forest Conservation Policy (FCP). This includes the supporting policies such as the Responsible Fibre Procurement and Processing Policy (RFPPP), which provides an overarching framework for the processes and criteria used in evaluating the suppliers' compliance with our FCP. In implementing the commitment, we developed tools such as the Suppliers Evaluation and Risk Assessment (SERA), which provides a system to screen the pulpwood suppliers to ensure that they are compliant with Vision 2030 and the FCP. SERA was developed using the global Sustainable Forest Management standards as a reference, as well as the commitments under the FCP. One of the key commitment under the FCP is to improve the management of peatland across our suppliers' concession areas. To do this, we took the science-based approach, engaging with Netherland-based peat and hydrology experts, Deltares, to map out the distribution and topology of peat in the landscape that our suppliers operate in using LiDAR (light detection and ranging) technology. This data would form as the basis in determining our management strategy on peat. APP also remains committed to supporting the Government of Indonesia's conservation commitments to Indonesia's key animal species and their habitats. We put a critical focus on the protection and conservation of the Sumatran tiger, the Sumatran elephant and the Bornean orangutan, which are the key endangered species identified which either inhabit some of our suppliers' concession areas as their territory or use the land as their corridor or roaming area. APP has committed in its Forest Conservation Policy to respect the rights of communities including their rights with respect to their customary land and/or forest area. We implement Free Prior Informed Consent (FPIC) is a decision-making process without pressure and intimidation (free), which is performed before the activity that affects the community is undertaken (prior), with the possession of full and accurate knowledge about the activity and its impact on the community (informed), so that the community can either provide or withhold its permission over the activity (consent). We ensure that FPIC is properly implemented in advance of:

- New plantation forest development areas within the existing concessions
- New plantation forest development in new concessions/licenses
- New mill development

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**F5. Business strategy**

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**F5.1**

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**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	11-15	Sustainability has always been at the core of our business. Our sustainability strategy is detailed in our 'Vision 2030.' The strategy is broken down into three pillars—Production, Forest, and People. We've set ourselves ambitious targets for each of these pillars, with the aim of driving improvement in processes that concern our business, wider supply chain and environmental sustainability. Vision 2030 also details our efforts and strategy in our continued support of the UN's Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. In 2020, we began prioritising the SDGs most relevant to our business strategy. The Sustainability Team held internal discussions to map the business strategies, objectives, and targets in line with the SDGs. Ten SDGs were determined to be most in need of support from APP.
Strategy for long-term objectives	Yes, forests-related issues are integrated	11-15	2020 is the closing year for the Sustainability Roadmap Vision 2020. Our sustainability work is far from complete, though, with APP now shifting to the Sustainability Roadmap Vision 2030 which consist of three pillars – Production, Forest and People. We've set ourselves ambitious targets for each of these pillars, to achieve our objective. For production, our main objective is doing more with less—using innovations in our production processes to make our products go further, with minimized waste. We're striving to achieve a competitive environmental footprint for our company as a whole and for our products. We're also committed to contributing to the circular bioeconomy as much as possible. For Forest, our main objective is working towards landscape-scale sustainable forest management, protection, and restoration across APP and its supplier concessions. APP is a company that depends on plantations. Besides wishing to position ourselves in the global market as a company employing good corporate governance, it makes good business sense for us to invest in sustainable forestry. We have already conserved over half a million hectares of natural forest and protected the peatlands and biodiversity that sustain our business, and now, we are looking to do more. We continue to invest in research on sustainable forestry to best protect and restore natural forests. For People, our main objective is to improve the lives of millions. Our business depends on people, and people are at the heart of what we do. We continually strive to empower the communities around us through employment and bettering infrastructure and facilities. Our goal is empowering and involving communities in our operations. Facilitating the growth of communities around us and maximizing sustainability with their input.
Financial planning	Yes, forests-related issues are integrated	11-15	APP's allocate specific budget every year for forest related product. This budget allocation including for sourcing includes risk assessments, due diligence and compliance with regulation and voluntary standards for our pulpwood suppliers. APP takes account of climate change (future impacts and adaption) and forestry issues in corporate risk management processes, for example floods and droughts which common issue in Indonesia including in our forestry operations. In response, we have mapped out which operation area that we think vulnerable to climate change and forest issue, and we developed long term adaptation plans considers the business continuity and disaster recovery plans for our assets. Most of our supplier concession area are locate in peat area which vulnerable to climate change and forest issue for example risk of flood and forest fire. We develop long term strategy plan to prevent the incident happen. The investment implications of these plans are considered within our long-term financial planning processes.

**F6. Implementation**

**F6.1**

**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

**F6.1a**

**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

As part of our target that included in APP Sustainability Roadmap Vision (SRV) 2030, we aim to source only from certified Sustainable Forests and Maintain 100% of operating units achieve voluntary certification by 2030.

**Linked commitment**

No conversion of natural ecosystems

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

PEFC Sustainable Forest Management certification

PEFC Chain of Custody

Other, please specify (PHPL (Mandatory Sustainable Forest Management Certification in Indonesia))

**Start year**

2012

**Target year**

2030

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

100

**Please explain**

All APP's pulpwood suppliers in Indonesia are certified under one or more Sustainable Forest Management (SFM) certification scheme. Third party certification is a crucial tool to demonstrate to our stakeholders that our fiber is sourced sustainably. This assurance is especially important for our customers, many of whom require that we provide certification as part of their responsible sourcing commitment. The pandemic in 2020 has forced us to adapt our way in doing certification. Despite some challenges, we have been able to maintain 100% of our pulpwood suppliers to be compliant to the PEFC scheme. APP manages to increase the area certified under the PEFC Sustainable Forest Management scheme to 95% from the total APP's pulpwood suppliers' concession areas in Indonesia currently supplying to APP mills. This is the maximum number of areas eligible for PEFC certification of the total concession area of APP's pulpwood suppliers in Indonesia. The remaining 5% are certified under the Government of Indonesia's mandatory Sustainable Forest Management scheme, called PHPL-VLK. Through this certification, wood harvested from these areas are considered as compliant to the PEFC-SFM standard as PEFC Controlled Sources.

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**F6.2**

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**(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	All new suppliers in our forest products supply chain are obliged to comply with our Supplier Evaluation and Risk Assessment (SERA). SERA then facilitates delivering on the requirements of APP's Responsible Fibre Procurement and Purchasing Policy (RFPPP). Additionally, all existing suppliers must implement sustainable forestry management practices, the assessment of which is done with Earthworm Foundation. SERA consist of 12 indicator such as: 1. The company, or any of its associated companies in the pulpwood industry, converting natural forest after February 1st, 2013. 2. Country / region 3. Tree species 4. Third-party certification/verification 5. Chain of Custody System 6. Legality Compliance 7. Protection of High Conservation Values or High Carbon Stock 8. Species protection as listed on the IUCN Red List of Critical Endangered Species and CITES 9. Company's respect for traditional civil and human right 10. Compliance with ILO Core Conventions 11. Company's respect for the health and safety of forest workers 12. No introduction of genetically modified organisms (GMOs). At APP we have ongoing engagement with suppliers. For example, once SERA is completed, if the supplier is to be used on a continuous basis (not one-time) then a HCV assessment is made. On engagement, the SERA process also includes a public notification period to allow for stakeholder feedback on potential supplier's through APP sustainability dashboard. Additionally, as APP mills operation is 100% certified under Chain of Custody certification, we are enables to ensure the wood comes from sustainable plantation and we are able to trace back the product that bought by our customers. We are able to give information to our customer the type of raw material that we use until the location where the wood come from. This to ensure that the material that we use come from responsible and sustainable plantation.	Not applicable	<Not Applicable>
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.2a**

**(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).**

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Forest management unit	100
Timber products	Mill	100

**F6.3**

**(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?**

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	100
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.3a**

**(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.**

**Forest risk commodity**

Timber products

**Third-party certification scheme**

PEFC Sustainable Forest Management certification

**Chain-of-custody model used**

<Not Applicable>

**% of total production/consumption volume certified**

95

**Form of commodity**

Hardwood logs

**Volume of production/ consumption certified**

14531040

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

Yes

**Please explain**

All APP's pulpwood suppliers in Indonesia are certified under one or more Sustainable Forest Management (SFM) certification schemes. Third-party certification is a crucial tool to demonstrate to our stakeholders and customers that our fibre is sustainably sourced. The pandemic in 2020 forced us to adapt our way of carrying out certification. Despite some challenges, 100% of our pulpwood suppliers are still compliant with the PEFC scheme. The area certified under the PEFC Sustainable Forest Management scheme was increased to 95% of the total APP's pulpwood suppliers' concession areas in Indonesia. This is the maximum area eligible for PEFC certification. The remaining 5% is certified under the Government of Indonesia's mandatory sustainable forest management scheme, PHPL-VLK. Wood harvested from these areas is considered compliant with the PEFC-SFM standard as PEFC Controlled Sources.

**F6.4**

**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	<b>A system to control, monitor or verify compliance</b>	<b>Comment</b>
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.4a**

**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).**

**Forest risk commodity**

Timber products

**Operational coverage**

Direct operations

Supply chain

**Description of control systems**

To ensure that our supply chain is free from deforestation, APP requires all pulpwood suppliers--both current and potential to comply with our Forest Conservation Policy (FCP) as well as our Responsible Fiber Procurement and Purchasing Policy (RFPPP). We develop internal tools called Supplier Evaluation and Risk Assessment (SERA) that provides an overarching framework for the specific processes and criteria that we use in evaluating the supplier compliance. We monitor our suppliers through a combination of approaches including regular assessment to ensure the traceability and no deforestation in our supply chain. All of our supplier already done on ground assessment through High Carbon Stock and High Carbon Value assessments by third parties.

**Monitoring and verification approach**

Geospatial monitoring tool

Ground-based monitoring system

Third-party verification

**% of total volume in compliance**

100%

**% of total suppliers in compliance**

100%

**Response to supplier non-compliance**

Suspend & engage

Exclude

**Procedures to address and resolve non-compliance with suppliers**

Developing time-bound targets and milestones to bring suppliers back into compliance

Providing information on appropriate actions that can be taken to address non-compliance

**Please explain**

We monitor our supplier on a regular basis to ensure that they comply with our policies and commitment including our no deforestation commitment. This is done not only through regular on ground monitoring and annual surveillance certification audit with third party, but also through the implementation of technology. Since 2017, we have partnership with MDA, a satellite service provider and using RADARSAT-2 technology as part of our Forest Alert System to monitor the forest cover change in the protected areas in our suppliers' concession areas. MDA will send us alert when they detect open area in the protected are of APP suppliers concession. In 2020, we focused our forest cover change monitoring to the protected areas as defined by the High Carbon Stok (HCS) assessment, allowing us to focus on the priority areas that have high risk of forest disturbances. We conduct on ground verification in the area where we receive alert from MDA. We also have grievance mechanism to allow stakeholders to report the grievance related to supplier compliance. Our response to non-compliance suppliers will be based on our verification. Whether we retain or suspend, and we will support the supplier to come back into compliance. This support include technical support and assistance for the company to achieve compliance. Suppliers that are not willing to comply with our policies and commitments will be excluded.

**F6.6**

**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Comment
Timber products	Yes, from both suppliers and owned/managed land	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.6a**



**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

**Timber products**

**Procedure to ensure legal compliance**

To ensure that our supply chain is free from deforestation, APP requires all pulpwood suppliers - current and potential, to comply with our Forest Conservation Policy (FCP) as well as our Responsible Fibre Procurement and Purchasing Policy (RFPPP), which provides an overarching framework for the specific processes and criteria that we use in evaluating their compliance with our FCP. The APP RFPPP explains our commitment to wood legality and compliance by our fibre suppliers. All of our policies and commitments are align with the mandatory government regulation, which means that if all of our supplier comply with our commitment, they also comply with the legal regulation. To achieve the commitments of our FCP we use various tools to support and guide us, such as Sustainable Forest Management certification and HCV/HCS assessments. Our Supplier Evaluation and Risk Assessment (SERA) tool provides a screening for suppliers, assessing them based on global standards for Sustainable Forest Management. One indicator that included in SERA is Legality Compliance. All our fibre suppliers, both continuous and one-time, must first be approved through our SERA process. Furthermore, we only accept wood fibre sourced from area that was not converted from forest area identified as High Conservation Value (HCV) and High Carbon Stock (HCS) after of February 2013 .

**Country/Area of origin**

Indonesia

**Law and/or mandatory standard(s)**

General assessment of legal compliance

EU Timber Regulation

CITES

Other, please specify (PHPL-VLK (Mandatory Sustainable Forest Management in Indonesia, IFCC-PEFC))

**Comment**

We have expanded the hectareage of our pulpwood supply chain that is covered by formal third-party certification. We use certification as a 'chain of custody' assurance tool that enables us to trace the fibre that we use to a well-managed source. The IFCC is the Indonesian arm of the PEFC and also meets the requirements of Forest Law Enforcement, Governance and Trade (FLEGT) EU import license. The PHPL-VLK helps to assure timber legality and removes the need for our customers to carry out due diligence for fibre traceability themselves. Customers do enquire about what goes into their products; these certifications allows us to meet their specific needs on fibre sourcing.

**F6.7**

**(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Supplier audits Offering on-site technical assistance and extension services Providing agricultural inputs Investing in pilot projects Prioritizing support for smallholders in high-risk deforestation regions	23	Communities play an important role in forest protection. We created our flagship community-forestry program to work towards that goal by improving the welfare of the communities living in and around forest areas, while at the same time reducing the risks of illegal logging, forest fires, and land disputes. In 2015, we establish a program called Desa Makmur Peduli Api (DMPA). Our objective with the DMPA program, which evolved from the Integrated Forestry & Farming System (IFFS), is to empower and involve communities in our sustainable operations, to achieve landscape-scale sustainable forest management, as well as to improve the protection and restoration outcomes across APP and supplier operations. This participatory community engagement program aims to improve livelihoods, transfer knowledge, improve collaboration, and create a virtuous circle of forest management. By the end of 2020, the programme has been rolled out to 386 villages with potential beneficiaries of 31,418 households. The focus in 2020 has been strengthening the programme in many of the villages that have been part of the programme, particularly those that have higher risk of land and forest fire. Despite the pandemic, a significant number of programme participants manage to maintain their business and income, such as honey cultivation, herbal drinks, fruits and vegetables and so on. To further support the programme participants during the pandemic, the programme provided routine webinars in collaboration with partners, where participants learned using digital marketplace to widen their access to market, as well as to develop and innovate their products. Focus have also been put on development of eco-tourism villages that support both economic development and conservation. Activities were particularly focused in capacity building and training, with many of the villages already receiving support from the local government and local stakeholders. Furthermore, APP accepts community forestry suppliers in line with our efforts to foster sustainable livelihoods in the landscapes where we are active and in support of the Government of Indonesia's social forestry objectives. Currently there are 23 community forest that included as our supplier. We give them training on the ground as well as supporting them to continue comply with our commitment such as provide assistance in certification process.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier audits Offering on-site training and technical assistance Disseminating technical materials Organizing capacity building events Financial incentives for certified products Long-term contracts linked to forest related commitments	100%	One of the highest priority issues for our stakeholders is the activities of APP pulpwood suppliers. We use our internal tools such as the Suppliers Evaluation and Risk Assessment (SERA) to provide a screening system for pulpwood suppliers, ensuring compliance with our sustainability commitment and policy. We engage with our suppliers in regular basis through our Forestry Division and Chain of Custody Certification Team. Our forestry management team supports APP pulpwood suppliers, currently covering 33 pulpwood supplier companies who 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 nine of our suppliers), we have a responsibility to manage and monitor their activities.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?**

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Not applicable	<Not Applicable>	<Not Applicable>	All our pulpwood supplier are first tier suppliers and we don't have beyond first tier supplier in term of pulpwood supplier. All of our pulpwood suppliers are disclose in our sustainability dashboard ( <a href="http://www.sustainability-dahsboard.com">www.sustainability-dahsboard.com</a> ). But we realize that achieving forest protection, and thus achieving zero deforestation in the supply chain, needs to be done on a landscape level, not in isolation. All stakeholders in the landscape such as Government, local communities, NGOs and other concession holders, need to work together in order to tackle the highly complex issue of deforestation in Indonesia, which is usually driven by a combination of social/economic factors. Challenges can only be addressed when all stakeholders work together. Specific challenges including: - Forest encroachment, both organized and small scale - Land ownership status in Indonesia - Overlap concession licenses - such as Palm Oil, Rubber & Mining - Indigenous peoples land rights which potentially arises social conflict, particularly when implementing a zero-deforestation business model - Forest Fires APP takes a landscape approach for forest conservation, and to do so, we fund projects coordinated by Belantara Foundation, a grant-making and implementer organisation focusing on the protection and conservation of natural forests. However, the COVID-19 pandemic limited Belantara's on-field works and thus activities in 2020 was focused on the capacity building of the village institutions and community.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?****Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

UN Global Compact

Natural Capital Coalition

Global Reporting Initiative (GRI) Community Member

High Conservation Value (HCV) Resource Network

Forest Stewardship Council (FSC)

Programme for the Endorsement of Forest Certification (PEFC)

Other, please specify (New York Declaration on Forest, Bonn Challenge, The Indonesia Business Council for Sustainable Development, High Carbon Stock Approach, )

**Jurisdictional approaches**

&lt;Not Applicable&gt;

**Please explain**

As part of the UN Global Compact member, APP is fully committed to supporting the SDGs. To devise our strategy of meeting these goals, we utilized the UN's SDG Compass tool to create a detailed map of APP's and our wider supply chain's activities and how these directly support the SDGs. APP Sustainability Roadmap Vision (SRV) 2030 will require more active involvement with stakeholders and see closer alignment with the United Nations' Sustainable Development Goals (UN SDGs) and the Paris Agreement on climate change. SRV 2030 serves as an umbrella model for all our business activities, with three pillars to guide all efforts: Production, Forest, and People. The SRV 2030 builds on its predecessor, the SRV 2020, and exemplifies our firm commitment to building a sustainable business of the future. In terms of engagement with UN Global Compact, APP is also a signatory of the UN Global Compact, and APP is the Chair of Indonesia Water Mandate Working Group under UNGC CEO Water Mandate. All APP's pulpwood suppliers in Indonesia are certified under one or more sustainable forest management (SFM) certification schemes. Third-party certification is a crucial tool to demonstrate to our stakeholders and customers that our fibre is sustainably sourced. 100% of pulpwood supplier supplied to APP are compliant to PEFC scheme which means operate according to PEFC standard. APP is one of 20 International Stakeholder members of the PEFC and sells products through the PEFC Certified product certification system High Carbon Stock Approach: The High Carbon Stock (HCS) Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. APP is part of Steering Group Executive Committee together with several well known international NGOs and experts FSC: APP is part of the Standard Development Group for FSC National Forest Stewardship Standard (NFSS) for Indonesia. Our Sustainability commitment and policies are referring to the FSC standards.

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Engaging with communities

**Initiatives**

&lt;Not Applicable&gt;

**Jurisdictional approaches**

&lt;Not Applicable&gt;

**Please explain**

One of the main commitments of APP is Zero Deforestation which faces many challenges from third party, and one of them is poverty. Poverty becomes greatest cause of deforestation and greenhouse gas emissions that impact climate change in Indonesia. Without community and economic development opportunities people living in the rainforests have few options. Supporting the economic development of local communities has been an integral part of APP's forest protection programmes. APP has implemented initiatives to help communities develop alternative livelihoods, to reduce the risk of fires and achieve economic development while keeping Indonesia's forests intact. Integrated Forestry and Farming System (IFFS) will help to reduce the pressure on Indonesia's remaining natural forests whilst simultaneously improving the livelihoods of local communities. In addition, the programs will be designed to help reduce instances of conflict over land by providing less land-intensive development options and will help to reduce instances of land encroachment and slash and burn activities. As per end of 2020, APP has implemented the IFFS program in 386 villages, impacting with potential beneficiaries of more than 31,000 households. We are particularly focused on connecting our programs to the markets to maximize the commercial opportunities, boost incomes and ensure communities are benefiting. We focused on linking the market to our farmers, and if appropriate in certain cases we buy product direct from the community, for example compost which we then provide directly to pulpwood supplier for forestry applications. Our own operations and suppliers also buy products, for example forestry suppliers purchasing compost produced by the communities. We have also identified logistical challenges and begun to address these too. Ultimately by demonstrating the success of the program and benefits to each community involved, we hope to drive new interest and deliver the growth we are committed to achieving. While growth in village inclusion remains an important goal, we believe that quality and impact are also important measures that should not be compromised in search of growth. We are working closely with host villages to expand scope.

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Engaging with non-governmental organizations

**Initiatives**

&lt;Not Applicable&gt;

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

To identify and respond to stakeholder concerns and expectations, monitor global trends and play our role in the debates that relate to the key issues that impact our business, we conduct a diverse and far reaching approach to stakeholder engagement. We identify our stakeholders as any group who expresses an interest in APP's operations and/or our impacts. APP encourages open dialogue, which is best demonstrated by our annual Stakeholder Advisory Forum. This event provides the opportunity for any stakeholder including NGOs with an interest in attending to engage directly with us in an open and interactive forum, hear our latest updates and voice their opinion. In some cases, the concerns and discussions raised by our stakeholders are too specific to respond to through broader engagement mechanism and a more direct approach is required. In these cases, we issue specific briefings or press releases to address issues raised. Regional Social Working Group (RSWG) are used in specific regions within our supplier's concessions, providing stakeholder engagement mechanisms to deal with issues related to land use rights. To further enhance the land dispute management process APP formed and conducted Regional Social Working Groups (RSWG) in Jambi, South Sumatra and Riau Provinces in Indonesia. The engagement mechanism act as a platform to accelerate the land dispute resolution process by involving key stakeholders, including NGOs, community representatives, CSOs, government representatives and academics, to discuss land disputes in the region. The RSWG will continue to host routine meetings to discuss progress and challenges of land dispute resolution processes and find solutions key cases put forward for discussion. In 2020, the Regional Social Working Group in South Sumatra resolved two dispute cases that have been ongoing for fifteen years. Trust building is key in this resolution process. Additionally, a key success point here is the active participation of the local authority in taking the lead in the ad-hoc team, as well as facilitating and pushing for progress in the resolution process.

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**F6.11**

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**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

**F6.11a**

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**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Forest ecosystem restoration

**Primary motivation**

Voluntary

**Description of project**

At APP we consider that sustainability is core to the success of our business. We take a broader view across many different issues, and work to align our position with the expectations of our global customers. The environment, as our business, depends on sustainable operations. Forestry management is critical to maintaining the trust of our stakeholders. Over the last decade we have worked hard to develop our approach to natural forest conservation, protection and restoration. Restoration form a part of our Integrated Sustainable Forest Management Plans and carried out based on the recommendations of experts, including High Conservation Value (HCV), High Carbon Stock (HCS), peatland and social experts, and relevant NGOs.

**Start year**

2018

**Target year**

2023

**Project area to date (Hectares)**

16000

**Project area in the target year (Hectares)**

30000

**Country/Area**

Indonesia

**Latitude**

1.168409

**Longitude**

101.744345

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Biodiversity

Carbon sequestration

Soil

**Please explain**

In 2019, APP undertook a reassessment of the forest cover in their suppliers' protected areas. This was done to understand the current state of the forest cover, as an update of the last assessment done in 2015. The result of this assessment feeds into the restoration strategy in 2020. In conducting the restoration works, we use the strategies developed through our collaboration with Gadjah Mada University as well as P3SEKPI. These restoration strategies are differentiated between soil types: peat, mineral or marine clay. These restoration strategies are being compiled into books that will be published in 2021. In 2020, out of the voluntary restoration target of 30,000 hectares, we achieved 16,000 hectares. This achievement is on top of the 8,274 hectares mandatory restoration on peat dome peaks in 2020. A significant portion of this was achieved through natural regeneration, particularly in areas located close to the natural forest in good condition, which allows for natural seedlings to distribute naturally to the degraded areas. We measure restoration achievement using satellite images, which are then verified on the field using sampling plots following the HCS approach measuring standards. Challenges remain in the restoration efforts, such as the lack of seedlings for enrichment works in degraded areas located far from natural forest. We address this challenge by establishing local tree species nurseries, many of which are done in collaboration with local communities as part of community empowerment programmes and establishing seed stands for local tree species. In 2020, our kulim and ramin seed stand in Riau province were certified, ensuring that we will have good quality seedlings in the coming years.

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**F7. Verification**

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**F7.1**

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**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

Yes

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**F7.1a**

**(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

**Disclosure module**

F1. Current State

**Data points verified**

Forest Conservation Policy progress update

**Verification standard**

Assurance Standard AA1000AS

**Please explain**

The data verified through Sustainability Report 2020 based on Assurance Standard AA1000AS

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**Disclosure module**

F6. Implementation

**Data points verified**

Data regarding implementation of forests-related commitment

**Verification standard**

Assurance Standard AA1000AS

**Please explain**

The data verified through Sustainability Report 2020 based on Assurance Standard AA1000AS

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**F8. Barriers and challenges**

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**F8.1**

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**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Timber products

**Coverage**

Direct operations  
Supply chain

**Primary barrier/challenge type**

Land tenure and insecure property rights issues in sourcing regions

**Comment**

The majority of the land disputes we experience relate to villages within concessions, but in some cases they concern villages that become established after a license to manage concession is granted. The issues are often complex and multi-faceted, involving customary land rights, access for livelihoods, illegal land trade and speculation, land use without permission, or concession overlaps. Not managed correctly, land disputes can create social tensions and negative environmental impacts through forest clearance. Our Forest Conservation Policy commits to Free, Prior and Informed Consent (FPIC) of indigenous and local communities on any proposed development or forest management activities in existing plantation areas. It also commits us to resolve land disputes effectively and handle complaints responsibly. There are several intrinsic challenges in managing land disputes that we identify and constantly look for ways to improve. Community politics can be complex, and trust takes time to be built. External parties can add additional complexity, with conflicting interests which we must consider, too. APP has developed a range of measures to identify and effectively resolve land disputes. These include: • Land dispute mapping • Work plans to address each land dispute and implement the plan • Acceleration of land dispute resolution is part of Key Performance Indicators (KPI) • Establish Social and Security Division (from HQ until district level) to handle land dispute resolution • Develop SOP for land dispute resolution • Establish Social Working Group Regional (SWGR) Together with the Earthworm Foundation, in 2013 APP conducted land dispute mapping across its pulpwood suppliers' concessions area in Indonesia. We have since trained all managers on how to undertake land dispute mapping and practical methods for developing action plans to resolve land disputes. As part of this, we have developed a methodology for classifying different levels of land disputes which helps to inform our decisions on how best to allocate resources for effective resolution.

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**F8.2**

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**(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

**Forest risk commodity**

Timber products

**Coverage**

Direct operations  
Supply chain

**Main measure**

Investment in monitoring tools and traceability systems

**Comment**

Effective monitoring and implementation require us to know exactly what is happening in the forests in and around our concessions. Since 2017 we started using the Forest Alert Service provided by MacDonald, Dettwiler and Associates (MDA) to track changes in forest cover within APP's suppliers' concessions. MDA technology provides a near real-time Forest Alert Service, including 5 metre resolution forestry change detection provided by satellite images. The service gives us access to monthly reports on forest changes that include geospatial information showing the exact location and estimated size of changes, helping us to monitor areas that are difficult to access. However, the MDA only provide data on the location and size of the forest cover changes. It does not have information on the cause of the forest cover change, and for that, a field verification is required to determine the cause of the forest cover change and the next steps that need to be taken to address these changes. This forest monitoring is available in our sustainability dashboard (<https://sustainability-dashboard.com/forest-monitoring>) and can be access by public. To improved traceability in our own and pulpwood supplier, when we launched the first Sustainability Roadmap in 2012, we set a goal to achieve 100% of our pulpwood suppliers to be certified by independent, third-party forest certification schemes. We have achieved the goal; 100% of our suppliers' plantations certified under various third-party sustainability certification schemes available and we plan to maintain this in the years to come. Third party certification is a vital tool in demonstrating that our fibre is sourced sustainability. Certification covers two key aspects of our supply chain – the forestry practices and the traceability from forest to our mills, commonly referred to as 'chain of custody'. As well as providing APP with assurances, these certifications also allow us to meet the requirements of our customers, many of whom require that we provide certification as part of their responsible sourcing commitments.

**Forest risk commodity**

Timber products

**Coverage**

Direct operations  
Supply chain

**Main measure**

Greater stakeholder engagement and collaboration

**Comment**

APP engages three organisations, World Agroforestry (ICRAF), Center for International Forestry Research (CIFOR) and Yayasan Konservasi Alam Nusantara (YKAN, the Indonesian affiliate of The Nature Conservancy) in order to develop a guideline to develop business model for the community. This project originates from the desire to replicate the Desa Makmur Peduli Api (DMPA) program in other villages outside APP's suppliers' concession areas, in order to support the government in local economic development while at the same time ensuring environment protection. In developing the guidelines, each organisation uses their own approach to community empowerment. CIFOR conducted their assessment in 2 villages in Riau, while ICRAF in 2 villages in South Sumatra and YKAN in 2 villages in West Kalimantan. In 2020, the CIFOR and ICRAF have completed the business model development, as well as the monitoring and evaluation, and the guideline on how to develop the business model itself. The process includes continued dialogues and Focus Group Discussions, and address aspects such as outcome option, funding source potential and strengthening the village institutions. In West Kalimantan, YKAN has completed the participatory mapping of the village's resources and agreement with the village on forest conservation. The Village's Medium-Term Development Plan as well as assessment to establish village-level institution has also been completed, with input from the community members as well as village authority. As the next step, the business model that has been developed by each organisation will be piloted in the villages to ensure its applicability. This is important to ensure that the business model can later be applied in other villages.

**F17 Signoff**

**F-FI**

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

**F17.1**

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	Job Title	Corresponding job category
Row 1	Chief Sustainability Office	Director on board

**SF. Supply chain module**

**SF0.1**

**(SF0.1) What is your organization's annual revenue for the reporting period?**

	Annual revenue
Row 1	7112000000

SF0.2

**(SF0.2) Do you have an ISIN for your organization that you are willing to share with CDP?**

No

SF1.1

**(SF1.1) In F6.3 you were asked "Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption". Can you also indicate, for each of your disclosed commodity(ies), the percentage of certified volume sold to each requesting CDP supply chain member?**

Yes

SF1.1a

**(SF1.1a) For each of your requesting CDP supply chain members, indicate the percentage of certified volume sold per disclosed commodity(ies).**

**Requesting member**

Philip Morris International

**Forest risk commodity**

Timber products

**Form of commodity**

Boards, plywood, engineered wood

Primary packaging

Secondary packaging

**Third-party certification scheme**

PEFC Chain of Custody

**Total volume of commodity sold to member**

25534

**Metric**

Metric tons

**What % of the volume reported in column 5 is certified?**

100%

**Comment**

We only use 100% certified material

SF2.1

**(SF2.1) Please propose any mutually beneficial forests-related projects you could collaborate on with specific CDP supply chain members.**

**Requesting member**

Philip Morris International

**Commodity related to the project**

Timber products

**Category of project**

Other category, please specify (Carbon In-setting Product)

**Type of project**

Other, please specify (Carbon Sequestration through APP Conservation Program)

**Estimated timeframe for realization of benefits to customer**

1-3 years

**Details of project**

We can offer carbon reduction on product supplied to customers through carbon in-setting on our conservation program. This program will result in a premium product with higher price but having low or zero carbon emission.

**Projected outcome**

15% carbon reduction for customer product



SF2.2

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**(SF2.2) Have requests or initiatives by CDP supply chain members prompted your organization to take organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain?**

Yes

SF2.2a

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**(SF2.2a) Specify the requesting CDP supply chain member(s) that have driven organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain and provide details on how.**

**Requesting member**

Philip Morris International

**Category of project**

Relationship sustainability assessment

**Type of project**

Aligning goals to feed into customers targets and ambitions

**Description of the project/initiative**

human rights and environmental assessment in APP's mills and pulpwood suppliers

**Give an indication of the metric of success for the initiative**

Compliance with PMI Responsible Sourcing Policy

**Would you be happy for CDP supply chain members to highlight this work in their external communication?**

Yes

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SF3.1

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**(SF3.1) For your disclosed commodity(ies), do you estimate the GHG emission reductions and/or removals from land use and land use change that have occurred in your direct operations and/or supply chain?**

**Timber products**

**Estimate GHG emissions and removals from land use and land use change**

Yes, but not willing to share details

**Please explain**

Include in CDP Climate Change

Submit your response

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**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain questions?
I am submitting my response	Investors Customers	Public	Yes, I will submit the Supply Chain questions now

**Please confirm below**

I have read and accept the applicable Terms